

Vested in Your Successful Retirement

401Investments, llc – A Retirement Plan Advisory Firm

This brochure was last revised as of February 2012 and it provides information about the qualifications and business practices of 401 Investments, llc. If you have any questions about this brochure, please contact us at compliance@401investments.com. 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 Investments, llc is also available on the SEC's website at www.advisorinfo.sec.gov. Where 401 Investments is referred to as a Registered Investment Advisor or generally referred to as Registered, it is not intended to convey that the firm has attained a certain level of skill or training. It is meant only to notify our clients that 401 Investments, llc has registered with the appropriate state and federal government agencies per governing rules and regulations applicable to firms providing investment advisory services.

Material Changes

This section would ordinarily contain a complete list of material changes made to this brochure as previously provided to our clients. There are no material changes to report as of the version date of this brochure.

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Plan Benchmarking &
Vendor Qualification

A Summary

QUICK FACTS

No. of Participants: 14,000 (approx.)

No. of Plans: 70+

AUM: \$325M+

Headquarters: 2924 Deerwood Dr.
Waco, TX 76710
O. +1.254.723.7658
www.401Invest.com
[under construction]

Satellite Offices: New York, NY - Raleigh,
NC - San Antonio and
Austin, TX

Retirement Plan

Design Types: Defined Contribution,
Defined Benefit, Cash
Balance, PEOs & Non-
Qualified [all types]

Services Offered: Investment Analytics &
Due Diligence

Plan Design Consulting

Fiduciary Best Practices
Review &
Implementation

Employee
Communication &
Education

Unique Strengths:

Expert-level
Understanding of
Retirement Plan
Regulations,
Investment Criteria &
Plan Sponsor
Obligations

Our advisory service delivery model is aptly divided into two primary categories: (i) *Retirement Solutions* and (ii) *Investment Management*. Retirement plans and the funds deferred into them are a specialized component within the broader discipline of investment management. The regulations are increasingly more complex and the requirements can be daunting and elusive even to a professional.

The plan sponsor and participants need a specialist who can competently serve the holistic needs of the retirement plan investing life cycle. 401Invest...

- guides them through the design, implementation and ongoing operational phases of the plan - *Retirement Solutions*, while
- providing investment management and advisory services that are tailored to investors focused on retirement – *Investment Management*.

Advisory Business

About 401 Investments, llc

A SINGULAR FOCUS – RETIREMENT PLAN
OPERATIONAL AND INVESTMENT SUCCESS

401Invest is a professional, financial advisory firm committed to delivering excellence in retirement planning. We are intentional about our maniacal focus on retirement. It is one of the most important financial decisions and, given the power of time and compounding, the most important to plan for early and well. The firm was formed in 2011; although the founders have been significant participants in the retirement plan investment industry for a combined 27 years.

Increasingly Relevant - The population is ageing and expects to live longer than ever. Yet...

- a global survey of over 17,000 found that 41% felt they were underprepared for retirement, while 64% admitted they had concerns about their financial security in retirement¹.
- the US population over the age 65 will increase from 40M to 71M from 2010 to 2030, respectively².
- 1 in 5 respondents did not know what their primary source of income would be in retirement

401Invest is passionate about helping people prepare well for a long, happy retirement.

¹ HSBC – The Future of Retirement 2011

² US Administration on Aging

Planning and Investing Well Makes a Huge

Difference - The financial gain that is experienced from making a concerted effort to save for retirement is truly phenomenal when compared to the absence of a plan. Adding professional financial advice to this plan increases the gains even more. In fact, a recent study looked at the value of amassed financial assets in various scenarios. Here is what it found...

- ‘planners’ amass nearly 2.5x more in their retirement plans than do ‘non-planners’³
- when these ‘planners’ also sought and followed professional financial advice, they amassed 3.5x more in their plans than ‘non-planners’⁴

401Invest has the expertise, tools and dedication to excellence required to team with Plan Sponsors and their Participants to build a strong plan for retirement and maximize the *planning and advice premium*.

Business Owners/Plan Sponsors Need a

Retirement Plan Expert - Most retirement plans today are receiving direction from financial advisors who may be good financial planners, but are not ERISA experts who are also willing to be fiduciaries. The numbers speak for themselves...

- over 150,000 advisors have at least one corporate retirement plan under management
- less than 20,000 have more than five plans, while

³ HSBC – The Future of Retirement 2011

⁴ HSBC – The Future of Retirement 2011

- less than 4,000 have more than 25 plans or over \$100 million.⁵

These numbers are instructive; revealing that the community of retirement plan savvy financial advisors is small. Alarming, this is true even though the regulations governing the actions and responsibilities of Plan Sponsors and their retirement plans are increasingly tougher to navigate. This contention is most recently evidenced by The Department of Labor's February 2, 2012 release of final regulations under ERISA § 408(b)(2) and DOL Reg. § 2550.408b-2.

401Invest assumes both an ethical and a legal obligation to design the plan and advise the Plan Sponsor in accordance with the latest governing legislation. We pledge to stay ahead of the knowledge curve, ensuring that the sponsor may maintain a high degree of confidence that their retirement plan meets all legal requirements.

BUSINESS PHILOSOPHIES

We understand that while business owners take their responsibility as the Plan Administrator seriously, the realities of building and running a business are never ending. 401Invest takes pride in serving the business owner as their vested partner in operating a compliant, performing retirement plan.

One size does not fit all; creativity tempered by the governing law is an imperative. 401Invest works closely with employers to build customized, creative retirement plan investment solutions that meet their individual business and retirement planning objectives, while placing significant

emphasis on educating employees and plan participants.

It is our responsibility to maintain a rigorous investment and industry research regimen so that our clients can boldly rely on us to maximize the *planning and advice premiums* realized when measured against stated business and retirement objectives. The following are the core business principles that we deploy to deliver on this goal.

CORE BUSINESS PRINCIPLES

Client's Interests First – Deliver more than expected, always acting in the best interest of the Retirement Plan, its Participants and its Sponsor.

Unwavering Professionalism – Absolute integrity, backed by an unrelenting pursuit of industry knowledge.

Sound Investment Policy – Strict adherence to specific investment parameters and calibrated asset class exposures to minimize style drift and maximize returns for a desired risk profile.

Knowledge is a Premium – Each team member must maintain an applied knowledge of industry best practices within their specific domain, resulting in continual personal, process and service delivery improvements.

Full Disclosure – All fees are fair, easily understood, fully disclosed and for value.

Exceptional Client Experience – Warm, candid communication that uses time wisely, builds relationships and inspires confidence.

⁵ The 401k Exchange and Free ERISA Data

Listen First – Understand the client’s needs and adopt them as our own before acting or speaking.

Work Ethic – There is no substitute for time spent working hard for our clients.

MISSION STATEMENT

To craft creative retirement investment solutions using industry leading best-practices that meet the employers business objectives and deliver on the plan participants retirement goals.

PRINCIPAL OWNERS

Allison Kaylor and Dan McReynolds are the principals and founders of 401Invest. Their passion is to provide retirement plan sponsors and plan participants with best-in-class financial advice, plan design and operational consulting services tailored specifically to retirement funds.

Dan McReynolds – Mr. McReynolds began his career as an investment analyst managing a portfolio for a large, regional Insurance company. Transitioning to global business consultancy as a Senior Consultant, then Director of International Consulting and Vice President of Perryman Consultants G.E. International. The firm provided business consulting, primarily financial and managerial consulting for the executive management and directors of Fortune 1000 companies, regulatory bodies and governments across North America and EMEA.

Within the context of the Private Equity industry, he has lead or advised a broad range of private and public transactions and investments, including mergers and acquisitions, divestitures and asset sales, private equity and venture capital investments, investment partnerships, corporate reorganizations and recapitalizations (including bankruptcy and

workout transactions), joint ventures, business organizations, and private placements. He served as an investment committee member for the London-based Plutus Capital Management, LLP, also serving in the same capacity for Transeo, a \$500M global investment fund. The fund deployed hybrid, multi-industry global investment strategies at the intersection of Hedge Fund and Private Equity investing. He was also a director of and partner in Velocity Advisors, Inc. a buyout advisory and investment firm. He recently sold and resigned as Chairman & Managing Director of DataPath, Ltd, a Bangladesh-based, tax services BPO he founded in 2009. He has also served as CEO and a director for a public company with over 3,000 employees; a company that he and two partners later took private.

Mr. McReynolds presently serves as Managing Director of DGC Holdings, LLC a holding company and private investment and consulting firm advising companies through various stages of acquisition and value-creation, Chairman of Total Outsource Systems, Inc., (www.tosystems.com) a North American BPO. He also serves as adjunct Professor of Corporate Tax & Partnership Tax Law at Baylor Law School.

Mr. McReynolds holds a BBA in Economics and Finance from the Baylor University Hankamer School of Business and a Juris Doctorate from Baylor Law School.

From 2004 to 2011, Mr. McReynolds was CSO & Principal of a national recordkeeping and retirement plan administration firm serving retirement plans with over 120,000 participants, \$2B in assets across 49 states. He has a deep understanding of the rules and regulations

governing qualified and non-qualified retirement plans with which to serve and advise 401Invest clients. As a sponsor and trustee of retirement plans and through his tenure in the retirement plan industry, he has amassed a comprehensive and intimate understanding of the unique needs of the retirement plan investor and has observed time and again the degradation that occurs as a result inattentive and uninformed financial advisors.

Allison Kaylor – Ms. Kaylor has served as a plan administrator and/or a financial advisor to retirement plans since 1991. She architects solutions that build effective, client-focused retirement programs, while her approach strengthens the client/consultant relationship, motivating her clients to invest in their retirement.

Allison's 20 years of diverse experience enables her to construct retirement plan solutions tailored to individual and businesses needs. After beginning her ERISA career in 1991 at The Benefit Group, she went on to Plan Data, Inc. where her efforts launched the company into the daily-valued, recordkeeping provider. Other career highlights include key management positions at Hartford Retirement, Guardian Pension Services, The 401K Company, and ING Investment Advisors, Inc.

Allison helped ING acquire 400 additional clients and achieve unprecedented retention rates, by She is recognized as one of the leading retirement plan focused advisors in the industry. She has been recognized by *Plan Sponsor Magazine* as a *top 100 Retirement Plan Financial Advisor*. There are few persons in the retirement plan industry who have the same skill and proficiency as Ms. Kaylor.

An Accounting graduate of Adelphi University, Allison conducted her post-graduate work at Boston College and The University of Texas at Austin. She holds a B.A. and M.A., respectively.

As an Austin, TX community leader, Allison dedicates her spare time to many worthwhile causes. A devoted mother to children Marc and Stephanie, she has a passion for children's charities and supports CASA, Austin's Children's Rescue, as well as Meals on Wheels. She is also an active member of Mosaics, the women's chapter of Jewish Federation, and is a board member for the Austin Jewish Academy.

Due to her widely recognized expertise as a financial advisor exclusively for retirement plans, she built the 401Invest advisory business from \$0 to over \$300M in just 3 years. This success is driven by her clients' absolute trust in her competence and veracity, knowing that at all times she acts in their best interest.

Advisory Services Offered

Our advisory service delivery model is aptly divided into two primary categories: (i) *Retirement Solutions* and (ii) *Investment Management*. Retirement plans and the funds deferred into them are a specialized component within the broader discipline of investment management. The regulations are increasingly more complex and the requirements can be daunting and elusive even to a professional.

The plan sponsor and participants need a specialist who can competently serve the holistic needs of the retirement plan investing life cycle. 401Invest...

- guides them through the design, implementation and ongoing operational phases of the plan - *Retirement Solutions*, while
- providing investment management and advisory services that are tailored to investors focused on retirement – *Investment Management*.

Retirement Solutions –Simplify, Perfect, Implement, Manage

In an attempt to improve and safeguard the private retirement plan industry, Congress has passed an overwhelming volume of legislation that Plan Sponsors and other plan fiduciaries must follow. 401Invest is exceptionally qualified to lead its clients through design, implementation, operational and re-design phases of the retirement plan life cycle.

Our goals are to *simplify* and disclose to the sponsor all relevant facts and costs, *perfect* the plan design, *implement* the retirement plan in compliance with this design, and lead the *management* of the plan and its investments throughout the lifecycle of the retirement plan.

PLAN DESIGN SERVICES

Pragmatic Creativity

Initial Strategic Design – Whether 401Invest is designing a new plan or taking over an existing plan, our approach is similar. We listen to and understand the Plan Sponsor's goals and complete a comprehensive strategic design assessment. Even seemingly small design elements can have big impacts on the performance of the design relative to plan.

Meticulous plan design results in:

- more effective allocation of employer dollars,
- enhanced benefits for Highly Compensated Employees, and
- greater plan participation rates by employees.

While legislation dictates uniformity for certain plan features, recent changes in law are aimed at increasing employee participation and restoring some of the incentives and benefits previously lost by Plan Sponsors.

Plan Analytics – Given the pace of change in the retirement regulatory environment, it is critical that the legal, compliance and design aspects of a plan are reviewed at least annually. It is no less important to have an expert advisory firm who understands the operational nuances of plan design on your team who is also legally responsible. Some of these operational issues include...

- effective eligibility requirements
- contribution features, and allocation options
- Safe Harbor plan design features
- automatic enrollment
- digital transmittal of payroll, loan and distribution transactions
- optimal frequency and content of employee communication
- education and advice on ERISA §404(c) investment guidelines and requirements

Effective plan design isn't a one-time activity. 401Invest proactively tests the effectiveness of recent design changes to identify whether

further adjustments may be warranted to obtain known plan objectives.

Put simply, 401Invest navigates its clients through the regulatory labyrinth.

RETIREMENT PLAN BENCHMARKING & VENDOR SEARCHES

Excellence, Priced Fairly

The retirement plan vendor review process can be time-consuming, confusing, and frustrating. All too often, standard vendor-provided proposals do not include enough information to determine the adequacy of the administrative, recordkeeping, compliance, and employee communication services being offered. Alternatively, the data is so complex that it is difficult to contrast and compare. Furthermore, total plan costs are usually difficult, approaching impossible, to determine for those who are not retirement investment experts.

401Invest is a partner in the plan provider review process. 401Invest employs the RPAG Plan Provider Analysis and Benchmarking System, using a comprehensive database and proprietary methodology that reflects decades of experience analyzing plan provider product and service offerings. This enables plan sponsors to eliminate the confusion and frustration of selecting a 401(k) provider, and dramatically reduces the amount of time plan sponsors must allocate to the evaluation of retirement plan providers.

A fundamental obligation of plan fiduciaries is to understand the fees being paid by the plan and the plan participants—and to ensure those fees are reasonable, given the services received. 401Invest will analyze your plan's fees and

services, benchmark them to similar plans of similar size across multiple vendors, and help you understand the results.

EMPLOYEE COMMUNICATION & EDUCATION

401Invest Stands at the Top

A successful communication program is critical to the success of a company's retirement plan. Enrollment and education specialists working at 401Invest understand that the development of an effective communication program varies greatly from business to business, across industries as well as employee demographics. 401Invest reviews a variety of options with the retirement plan committee and crafts the best program for their particular employee population.

Consistent implementation of the plan increases employee understanding and participation, while raising the profile and appreciation of the benefit.

401Invest is one of the few retirement plan advisory firms that is passionate about spending time educating employees.

401Invest strategic objectives include:

- Describing with clarity the benefit of the retirement plan to employee population
- Maximizing employee participation and increasing their contributions
- Assisting employees with developing appropriate asset allocation strategies
- Delivering ongoing education about retirement planning

Key action components of the communication strategy include:

- Pre-enrollment memos, posters and announcements
- On-site meetings conducted by securities-registered representatives
- On-site group enrollment and investment education meetings
- On-site one-on-one educational meetings
- Multi-lingual meetings, material and representatives
- Video teleconferencing "Meet Me" meetings for remote locations
- Access to online investment and financial planning
- Customer service representatives and e-mail contacts for plan participants

PLAN SPONSOR SUPPORT

Dedicated Trusted Support - A successful retirement plan will reinforce an employer's commitment to its employees and help it attract new talent. As the client's plan advisor, 401Invest provides advocacy, assistance and support. Many firms place value primarily, if not, entirely on managing the investments and are uninterested in providing additional value.

401Invest knows there is much more to a successful retirement plan than managing the investments.

Our firm provides a full range of services to support and expand the benefits of the plan for our clients and their participants.

Proactive Plan Reviews - We help evaluate the plan's performance and assess whether it is doing the best possible job helping participants prepare themselves financially for retirement, while meeting the needs of the plan sponsor.

Industry and Provider Monitoring - We communicate changes, both in the industry and the companies providing services, which may affect the plan and the employees. Our clients are kept up-to-date on the latest trends and developments to ensure they are offering a competitive plan. We offer helpful industry-specific reports so our clients can compare their plan structure to those of others in the same industry.

Full fee transparency - As part of our commitment to full fee transparency, we provide a Retirement Plan Servicing Agreement to all clients. Not only does this document disclose exactly how we are compensated on each plan, it also outlines the full range of services we provide. Fee summaries/audits are provided annually.

Service, Support and Problem Resolution – 401Invest is a valuable helping hand, a source of support and information whenever our clients or their participants need assistance.

We are only a phone call away.

Investment Selection & Management - Disciplined, Yet Dynamic

INVESTMENT ANALYTICS & ADVISORY SERVICES

At the core of our firms retirement solutions expertise is the ability to deploy a disciplined,

model-driven, independent investment analysis and selection process. 401Invest specializes in managing funds that are invested for retirement in all types of Qualified and Non-qualified, Defined Contribution and Defined Benefit retirement plans.

Designing a stock portfolio, choosing a mutual fund or selecting a money manager is conducted with the same prudent, research and data-laden, modern portfolio theory led processes. These disciplines are applied to each type of investment paradigm found in the retirement plan industry.

As a financial advisor to a retirement plan, 401Invest is a fiduciary and the Employee Retirement Income Security Act (ERISA) delineates the duties that are incumbent to this role. ERISA contains five primary requirements for pension fund fiduciaries. 401Invest believes it is important to educate our clients and the following is a summary of the 5 primary requirements that govern the actions of 401Invest in its role as your financial advisor⁶. We operate at all times in compliance with these mandates.

A. Sole Interest Requirement: A fiduciary must discharge his duties solely in the interests of the plan participants and beneficiaries. (ERISA 404(a)(1)(A)).

B. Exclusive Purpose Requirement: The fiduciary must discharge his duties for the exclusive purpose of

- i. providing benefits to participants and their beneficiaries; and
- ii. defraying reasonable expenses of administering the plan.

⁶ The source of this summary is a publication by the University of California at Berkeley, Center for Labor Research and Education Institute of Industrial Relations.

C. Prudence Requirement: A fiduciary must act with the care, skill and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. (29 U.S.C. § 1104(a)(1)(B) (1994)). Prudent investors must consider the following issues:

- i. Diversification: The composition of the portfolio in terms of diversification;
- ii. Relative Return: The liquidity and current return of the portfolio relative to the anticipated cash flow requirements of the plan;
- iii. Projected Return: The projected return of the portfolio relative to the funding objective of the plan;
- iv. Expected Return: Consideration of the expected return on alternative investments with similar risks available to the plan. (DOL Interpretative Bulletin 94-1).

Courts have ruled that prudent investing does not mean maximizing returns for the least amount of risk. See, for example, *Foltz v. U.S. News & World Report, Inc.*, *Anderson v. Mortell*, and *Ershick v. United Missouri Bank*.

In addition, the DOL has indicated that fiduciaries need not invest only in conservative investments. "The relative riskiness of a specific investment . . . does not render such investment either per se prudent or per se imprudent . . . Although securities issued by a small or new company may be a riskier investment than securities issued by a 'blue chip' company, the investment in the former company may be entirely *MK check* under the Act's 'prudence' rule." (Preamble to Rules and Regulations for Fiduciary Responsibility; Investment of Plan Assets under the "Prudence" Rule, 44 Fed. Reg. 37,221 (June 26, 1976))

Prudence is not judged by the success of the investment viewed in hindsight. The procedural process by which the investment decision was made determines Prudence. (*Marshall v. Glass/Metal Association*)

In addition, the Safe Harbor Rule protects investors: *If a fiduciary complies with the prudence regulation, the investment will be deemed prudent.* If the fiduciary does not comply with that regulation, the investment is not imprudent per se. ("Preamble to Rules and Regulations for Fiduciary Responsibility: Investment of Plan Assets under the 'Prudence' Rule," 44 Fed. Reg. 37,221 (June 26, 1979)).

D. Diversification Requirement: A fiduciary must diversify the plan investments so as to minimize the risk of large losses, unless under the

circumstances it is clearly prudent not to do so.
(ERISA 404(a)(1))

E. Plan Document Rule: A fiduciary must discharge his duties in accordance with the documents and instruments governing the plan insofar as the documents and instruments are consistent with the provisions of ERISA and Title IV. (ERISA 404(a)(1)(D)) Plan documents include the plan description, summary plan description, collective bargaining agreement, trust agreement, contract, investment management agreement, investment guidelines, and other instruments under which the plan was established or is operated.

Please know that we welcome you to call our firm at any time to discuss these and any other investment or retirement plan related issues.

Participant Directed Investment Management – Most invested retirement plan assets are inside qualified retirement plans and are participant directed. This means that the trustee and 401Invest are responsible for choosing an appropriate basket of investment options from which each individual participant in the plan may choose how to invest their own funds. The investment advisory process in this paradigm has three key components:

1. Compliance with ERISA, other regulations and processes that must be followed by the trustee and that may involve safe harbor provisions,
2. The application of prudent investment analytics that incorporate variables like demographic, socio-economic and other descriptors of the participants in that specific retirement plan.
3. Ongoing suitability, performance and regulatory reviews of investments held inside the plan.

Some plan sponsors, particularly those in closely held professional or other corporations may

choose to have a hybrid of conventional and unconventional investment alternatives.

401Invest also provides advice and guidance for these sorts of investments, always ensuring the choices are lawful and prudent given the investor's qualifications, despite what may be pronounced risk and/or liquidity variance.

401Invest will provide investment assistance to the Plan Sponsor and Trustees as well as the Plan Participants on an as needed or requested basis.

Trustee Directed Investment Management – Some qualified and many unqualified retirement plans are structured so that the funds contributed by the individual participants are then aggregated and invested by a trustee on behalf of all deferring participants. 401Invest applies the same basic three-part process to the investment management process, being careful to alert the trustee of any unique requirements attendant to this paradigm. The additional responsibility assumed by the trustee and 401Invest under this scenario is not a reason to avoid the circumstance; however, additional expertise is required.

Additional Advisory Services

The following additional services provided within our Investment Management practice apply to both of the aforementioned investment structures.

FIDUCIARY BEST PRACTICES

401Invest assists Plan Sponsors/Administrators with the management of their investment responsibilities. We provide our clients the tools and road map to establish prudent investment

processes, to follow them in practice, and to document their adherence to those standards - documentation is critical.

FIDUCIARY OVERSIGHT

Business owners/Plan Sponsors wear many professional hats. And while they may spend the least amount of their working life on retirement plan issues, their fiduciary role for the plan poses a significant amount of risk. Inundated with primary job functions, finance and human resources executives lament their lack of time and tools to fulfill their fiduciary obligations with confidence.

This uncertainty heightens their concern regarding personal liability as a fiduciary.

401Invest offers plan sponsors an Investment Oversight Program that provides certainty and a blue print for plan management. It uses ERISA compliant, independent guidance and monitoring.

ESTABLISHING FIDUCIARY BEST PRACTICES

401Invest knows what the Department of Labor and ERISA regulations require. We implement and document processes in all areas of your specific plan, moderating the possibility for non-compliance.

Fiduciary Best Practices include the establishment of prudent procedures to manage the plan, designing the investment structure of the plan, selecting investment options, and monitoring those investment options on a regular basis. Assisting our clients in creating and maintaining a Chartered Committee Process to document their fiduciary decisions is an important service we provide.

401Invest assists our clients in reducing their fiduciary liability in the following ways:

- Custom Fee Disclosure
- 404(c) Policy Statement Notice
- Fiduciary File Checklist
- General ERISA/DOL Compliance Checklists
- 404(a) Monitoring
- Investment Policy Statement Creation/Maintenance
- Plan Design Reviews

COMMITTEE CHARTER AND FIDUCIARY ACKNOWLEDGEMENT

Fiduciary functions are managed effectively through a written fiduciary acknowledgement for our investment and advisory services.

INVESTMENT POLICY STATEMENT

The Investment Policy Statement (IPS) provides the framework for the plan's investment selection and monitoring process. Our firm assists with the investment aspects of an IPS through quarterly monitoring using our RPAG system analysis

FIDUCIARY RECORD KEEPING

401Invest maintains Fiduciary Kit Documentation for our client, which serves as secondary storage and retrieval for audit and fiduciary documentation relating to the plan. We encourage our clients to maintain a similar Fiduciary Kit on premises.

CONTINUITY OF CONDUCT

Our role can ensure a high level of continuity in the event of Investment committee turnover. Our Fiduciary Oversight preserves the integrity of

past decisions and provides effective succession for future fiduciary guidance.

Uniquely Tailored Solutions

Each individual investor and each retirement plan has unique goals, objectives and investment criteria and, as described in the previous sections, we tailor our investment management solutions to those specific needs. Although our investment analytics accommodate and adjust for many important parameters, 401Invest is also willing and comfortable with client mandated investment restrictions, whether asset class types or specific securities.

Wrap Fee Participation

401Invest does not have a wrap fee product. However, it does sometimes recommend to clients that it use products that do have wrap fee programs as described in SEC Rule 204-3. In every case, 401Invest fully discloses all of its compensation. Where an investment product is selected that has a wrap fee, the appropriate SEC required Wrap Free Program Brochure is provided from the product sponsor to the 401Invest client in compliance with SEC Rule 204-3(b).

The investment management and analytics applied to the services offered are substantially the same, whether we are recommending a third party provided wrap product or non-wrap product or managing funds directly. The attention to the Total Investment Costs are very carefully monitored and understood and disclosed before a third party product with a wrap fee is recommended.

When 401Invest recommends a third party product that sponsors a wrap fee program, 401Invest receives as its compensation, a portion of the wrap fee. To be clear, our clients are provided a fee disclosure schedule for every product or investment recommended. This schedule discloses (i) each and every dollar received by 401Invest in detail and aggregate and (ii) the overall total cost of the investment to the client/investor.

Assets Under Management (AUM)

401Invest does not at this time manage assets where 401Invest or any of its supervised persons has discretionary investment authority. Discretionary investment agreements will soon be more common and may become the norm.

As of March 30, 2012, 401Invest manages approximately \$315,100,000 in assets on a non-discretionary basis.

Fees and Compensation

How 401Investments, llc is Compensated

401Invest is compensated for its services using the methods outlined in the chart below.

FEE SCHEDULE

Advisory Services Fee Schedule - 401Investments, LLC		
Service Description	Rate*	Billing Timing
Non-Investment Advisory Services		
Hourly Consulting Rate:	\$200 - 300	monthly in arrears
Per Project/Deliverable Pricing	negotiated	monthly in arrears
Investment Advisory Services		
Percent of Assets	25 - 100 bps**	monthly/quarterly in arrears
Commission Payment	25 - 100 bps***	
Fee for Service	negotiated	monthly/quarterly in arrears

* all fees are negotiable as we recognize that each circumstance may warrant a different approach
 ** the percent of assets may vary depending on asset size and/or services offered
 *** certain retirement plan investment products pay a commission, calculated as a percent of assets, but is paid first to the investment provider then to 401Invest

Fees for Non-Investment Advisory Services - Our clients may request help with projects related to their retirement plan or other financial due diligence, but that do not require financial advice. 401Invest may not be the financial advisor of record or provide financial advice, but still may serve the advisor and/or the client or the retirement plan in ancillary ways. This might include things like a benchmark studies, payroll data transfer services, vendor searches, plan design studies or other services. Compensation is not based on a percent of assets and is billed either (i) hourly or (ii) by the deliverable as illustrated in the fee schedule above and described below.

Fees for Investment Advisory Services - When 401Invest is retained as the financial advisor, it provides a variety of services, tailored to the specific needs of the client. As the investment advisor, 401Invest assumes responsibility, along side the sponsor, as a fiduciary of the plan.

As such, we are morally and legally obligated to act only in the best interest of the plan and its participants and/or the individual. We take this role very seriously and are proud to have been an early adopter of the concept of total transparency. 401Invest describes in writing every penny of compensation it will or may receive, as

well as how and when it is paid and by who, before a client is asked to sign a Service Agreement. In almost every case, the client is offered a choice of retirement plan investment options, prequalified as suitable for the specific demographics, investment horizons and business owner objectives. 401Invest describes the pros and cons of each option relative to the client's investment and business objectives. There is rarely a perfect fit, but there is always an informed client making an informed decision when 401Invest is involved.

401Invest may be compensated for advisory services by three possible methods as illustrated on the fee schedule above and described below.

DETAIL OF FEES AND HOW THEY MAY BE PAID

401Invest may be compensated for financial advisory services in three ways:

- A percentage of assets under management (AUM) paid directly to 401Invest
- Commissions paid from the mutual fund, e.g., JP Morgan, or retirement plan investment product provider, i.e., John Hancock Retirement, paid in the form of...
 - A percentage of assets under management (AUM) or
 - Revenue share called 12(b)(1) revenue paid from the mutual fund to 401Invest
- A flat fee for services, invoiced to the plan sponsor or investment client or paid from plan assets at the sponsor's

election, where allowed by governing legislation

In most cases, the 401Invest client may choose how they wish to compensate 401Invest, subject to the limitations imposed by ERISA. However, with prior notice to the client, there may be times where 401Invest requires payment using one of the specific methods described above. The pricing for services varies based upon the service type and/or quantity of discrete services requested.

OTHER FEES AND EXPENSES

Retirement plan investments are held in multiple ways and there are multiple parties involved in servicing a retirement plan. The following is a brief summary of the two major types of retirement plan providers.

Bundled Providers – Some retirement plan providers offer most if not all of the plan services, other than financial advice, bundled together. These services may include investments, recordkeeping, administration and education services. In addition, some bundled service providers also offer administrative services such as Form 5500 preparation, plan documents and amendments, distributions, trustee and custody services and more. In most cases plan sponsors may desire additional services, such as independent investment advice, legal counsel, and in-house or third party administrative staff. Costs for offering bundled plans are generally more expensive than an unbundled offering, although this is not categorically the case.

Unbundled Providers - Unbundled providers like Third Party Administrators (TPAs) and/or independent recordkeepers allow plan sponsors

to pick and choose among a variety of vendors to provide recordkeeping, custody, trustee, education, administrative services like testing, plan documents and these are often billed separately.

In addition to the advisory fees paid to 401Invest as described in the section above, expenses associated with legal counsel, investment consultants, recordkeepers, fund offerings, trustees, auditors, and other paid providers are usually considered plan costs. The following are the primary expenses related to holding and servicing retirement plan assets that are incurred by the plan, the sponsor and/or the individual investor:

Additional Retirement Plan Investment Fees or Expenses

Fee Description	Billing Method*
Custody	% of assets and/or fixed fee
Directed Trustee	% of assets and/or fixed fee
Mutual Fund	% of assets
Compliance Testing and Administration	% of assets and/or fixed fee
Recordkeeping Fees	% of assets and/or fixed fee
Brokerage and other Transaction	per transaction

* Amount and type depends on service provider selected, separate service agreements are executed and all fees disclosed

These costs, in turn, have an impact on the investment returns for participants and affect the amount of money participants accumulate for retirement.

Plan sponsors have a fiduciary obligation to know the total costs of operating a plan. Although they are not required to choose the least expensive services, they do need to know who is receiving money — how much and for what services — and whether these costs represent reasonable pricing and provide good value.

401Invest is ardent about ensuring our clients always meet their fiduciary obligations. As part of this, we will describe and disclose

**in detail all fees, throughout the life
of our relationship.**

Selecting the appropriate service provider(s) is not an exercise in finding the least expensive option. In fact, the U.S. Department of Labor provides the following guidance: Ensure that fees paid to service providers and other expenses of the plan are reasonable in light of the level and quality of services provided.⁷

Custody Fees - A retirement plan custodian is a financial firm that is engaged to ensure that your retirement funds are kept separate from -- and are protected from -- your employer and your employer's creditors. Custodians also handle any necessary paperwork and tax reporting that your retirement plan generates.

A custodian is required for most qualified retirement plans. These include employer-sponsored plans, such as 401(k)s, 403(b)s, SIMPLE IRAs and SEP IRAs; and personal accounts, such as traditional IRAs and Roth IRAs. The custodian does not dictate the rules, the Internal Revenue Service, DOL and the plan sponsor's elections do, but the custodian is responsible for following them.

Note: Almost always, the same company that provides custodial services also provides trustee and trading services.

Trustee Fees – A financial services firm will also provide trust services. These companies facilitate the exchange of all information necessary for trust and custodial services trust accounting and trading functions. They provide cash receipt and

disbursement functions, and will serve as a directed trustee or custodian for qualified retirement plans, including 403(b) plans. The trustee will hold title to the plan assets, but exercise no oversight of plan administration, investment selection or performance. All investment responsibility is delegated to an eligible investment advisor like 401Invest or received directly from the plan sponsor or their authorized agent.

Mutual Fund Fees – As with any business, running a mutual fund involves costs. For example, there are costs incurred in connection with particular investor transactions, such as investor purchases, exchanges, and redemptions. There are also regular fund operating costs that are not necessarily associated with any particular investor transaction, such as investment advisory fees, marketing and distribution expenses, brokerage fees, and custodial, transfer agency, legal, and accountants fees.

Some funds cover the costs associated with an individual investor's transactions and account by imposing fees and charges directly on the investor at the time of the transactions (or periodically with respect to account fees). These fees and charges are identified in a fee table, located near the front of a fund's prospectus, under the heading "Shareholder Fees."

Funds typically pay their regular and recurring, fund-wide operating expenses out of fund assets, rather than by imposing separate fees and charges on investors. (Keep in mind, however, that because these expenses are paid out of fund assets, investors are paying them indirectly.) These expenses are identified in the fee table in

⁷ U.S. Department of Labor online publication, "A Look at 401(k) Plan Fees."

the fund's prospectus under the heading "Annual Fund Operating Expenses.""⁸

401Invest provides all data on mutual fund costs to our client in summary form before any investment selection is made. In addition, in compliance with various regulations, 401Invest provides the prospectus for the mutual fund or security in advance of any investment decision to the potential investor.

Compliance Testing and Administration Fees – ERISA requires a retirement plan to follow specific rules that include how a plan can be designed, when and who can be eligible to participate, how and when distributions can be made, annual notice and other tax filings, e.g., 5500, and year-end discrimination testing. The companies that provide these services are known as Third Party Administrators (TPAs).

These services are not provided by 401Invest. 401Invest may recommend a list of providers of these services to our clients. As with all our recommendations, we will only recommend the best companies in the industry that meet the specific needs of our client.

Recordkeeping Fees – Although retirement plans can be held at a brokerage firm as a balance forward, non-daily valued trust, that does not have easy web interface and 24-hour access, etc., most plans choose to use a recordkeeper that provides 24-hour, online access and provides a daily valuation of the plans assets. Many large retirement plan providers have their own recordkeeping platforms and these costs are often included in their investment fees or included

in their “wrap fee” in the case of large insurance providers, e.g. John Hancock, ING. Another option that is available to 401Invest clients is an independent recordkeeper. These companies provide a daily valuation, recordkeeping platform that typically has a broader choice of investments and all the features of a 24-hour web based interface.

Brokerage Fees – The purchase of an investment has transaction costs associated with it and these costs are paid to the firm that is executing the trade request. These fees are distinct from fees charged by the investment provider, financial advisor and other service providers, e.g., TPA, described herein. The brokerage fees are typically assessed at the time the security is purchased, although there may be certain ongoing brokerage fees. 401Invest has the ability as an independent registered advisor to choose which brokerage firm it uses. We choose a brokerage firm that is the best value. Value is defined as the firm that delivers timely, accurate trades for a fair price. Additional discussion of brokerage functions and fees are provided later in this brochure.

TIMING OF PAYMENTS

401Invest does not accept payment in advance for its services. We bill for a specific time period, e.g., monthly or quarterly, in arrears.

OTHER COMPENSATION

401Invest may be compensated for the sale of certain retirement plan products or securities. These may be in the form of a commission paid as a percent of total assets or as a portion of the service fee being charged by the investment provider.

⁸ From <http://www.sec.gov/answers/mffees.htm>

Because certain investments may pay more than others, it creates a conflict of interest as well as a financial incentive to a Financial Advisor like 401Invest to recommend investments based on the expected compensation, not suitability for the client. Where a fiduciary to the retirement plan like 401Invest acts for reasons other than solely for the benefit of the plan, it is *prohibited transaction*.

To avoid this type of transaction, 401Invest does the following:

- Fully discloses to and discusses with our client every fee associated with an investment and all revenue paid to 401Invest prior to any investment selection
- Provides options from which the client may choose
- When recommending a menu of securities, e.g., mutual funds or stock, and the compensation paid to 401Invest differs, 401Invest will credit these revenues to the plan or the investor and impose the same (levelized) fee across all investment types

These actions ensure that 401Invest clients are always aware of all fees and eliminates the financial incentive to recommend one security over the other based upon gain to 401Invest.

Although 401Invest may recommend individual stocks, bonds or other types of securities, it primarily recommends mutual funds. 401Invest will recommend “no-load” investment funds where they are the appropriate investment for our client. Similarly, although 401Invest may

recommend vendors, our clients are free to purchase investment products we recommend through other brokers or agents that are not recommended or otherwise affiliated with 401Invest.

More than 50% of compensation paid 401Invest is in the form of commissions and/or other fees, e.g., asset-based fees from the sale of mutual funds or bundled retirement plan products, for the sale of investment products and, as such, are our primary source of revenue. The 401Invest client is offered the option to use an open architecture platform that allows 401Invest to credit back all commissions, revenue sharing and/or distribution fees and impose a fee based on the assets under management, paid directly to 401Invest. However, products that pay commission and/or other fees to 401Invest may have specific features preferred by our client that are not offered through the open architecture platform. It is our policy to offer our clients a choice by providing a menu of investment platforms, products and securities that meet their objectives.

401Invest may charge advisory fees, (i) in addition to or (ii) in lieu of commissions or other fees paid to 401Invest. As stated, 401Invest discloses all revenue it receives, from each investment provider, product or security. 401Invest and its client will mutually agree to a fully disclosed fee in advance of signed a service agreement.

Where 401Invest imposes an advisory fee “in addition to” commission and other fees being paid to 401Invest, it is because the client has agreed to a specific dollar amount or percentage

of assets as a fee and the two combined comprise this mutually agreed to and fully disclosed fee.

Where 401Invest imposes an advisory fee “in lieu of” commission and other fees being paid to 401Invest, it is because either the compensation being received is not the same for each investment option and/or the client and 401Invest have agreed to a fixed fee or percent of asset fees as the sole form of compensation. In this case, all revenue paid from providers to 401Invest is credited back to the retirement plan or the investor.

Performance-Based Fees and Side-By-Side Management

401Invest does not currently receive *performance-based fees*, based on a share of capital gains on or capital appreciation of a client’s assets.

Types of Clients

401Invest provides investment advice primarily to the following types of clients:

Client Profiles

Retirement Plan Participants
Retirement Plan Sponsors
Pension Plans
Individuals
Trustees of Directed Retirement Plans

Please see the section in this brochure titled *About 401Investments, llc* for additional discussion

surrounding our focus on retirement plan asset management. The common denominator among clients profiled above is that they are related, in most every case, to a retirement plan.

401Invest has no minimum account size or other requirements/thresholds for opening an account.

Methods of Analysis, Investment Strategies and Risk of Loss

401Invest is at all times mindful of the intended purpose of the funds it manages. In short, we understand that investment strategy is most directly effected by when the investor needs the funds. This may be quite clear to all parties or it may remain, to some degree uncertain, but it is the single most important factor. For example, if the funds being invested are needed in the near-term (under 7 years), the investment strategy is materially different than when the funds are invested for the long-term (over 7 years).⁹

PASSIVE INVESTMENT PHILOSOPHY

In general, 401Invest deploys a passive investment philosophy. We believe that given the funds we are responsible for are typically invested for retirement, avoiding the additional risks of an active management strategy is prudent. Avoiding the technical jargon that

⁹ These investment time horizons are only representative. Where an investor is very near retirement, e.g., 2-3 years, or may need access to the invested funds quickly, 401Invest deploys significantly different investment strategies and chooses very different investments, but will apply the same comprehensive analysis to the investment selection process.

describes the following, returns over time are maximized by:

- choosing the strongest company's within their respective industries (individual stock), and
- the best-managed mutual and index funds relative to fund fees, while
- adhering to our core investment criteria, and
- diversifying across sectors to flatten the effects of industry-specific business cycles.

Passive investment strategies are still vulnerable to the fluctuations of the market and to company specific risk and there is no such thing as a risk-free investment. And, the shorter the investment horizon, the more the risk of loss increases. However, 401Invest uses all available resources to limit your investment risk, while maximizing investment return. Our investors should not expect sudden high returns. 401Invest will recommend that you diversify your investment portfolio across investment types appropriate for your investment time horizon, risk preference and objectives. This mitigates the effect of a single company or sector that is distressed may have on your overall investment performance. Put simply, 401Invest's job is to choose the highest quality investments that match the investment time horizon and other investment criteria specific to the investor.

The following is an over simplification of complex concepts, but it is nonetheless instructive as to the 401Invest methodology.

CAPITAL APPRECIATION STAGE

Particularly early on in one's life, a retirement investment strategy is properly focused on building the corpus of the investment. During this stage in the investment lifecycle of our client, we are incessantly analyzing available investments to find those with the lowest present value relative to their future return. During this period, we may advise our clients to tolerate additional investment risk, where the anticipated return is also materially higher than other, lower-risk investments.

PREPARING A GLIDE PATH

As retirement nears, planning and investing should not transition simply to capital preservation, e.g., a mass conversion from stocks to bonds. 401Invest works with its clients to target specific income throughout retirement (the glide path), resulting in distinctly different strategies than during the capital appreciation stage, but not a departure from a holistic investing approach that may sacrifice additional growth in the corpus of the investment, for the simplicity of converting to income investing.

INVESTMENT TECHNICAL REVIEW

We have purposefully refrained from discussing the more technical nature of our investment analysis. However, we welcome, even encourage, our clients and prospective clients to reach out to us to discuss our investment strategies at length and in detail.

Disciplinary Information

LEGAL HISTORY DISCLOSURE

401Invest and its owners have not been participants in, nor do they have reason to believe they will be in the foreseeable future, a lawsuit or other legal proceeding whether criminal or civil related to any business owned or product or service offered.

INVESTMENT DISCIPLINARY HISTORY DISCLOSURE

401Invest and its owners have not been subject to nor do they have reason to believe they will be in the foreseeable future any disciplinary actions related to any business owned or product or service offered.

Other Financial Industry Activities and Affiliations

Allison Kaylor, a founding member of 401Invest is a registered agent for NFP, a securities firm. NFP provides advisory and brokerage services to companies and affluent individuals. This firm also provides brokerage services to 401Invest.

401Invest has relationships with many investment managers and product providers who are also focused on retirement plan solutions. As discussed in previous sections of this brochure, where an investment provider may pay

compensation to 401Invest, we fully disclose all amounts.

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

SEC RULE 204A-1 CODE OF ETHICS

As required by the SEC pursuant to Rule 201A-1, 401Invest has adopted a Code of Ethics (the Code) for all employees and affiliated persons of our firm, describing our high standard of business conduct, fiduciary duty to our clients, and rules regarding personal securities trading by our employees. All employees at 401Invest must acknowledge the terms of the Code of Ethics upon their employment, and annually.

401Invest clients or prospective clients may request a copy of our Code of Ethics by contacting our compliance department via email at compliance@401investments.com

401Invest has set guidelines for professional standards, by which all employees must to conduct themselves. All employees are expected to strictly follow these guidelines, as well as the procedures for transaction approval and reporting established in the Code. 401Invest has instituted, as a deterrent, a policy of disciplinary actions to be taken if any employee violates the Code.

401Invest also maintains additional policies and procedures that supplement the guidelines outlined in the Code. These policies and procedures are followed by our employees, and help us review the effectiveness of our implementation of the Code on a regular basis.

TRADING ACTIVITIES AND AGGREGATION

401Invest procedures include specific steps regarding how we handle aggregated or bundled trading activities. They also include policies and procedures requiring the approval and reporting of the personal securities transactions of our personnel, and insider trading education and prohibitions.

401Invest may aggregate (combine) purchases or sales of any security executed for your account(s) with purchases or sales of the same security, executed on the same day for accounts of the firm's other clients. These aggregations may be either advantageous or disadvantageous to any one or more particular accounts, and they are used only when 401Invest believes that the aggregations will be in the best interest of the affected accounts.

When transactions are aggregated, the actual prices of the aggregated transaction are averaged, and each client account participating in the aggregated transaction purchases or sells its share of the security involved at that average price.

Also, all transaction costs incurred in executing the aggregated transaction are shared on a pro rata basis among all accounts participating in the transactions. The exception to this sharing of costs will occur if a broker-dealer that also provides custody services imposes minimum

transaction charges applicable to some of the participating accounts.

When trade aggregations occur, each client account participating in the trade receives the number of shares equal to their percentage of total participation in the original purchase or sale order.

PERSONAL TRADING

401Invest employees or persons associated with the firm may trade for their own accounts in securities that are recommended to and/or purchased or sold for our clients. The firm's employees and persons associated with 401Invest are required to follow 401Invest's Code of Ethics and applicable laws when making trades for their personal accounts.

The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of 401Invest will not interfere with making and implementing decisions in the best interest of our clients while, at the same time, allowing employees to invest for their own accounts.

The Code requires pre-clearance of employee transactions in "covered" securities, as defined by the Investment Advisers Act, such as stocks, corporate bonds and municipal bonds. Because the Code of Ethics permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Under the Investment Advisers Act, trades in certain classes of securities have been designated

as exempt transactions, based upon a determination that these will not materially interfere with the best interest of 401Invest clients. These securities include, but are not limited to, U.S. Treasury Securities, bank Certificates of Deposit, registered mutual funds and open-ended exchange traded funds. Employees are not required to obtain pre-clearance of transactions in their personal accounts for these securities.

Employee accounts trade in the same securities with client accounts on an aggregated basis when consistent with 401Invest's obligation of best execution. The employee and client accounts will share commission costs equally and receive securities at a total average price. 401Invest retains records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the trade order.

The Chief Compliance Officer, pursuant to the Code of Ethics, continually monitors employee trading to prevent conflicts of interest between 401Invest and our clients.

PRINCIPLE AND CROSS TRANSACTIONS

It is 401Invest's policy that the firm will not make any principal or agency cross securities transactions for client accounts. The firm may, on occasion, direct a "cross trade" of securities between client accounts.

Principal transaction definition - A transaction where an adviser, acting as principal for its own

account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

Agency cross transaction definition - A transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. 401Invest is not registered as a broker-dealer, nor does it have any affiliated broker-dealers.

Cross trade definition - 401Invest may arrange for one client account to purchase a security directly from another client account without incurring commission fees from a broker-dealer. 401Invest will obtain a price for the security from one or more independent sources. Our firm is not a broker-dealer and receives no compensation from a cross trade. However, the broker-dealer facilitating the cross trade normally charges administrative fees to the clients' accounts.

401Invest will direct a cross trade when the firm believes that the transaction is in the best interest of our clients, that no client is being disfavored by the transaction, and that the transaction receives the best execution.

Brokerage Practices

BROKERAGE RECOMMENDATIONS

401Invest may recommend or require that you establish brokerage accounts with National Financial Partners Corp. (NYSE: NFP), a FINRA-registered broker-dealer, member SIPC, to maintain custody of your assets and to execute trades for your accounts. Although 401Invest may recommend or require that clients establish accounts at NFP, it is the client's decision to custody assets with NFP.

NFP provides 401Invest with access to its trading and operation services, which are typically not available to NFP retail investors. These services are available to independent investment advisors at no charge to them if a total of at least \$20 million of the advisor's clients' account assets are maintained at NFP.

These services are not contingent upon 401Invest committing to NFP any specific amount of business (assets in custody or trading commissions). NFP's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For 401Invest client accounts maintained in its custody, NFP generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through NFP or that settle into NFP accounts.

NFP makes available to 401Invest other products and services that benefit our firm but may not benefit your accounts. These products and services may be used to service all or a substantial number of 401Invest' accounts, including accounts not maintained at NFP.

NFP's products and services that assist 401Invest in managing and administering clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocation of aggregated trade orders for multiple client accounts
- provide research, pricing information and other market data
- facilitate payment of 401Invest fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

NFP also offers other services to help 401Invest manage and further develop its business enterprise. These services include:

- compliance, legal and business consulting
- publications and conferences on practice management and business succession

- access to employee benefits providers, human capital consultants and insurance providers

NFP may make available, arrange and/or pay third-party vendors for the types of services provided to 401Invest. NFP may discount or waive fees it would otherwise charge for some of these services, or pay all or a part of the fees of a third-party providing these services to the firm. NFP may also provide other benefits such as educational events or occasional business entertainment of 401Invest personnel.

In evaluating whether to recommend or require that clients custody their assets at NFP, 401Invest takes into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by NFP.

INVESTMENT AND BROKERAGE DISCRETION

401Invest may determine which securities are bought and sold for your accounts, the amount of such purchases and sales, the brokers or dealers through which transactions are executed, and the commission rates paid to execute the transactions.

For discretionary clients, 401Invest requires written authority to determine which securities and the amounts of securities to be bought or sold; the broker-dealer to use for client transactions; and the commission costs that are charged to clients for these transactions.

Limitations on discretionary investment authority granted to 401Invest shall be included in the written client agreement. You may change/amend these limitations, although these amendments must be provided in writing to our firm.

Our clients have the option to direct trades using another brokerage. If you direct our firm to make trades for your portfolio through a particular broker-dealer, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs and may also receive less favorable prices and execution.

401Invest selects broker/dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services that will help 401Invest in providing investment management services to you. 401Invest may therefore recommend or use a broker/dealer who provides useful research and securities transaction services even though a lower commission may be charged by a different broker/dealer, who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all of 401Invest clients, and not all of the research may be useful for the account for which the particular transaction was executed.

401Invest does not have any commitments to trade with specific brokers or to generate a specified level of brokerage commission with a particular broker in order to receive brokerage or

research services. These commitments are generally known as soft dollar arrangements.

Review of Accounts

The firm will conduct at least an annual, although in some cases they may be quarterly and or semi-annual, review of a portfolio, retirement account or retirement plan investment options. This review is conducted to compare the client's investment goals, objectives and risk tolerance to the present composition of their investments. The objective of the review is to ensure the firm's investment parameters are being executed and the client's individual objectives are aligned with the firm's investment approach.

In addition to regular annual reviews, the client may request and receive additional reviews. A review of the investment accounts will include, but is not limited to, overall asset allocation, progress toward your stated goals and risk analysis. You may also request analysis of your account's absolute performance and its performance relative to market performance and it will be provided.

These reports may be written or oral, depending upon the comprehensive nature of the review and/or the preference of our client.

Client Referrals and Other Compensation

401Invest does not have formal client referral agreements with any companies, other financial

advisors, institutions or individuals and does not pay compensation for referrals. However, one of the ways that 401Invest learns of new opportunities and, consequently grows its client base, is through word of mouth and related referrals by individuals, other providers, existing clients and other financial advisors that may not specialize in retirement plan investment management or may wish for their client to receive certain services from 401Invest.

In some of these instances, a financial advisor or other related company, who is also licensed to do so by the appropriate governing agency, may choose to share the amount of the fees being paid to 401Invest where they provide a portion of the services to the mutual client. 401Invest discloses in advance of any decision by the potential client the specifics of this type arrangement.

Custody

401Invest does not maintain custody of your investment assets. We use the services of independent broker dealers, banks or other qualified custodians to maintain your investment assets. The majority of our clients' assets are held in custody by ING, John Hancock, Hartford, Matrix Banc Corp. Mid Atlantic Trust Co. or NFP.

You will receive at least quarterly statements for your accounts from the custodian(s), showing asset listings, market values and transactions during the reporting period. These statements include the reporting of any fees deducted from your account.

401Invest strongly suggests that our client's carefully review these statements and compare the official custodial records to other account statements provided. Statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Custodians and other financial institutions have different policies regarding time frames within which errors may be corrected.

Investment Discretion

401Invest may receive discretionary authority from a client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. This discretion authority is part of the Investment Advisory Agreement executed by 401Invest and the client upon opening an account with our firm. Discretion authority is to be exercised in a manner consistent with the stated investment objectives for your account. When selecting securities and determining amounts, 401Invest observes the investment policies, limitations and restrictions of the clients it advises. The client has the right to impose restrictions on 401Invest, such as prohibiting the inclusion of certain types of stocks (for example, tobacco or alcohol company stocks) in a portfolio, or prohibiting the sale of certain stocks held in the account at the commencement of the relationship, or requirement of notice before placing trades.

For registered investment companies, 401Invest's authority to trade securities may also be limited by

certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to 401Invest in writing. 401Invest requires our client to sign an Investment Objective Statement when an investment account is opened with the firm. Where the account is a qualified or non-qualified retirement plan, an Investment Policy Statement that is compliant with any governing legislation or regulation, e.g., ERISA, IRS Code, will be required. Any subsequent change to the account's investment objectives will also be documented by the execution of a new "Investment Objective Form" for the account.

Voting Client Securities

Dan McReynolds, CEO of 401Invest, is responsible for voting shareholder proxies. Proxies are voted in the best interests of shareholders, with an emphasis on voting for corporate governance proposals, and voting against any management proposals that may insulate companies from the discipline of the market or accountability to shareholders. A copy of the 401Invest Proxy Voting Guidelines, including those adopted pursuant to SEC Rule 206(4)-6 will be made available on request.

Financial Information

401Invest does not solicit or require prepayment of fees and does not custody assets. As such, we are not required to disclose a financial statement. Please know that 401Invest is financially sound and has healthy cash flows and other financial metrics as compared to industry norms. 401Invest and its principles have not, individually or collectively, been the subject of a bankruptcy petition.

Requirements of State-Registered Advisors

401Invest is not registered or pursuing a registration with a state. However, in compliance with the state of Texas rules and regulations, and in the normal course of the registration process for a Registered Investment Advisor with the SEC, 401Invest has completed, filed and paid the required filing fees for a “notice filing” with the state of Texas.