

**ShareBuilder Advisors, LLC**

**Investment Advisor Brochure**

**Updated November 12, 2013**

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This brochure provides information about the qualifications and business practices of SHAREBUILDER ADVISORS, LLC ("SBA"). If you have any questions about the contents of this brochure, please contact us at the phone number or email listed above. 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. ShareBuilder Advisors, LLC is an SEC-registered investment advisor, which does not imply a certain level of skill or training.

Additional information about ShareBuilder Advisors is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the prior release of SBA's Firm Brochure.

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**Material Changes since the Last Update**

We offer or deliver Form ADV Part II Brochure to clients on at least an annual basis. We will provide each of our clients with a summary of any material changes in subsequent annual updates to the brochure by April 30th. We will also provide our clients with additional information regarding material changes at other times, within a reasonable time after such changes occur.

The following are the material changes to the ShareBuilder Advisors ADV Part II since the prior version dated 3-28-2013:

- Updated [Fees and Compensation](#) section to outline new fee structure
- Introduces [Sara Andres](#) as new Chief Compliance Officer

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**Full Brochure Available**

Whenever you would like to receive a complete, current copy of our Firm Brochure, please contact us by telephone at: 800-943-6108 or by email at: [customerservice@sharebuilder401k.com](mailto:customerservice@sharebuilder401k.com).

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# Advisory Business

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## **Firm Description**

ShareBuilder Advisors LLC, ("SBA") was founded in 2005. The firm's primary mission is to provide affordable retirement investment products to businesses ("Plan Sponsor") and their employees ("Participants" or "Plan Participants") . SBA typically serves businesses ranging in size from 1 to 2,500 employees.

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## **Principal Owners**

ShareBuilder Advisors is a wholly owned subsidiary of ShareBuilder Corporation, which is an indirect wholly owned subsidiary of Capital One Financial Corporation.

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## **Types of Advisory Services**

ShareBuilder Advisors provides consulting services and information to the employer or Plan Sponsor regarding the establishment of a defined contribution or defined benefit plan for its employees (Plan Participants). SBA will recommend a particular plan and then provide an automated process to assist the employer in selecting the plan and then investments, as described below. SBA will furnish both online information and recommendations for plan selections based on a number of factors, including but not limited to, size of employee base, demographics, and existing benefits.

SBA offers 20 Exchange Traded Funds, as well as a Money Market Fund, the ShareBuilder Bedford Shares of The RBB Money Market Portfolio. SBA also provides 5 model portfolios constructed of the 20 Exchange Traded Funds.

Participants may choose to invest in a recommended Model Portfolio or to create a custom portfolio from among the 20 Exchange Traded Funds. Model Portfolios are constructed along a risk continuum and include Stable, Conservative, Balanced, Moderate, and Aggressive Portfolios. In no event does SBA offer personalized advice to Plan Participants concerning investment strategies. SBA does not offer financial planning or portfolio management services.

As SBA's Investment Committee determines the investment roster and model portfolios offered to SBA clients, SBA serves as ERISA 3(38) advisor for each client's 401(k) plan, unless otherwise arranged. SBA does not provide other investment advisory services beyond this. ShareBuilder's 3(38) status does reduce fiduciary risks and duties for employers in offering a plan by managing the investments made available in the plan. The Plan Sponsor and other personnel of the business involved with the plan do retain all other fiduciary duties, including the selection of providers.

## Fees and Compensation

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### Description

ShareBuilder Advisors bases its fees on a combination of a percentage of assets under management and fixed fees. These fees are detailed on SBA's website at: <http://401kpricing.com/pricing.htm>.

In addition to one-time setup and monthly administration fees (based on plan assets and participants), the following management fees are collected based on a percentage of assets for businesses with 250 or fewer employees:

Assets	Fee
\$0 - \$499,999	.75%
\$500,000 - \$1,999,999	.65%
\$2,000,000 - \$4,999,999	.55%
\$5,000,000 - \$7,999,999	.45%
\$8,000,000+	.06% - .55%

Overall, asset management fees will range from 0.06% to 0.75% depending on the asset and number of participants in the plan. Plans with a >250 participants tend to pay more than plans with the same asset amount but with fewer participants to cover additional support and recordkeeping costs.

ShareBuilder 401k's online assessment tool recommends a general 401(k) plan type and design based upon the user's answers to the questions asked. The user (plan sponsor) has the ability to review pricing, plan features, switch plan types, and then can complete their purchase and setup their plan online. ShareBuilder 401K Advisors can be reached by toll free number to discuss plan features, and in some markets meet in person, to answer questions and guide the user to the plan that fits their stated needs.

SBA's affiliate, Capital One ShareBuilder, Inc. ("COSB"), receives a portion of the management fee of The RBB Money Market Portfolio in the form of 12b-1 fees. This is paid to COSB by the investment company. The fee is paid monthly based on average assets in the fund. SBA's selection of this Money Market Fund represents a conflict of interest in that other Money Market Funds are available that might not offer this compensation to COSB. The RBB Money Market Portfolio carries a higher than average internal expense structure to support the payment of 12b-1 fees to COSB. All investment options are self-selected by plan participants. Further, SBA does not include the RBB Money Market in the model portfolios it makes available to plan participants.

In accordance with marketing agreements with certain companies and affiliates that provide products and services to small and mid-size businesses,

SBA may pay marketing bonuses for referrals. These payments are in addition to subsequent payments of up to \$2,600 for the referral and then subsequent sale and funding of plans. Additionally, reduced set-up and monthly administration fees may be available for Sponsors which are the business customers of those companies. Otherwise, all standard fees are the same.

ShareBuilder 401k Plans may be offered to businesses and their employees through independent Registered Investment Advisors (“RIAs”), Registered Broker-Dealers (“B/Ds”), or Capital One Financial Corporation’s affiliates (“COF Affiliates”) as part of advisory or other services offered in accordance with management agreements between independent RIAs, B/Ds, or COF Affiliates and Plan Sponsors. In such cases, pursuant to a partnership agreement between SBA and independent RIAs, B/Ds, COF Affiliates, SBA’s capacity is limited to providing only the 401(k) Plans, including web access (the TPA’s role is unchanged.)

Since the ShareBuilder 401k program is based on a web-based platform, Plan Sponsors and Participants are dependent on internet access and are responsible for associated costs.

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### **Fee Billing and Payment**

Fees for services are assessed on both Plan Sponsors and Participants by the plan’s third-party administrator (“TPA”). The TPA shares a portion of these fees with SBA as follows. Depending on the Plan selected and the number of Participants in the Plan, the employer will pay a one-time Plan setup fee ranging from \$0 to \$995 and a monthly administration fee ranging from \$0 to \$15 per Participant for solo 401(k) plans or \$0 to \$550 for group 401(k) plans. Participants are also assessed, and SBA receives part of an asset-based Account Servicing Fee that ranges from 6 to 75 basis points (.0075) per year for each account. (Participants are actually assessed a total of 6 to 75 basis points per year, with up to an additional 15 retained by the TPA.) One-fourth of this fee (.001875 to .001875) is charged in arrears based on the average daily account value during the prior calendar quarter. The TPA deducts the fee directly from the account without further notice to or consent of the Plan Sponsor or Participant. In some instances, participants may be assessed a flat monthly charge of up to \$4.50 to help cover administrative and recordkeeping costs which will be disclosed prior to purchase (typically very low asset plans with a large number of employees). SBA itself does not have authority to deduct the fee. The TPA will obtain execution services from SBA’s affiliate, COSB. COSB, in turn, obtains closing pricing data for all securities offered from independent third parties, including its custodian, Pershing LLC. These pricing data are used by the TPA in determining quarter-end market value for fee purposes.

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### **Fee Billing and Payment for Plans Purchased through Third-Party Advisors**

In recognition of advisory services provided by independent RIAs, B/Ds, or COF Affiliates participants will pay a greater Account Servicing Fee than

shown on SBA's Standard Fee Schedule. SBA charges an asset-based Account Servicing Fee of 6 to 75 basis points (.0006 to .0075) per year for each account (SBA retains 6 to 75 basis points, and the TPA receives up to the remaining 15 basis points if applicable). In addition to SBA's basis points, independent RIAs or B/Ds may charge an additional 50 basis points for additional advisory services those independent RIAs provide to both plan sponsors and participants. Should plan sponsors elect to enter into a new plan purchase directly with SBA without involvement of the independent RIA B/D, or COF Affiliate, the additional basis points would not be charged. One-fourth of the respective fee is charged quarterly in arrears based on account values as described above.

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### **Expense Ratios**

SBA provides advice to Plan Sponsors in the selection and periodic modification of investment options and Model Portfolios composed exclusively of Exchange Traded Funds ("ETFs") and the RBB Money Market Portfolio (an investment company registered under the Investment Company Act of 1940). ETFs are not traditional mutual funds but are often compared with them for investment purposes. Exchange Traded Funds are, as their name suggests, traded on stock exchanges. Most ETFs represent shares in the companies that make up a recognized index. ETFs are priced throughout the day and may be purchased or sold at the current market price, rather than an end-of-day calculation based on net asset value. Some ETFs may have lower expense ratios than comparable mutual funds. However, unlike mutual funds with structured sales loads, investors must typically pay individual transaction fees or commissions to brokers when they purchase exchange-traded funds. SBA has arranged to have ETF transactions for clients executed through its affiliate Capital One ShareBuilder, Inc. ("COSB") at aggregated rates. All transactions are consolidated for execution once per day, and the TPA will remit the commission due directly to COSB. No separate commission will be charged to Participants purchasing or exchanging ETFs within their account.

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### **Past Due Accounts and Termination**

ShareBuilder Advisors reserves the right to stop work on any account that is overdue for payment of services.

## **Performance-Based Fees**

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### **Performance-Based Fees**

ShareBuilder Advisors does not charge performance-based fees.



## Types of Clients

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### Description

ShareBuilder Advisors generally provides advice regarding Plan structures and investment options to plan sponsors. SBA does not offer personalized investment advice.

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

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### Methods of Analysis

Security analysis methods may include charting, fundamental analysis, and technical analysis.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

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### Investment Strategies

SBA does not have discretionary authority over individual participant accounts and does not otherwise implement investment choices or offer personalized advice. The ShareBuilder Investment Committee oversees the investment options available in our clients' plans along with managing the make-up of the five model portfolios (from conservative to aggressive). The committee consists of seven investment professionals including four CFAs (Chartered Financial Analyst). To assist in our analysis, we use a model from ASI employing a Markowitz mean-variance technique designed to produce the highest expected return given the variable constraints (e.g. loss limits, historical returns, etc...) for each model portfolio. With this and other data, the investments line-up and model portfolios are managed in line with ShareBuilder 401k Investment Philosophy and Policy. Essential policy objectives are asset diversification and keeping fund expenses low. The Model Portfolio allocations may be adjusted based on several factors, including expected returns, asset concentration, volatility and external market factors such as liquidity of ETFs.

In certain circumstances, SBA offers a rebalancing option to the Plan Participant. The rebalancing option would realign the Participant's portfolio with their specific investment instructions or the instructions generated by the self-selected Model Portfolio. SBA does not have independent discretionary authority to effect such changes, and may only access the holdings of individual plan participants for purposes of management of the plan sponsor relationship. If the automatic rebalance option is selected, Individual Participants will be notified of the portfolio rebalancing one week before the planned change, and have the option to and must respond to decline.

The Model Portfolios are constructed with set investment time horizons ranging from 1-3 years to over 10-20 years and are not anticipated to have frequent allocation changes based on normal market conditions. The underlying ETFs, in turn, will have their individual risk/return characteristics based on the investment objective of the ETF described in the prospectus provided to Participants via SBA's website.

The information below describes key elements of SBA's ETF selections and their corresponding asset class. The Model Portfolios and their investment objectives described are not a prediction or guarantee of future performance; rather, they describe an approach to the portfolios and results that SBA hopes to achieve in creating the portfolio. The Model Portfolio objectives and the ETF selections are described on the following pages.

### **Model Portfolio Objectives:**

**STABLE PORTFOLIO**—Lower-risk investments that focus on near-term liquidity and limited volatility. The objective is present income with minimal risk from market fluctuation. STABLE investors may have a need for modest income or access to principal now or in the next one to two years.

**CONSERVATIVE PORTFOLIO**—Investors in this portfolio typically have a two-to-five year investment time horizon. Their present income needs may be greater than that of the STABLE investor. SBA considers this portfolio low to medium risk of principal.

**BALANCED PORTFOLIO**—Investors in this portfolio typically have a five-to-10 year investment time horizon and choose to diversify across both aggressive, growth-oriented investments and more conservative income-generating investments. This portfolio emphasizes income over growth and SBA considers it medium risk of principal.

**MODERATE PORTFOLIO**—Investors in this portfolio also typically have a five-to-10 year investment time horizon. However, they may be comfortable with a slightly more aggressive balance of investments. This portfolio emphasizes growth over income and SBA considers it medium to high risk of principal.

**AGGRESSIVE PORTFOLIO**—Investors in this portfolio typically have an investment time horizon of more than 10 years and are willing to accept greater volatility—including the loss of principal—in exchange for potentially higher returns over the long-term. SBA considers this portfolio high risk.

**List of ETFs available to Plan Participants:**

<b>Domestic Equity ETFs</b>	<b>Asset Class</b>	<b>Benchmark Index</b>
SPDR Trust Series 1	Large Cap Blend	S&P 500
iShares Russell 1000 Growth	Large Cap Growth Equity	Russell 1000 Growth
NASDAQ 100 Trust Shares	Large Cap Growth	NASDAQ 100
SPDR DJIA Trust	Large Cap Value	Dow Jones Industrial Avg.
iShares Russell 1000 Value	Large Cap Value	Russell 1000 Value
iShares KLD Select Social Index	Large Blend	MSCI USA ESG Select Index
SPDR S&P MidCap 400 Trust	Mid Cap Blend	S&P 400 Mid Cap
iShares Dow Jones Select Dividend Index	Mid Cap Value	Dow Jones Select Dividend
iShares Russell 2000 Index	Small Cap Blend	Russell 2000
<b>Specialty Equity ETFs</b>	<b>Asset Class</b>	<b>Benchmark Index</b>
Vanguard REIT	Real Estate	MSCI US REIT
Vanguard Emerging Market	Diversified Emerging	MSCI Emerging Markets
Vanguard FTSE Developed Market ETF	Foreign Large Blend	MSCI EAFE
PowerShares DB Commodity Index	Commodities Broad Basket	DBIQ Optimum Yield Diversified Commodity Index Excess Return
iShares Gold Trust	Commodities Precious Metals	London PM Fix Price
<b>Fixed Income ETFs</b>	<b>Asset Class</b>	<b>Benchmark Index</b>
iShares Barclays 1-3 Year Treasury Bond	U.S. Gov. Bonds Short Term	Barclays Capital 1-3 Treasury
iShares Barclays 7-10 Year Treasury	U.S. Gov. Bonds Intermediate	Barclays Capital 7-10 Treasury
Vanguard Total Bond Market	U.S. Corporate & Government Bonds	Barclays Capital Aggregate Bond
iShares Barclays TIPS Bond	U.S. Gov. Inflation Protected Bonds	Barclays Capital U.S. Treasury Inflation Notes
SPDR Barclays Capital International Treasury Bond	World Bond	Barclays Capital Global Treasury Ex-US Capped Index
PowerShares Emerging Markets Sovereign Debt	Emerging Markets Bond	DB Emerging Market USD Liquid Balanced Index
<b>Stable Value Fund</b>	<b>Asset Class</b>	<b>Benchmark Index</b>
RBB Fund, Inc.: Money Market Portfolio	Money Market Fund	Stable Value income

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**Risk of Loss**

All investment programs have certain risks that are borne by the investor. Those risks include the following:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Disciplinary Information

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### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

Certain principals of ShareBuilder Advisors are employed by and provide services to other affiliated entities which include SBA's parent company, ShareBuilder Corporation, and SBA's affiliate Capital One ShareBuilder, Inc. (a registered broker-dealer). SBA's CEO and Chief Investment Officer, Dan Greenshields, also serves as President and CEO of both ShareBuilder Corporation ("SC") and Capital One ShareBuilder, Inc. ("COSB"). SBA's Chief Compliance Officer, Sara Andres, also serves as the Chief Compliance Officer of the broker-dealer affiliate, COSB.

SBA executive management personnel hold FINRA securities registrations and are licensed with the affiliated broker-dealer, Capital One ShareBuilder, Inc.

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### Affiliations

ShareBuilder Advisors has arrangements that are material to its advisory business or its clients with a related person as follows: Capital One ShareBuilder, Inc. ("COSB"), Capital One, N.A., (banking institution), and other Capital One Financial affiliates.

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

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### Code of Ethics

ShareBuilder Advisors has implemented a Code of Ethics which governs the personal trading activities of its employees. The Code of Ethics specifies that certain SBA employees are required to comply with applicable federal securities laws, adhere to all personal trading policies of SBA and its affiliates, and report and disclose personal securities transactions. Upon request, clients and prospective clients will be furnished a copy of the Code of Ethics.

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### Participation or Interest in Client Transactions

ShareBuilder Advisors and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of any client trades. Employees comply with the provisions of the ShareBuilder Advisors Compliance Policies and Procedures. In addition, all SBA

employees must observe the personal trading policies outlined by SBA's affiliate, Capital One ShareBuilder, Inc. ("COSB").

COSB acts as principal in certain buy and sell transactions, primarily fractional shares of stocks or ETFs. The business model employed by COSB encourages small investors to invest regularly and involves aggregating client trades to permit low transaction charges and facilitate small orders, including fractional shares. Because there is no market to buy or sell fractional shares of ETFs, COSB must act as principal in these cases, serving as the counterparty for fractional amounts. The acquisition by the firm of residual fractional shares is necessary and incidental to the ability of Participants to buy fractional shares in stated dollar amounts.

This ability to buy and sell fractional shares is offered as a service to clients and is not designed as a profit center for COSB. The broker-dealer does not assess a mark-up or mark-down when trading as principal in this limited capacity. The firm could realize some profit or loss from market fluctuation when liquidating a position in the open market; the firm does hedge some of its market risk on these aggregated positions and provides its own capital to hold the stock, as well as to cover any losses. The potential for profit is not significant and SBA does not believe the process creates a material conflict of interest.

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**Personal Trading**

The Chief Compliance Officer is responsible for the review of the trading activity of all designated access persons under SBA's Code of Ethics each quarter. The personal trading reviews are conducted to help ensure compliance with SBA's Code of Ethics.

## **Brokerage Practices**

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**Selecting Brokerage Firms**

As discussed above, SBA's affiliate, COSB, is an SEC registered broker-dealer. SBA clients will execute all transactions through COSB at COSB's customary cost for similarly aggregated transactions. SBA will pay all transaction charges directly to COSB. These charges are based on actual costs incurred by COSB, including taxes and exchange fees, and do not include a mark-up or profit margin. SBA's payment of these fees is included as part of the overall service fees paid by the Plan Sponsor and Participants under the established fee schedule. Because SBA bears the transaction costs under this arrangements—an expense traditionally passed on to the Plan Participant—SBA has a financial incentive to keep those charges low, even if low volume is not necessarily in the best interests of the Participant. Consistent with SBA's long-term approach to the Model Portfolios, however, the firm does not believe that financial disincentives associated with frequent trading are contrary to investor interests.

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**Best Execution**

As part of ShareBuilder Advisors' brokerage and best execution policies, ShareBuilder Advisors relies on its affiliated broker-dealer, COSB – for best execution practices – in addition to Investment Committee oversight. The Investment Committee has responsibility for monitoring SBA's trading practices, gathering relevant information, periodically reviewing and evaluating the services provided by broker-dealers, the quality of executions, research, commission rates, and overall brokerage relationships. COSB conducts periodic reviews of aggregated omnibus trading activity for execution quality and maintains records of these reviews.

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**Soft Dollars**

Soft dollars generally refers to arrangements whereby a discretionary investment adviser is allowed to pay for and receive research, research-related or execution services from a broker-dealer or third-party provider, in addition to the execution of transactions, in exchange for the brokerage commissions from transactions for client accounts.

ShareBuilder Advisors has no formal or informal arrangements to utilize research, research-related products and other services obtained from broker-dealers or third parties on a soft dollar commission basis.

## **Review of Accounts**

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**Periodic Reviews**

Model portfolios are reviewed quarterly by advisory staff under the direction of the Chief Investment Officer and adjustments to recommended portfolio holdings made as needed. Client (plan participant) accounts are held on an omnibus basis through the plan's third party administrator. All recommendations of securities are limited to the model portfolios and are made on a non-personalized basis. As a result, individual plan participant account holdings are not known to ShareBuilder Advisors and are therefore not reviewed.

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**Review Triggers**

Other conditions may trigger a review such as changes in market conditions, new investment information, and availability of investment products.

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**Regular Reports**

Reviewers are members of the firm's Investment Committee. Updates to portfolio structure and allocation are made available via the ShareBuilder401k website within 1 – 5 business days post the Investment Committee decision. ShareBuilder Advisors does not provide other reports directly to clients.

## **Client Referrals and Other Compensation**

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### **Referrals**

SBA receives a number of economic benefits from sharing resources with its affiliated broker-dealer, COSB. Pursuant to COSB's affiliate program, the firm has a number of relationships under which it pays referral fees for bringing new brokerage clients to COSB. This activity is separate from SBA's own activities but will likely benefit SBA as new COSB brokerage clients may also be interested in the services provided by SBA.

SBA may provide bonus incentives to its own employees for new client referrals.

SBA maintains partnership agreements with strategic partners who are paid a flat fee for the referral of new clients to SBA for the purpose of purchasing retirement plan services. The referral fees paid to strategic partners are not passed on to SBA clients. Rather, SBA pays the flat fee to the strategic partner for the courtesy of the client referral. Further, SBA maintains referral arrangements with registered broker-dealers ("Solicitors") and registered investment advisors (RIAs) who refer new clients to SBA for the purpose of purchasing retirement plan services from SBA. These Solicitors and RIAs may or may not be affiliated with SBA.

Through these arrangements, Solicitors and RIAs receive compensation up to a maximum rate of 0.005 (50 basis points) of assets under management. This compensation is provided by SBA to the Solicitor and RIAs, and takes the form of an additional charge against assets under management beyond the standard 75 basis points. Should plan sponsors elect to enter into a new plan purchase directly with SBA, such charge would not be present. Plan sponsors receive the benefit of additional services provided by Solicitors and RIAs under the terms and conditions outlined by those Solicitors and RIAs.

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### **Other Compensation**

SBA has entered into significant relationships with several third party administrators ("TPAs"). Under these arrangements, the Third Party Administrators will refer Plan Sponsors to SBA for general plan consulting and subsequent investment advice. The TPAs provide ongoing administrative services, as well as the individual participant accounting described above and may also introduce new clients to SBA. The TPAs charge fees for their services, including set-up and ongoing monthly administration fees assessed to the Plan Sponsor; and other service-based fees, such as charges for distributions, withdrawals, loans, and check fees. A portion of the TPA's fees assessed to Plan Sponsors may be re-allowed to SBA. (These fees are in



addition to the basis points received by SBA as part of the annual Account Servicing Fee.) Participants and Plan Sponsors can obtain complete fee schedules directly from the Third Party Administrators.

SBA believes that overall fees are reasonable and equivalent to what others charge at arm's length.

Should SBA clients independently elect to establish separate accounts through SBA's affiliated broker-dealer, Capital One ShareBuilder, Inc. ("COSB") they will be charged commissions and fees in accordance with COSB's various investment plans.

COSB also receives expense reimbursement and other fee payments from ADP Financial Services, Inc. for facilitating electronic delivery of proxies, corporate action documents, and other shareholder information.

SBA receives the benefit of its affiliate's resources, including personnel, facilities, and the resulting cost-savings that accrue through management agreements between ShareBuilder Corporation and SBA, and COSB and SBA. These agreements are believed to be at arm's length and to reflect the value received by SBA.

## **Custody**

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### **SEC "Custody" Requirements**

SBA's services are currently offered through its arrangements with several Third-Party Administrators - ("TPAs"), Plan Administrators, Inc. ("PAI") and Ascensus, Inc. ("AI"). SBA and the TPAs refer clients to SBA's affiliated broker-dealer, Capital One ShareBuilder, Inc., for transaction execution and other brokerage services on an omnibus basis. COSB, in turn, provides execution and safekeeping services on an aggregated basis through its correspondent, Pershing LLC. Participants and Plan Sponsors are therefore highly dependent on the accuracy of the TPA's systems for ownership and reporting purposes.

SBA could select and recommend other TPAs with similar functional capabilities as the current TPAs. Since the TPAs provide reporting on an omnibus basis, the arrangement with SBA's affiliated broker-dealer is a significant component of the services that likely cannot be effectively provided through other TPAs or broker-dealers.

Plan Sponsors should be aware that SBA does not maintain custody of client funds or securities. Should ShareBuilder Advisors choose to revise its business model and maintain custody of customer funds and/or securities, SBA would contract with an independent auditor for an annual surprise audit of those custodied accounts in compliance with SEC requirements.

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**Account Statements**

The Third-Party Administrators provide statements of activity via sub-accounting to the Plan Sponsor and the end Participant. Neither SBA nor SBA's affiliate account for client holdings separately or otherwise provide reporting on an individualized basis.

**Investment Discretion**

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**Discretionary Authority for Trading**

ShareBuilder Advisors does not accept discretionary authority to manage securities accounts on behalf of clients.

**Voting Client Securities**

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**Proxy Votes**

ShareBuilder Advisors does not vote proxies on securities. Clients are expected to vote their own proxies, as applicable.

**Financial Information**

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**Financial Condition**

ShareBuilder Advisors does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because ShareBuilder Advisors does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

**Business Continuity Plan**

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**General**

ShareBuilder Advisors has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, or services. Some provisions of this plan are furnished in part by SBA's affiliate, Capital One ShareBuilder, Inc., or the parent company to both companies, Capital One Financial Corporation.

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**Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications

line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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**Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intent to notify clients and/or provide alternative communication methods as soon as possible following a disaster that dictates moving our office to an alternate location.

## **ShareBuilder Advisors, LLC Online and Security Practices**

### **Scope of Practices and Policy**

ShareBuilder Advisors, LLC (“our”, “we”, or “us”) offers ShareBuilder 401k products and services together with one or more other companies that serve as Third Party Administrators to help administer your 401(k) plan. Anytime you are linked from this website to a Third Party Administrator's website, for example to assess, create, enroll in or manage a ShareBuilder 401k plan or account, you are subject the Third Party Administrator's privacy policy, as posted on their website. Whenever you visit a third-party website, you should review its privacy notice.

### **What information do we collect and how do we use it?**

In order to provide 401(k) financial services to you, we will ask you to provide your contact Information and information about your business. We also collect and record information about usage of our web sites in order to better serve our users and enhance the products and services we provide. If you simply request information about ShareBuilder 401k services, we will use your information to provide you with the requested ShareBuilder 401k materials, to follow-up with you from time to time via email, mail or telephone, and to provide to you with additional information describing and promoting the ShareBuilder 401k. Any email you receive as a result of requesting the ShareBuilder 401k informational materials will contain clear instructions for opting out of future email communications offering ShareBuilder 401k services. Additionally, we may use your information to provide certain aspects of the ShareBuilder 401k services, to better understand how the ShareBuilder 401k services are being used and to enhance the provision of such services.

We may share your information with third parties that provide services as Third Party Administrators in connection with our ShareBuilder 401k services and other third parties that perform services for us, such as outside vendors who provide online marketing services or who assist us in sending communications. We also may share your information with third parties to operate or manage our business, or as permitted by law (such as when required by legal process or in connection with the sale of our assets). All such third parties are prohibited from using, selling, or renting such information for their own purposes or benefit and are required to protect such

information from unauthorized use and disclosure. Information collected by the Third Party Administrator managing your 401(k) plan is governed by its privacy policy, as posted on its websites.

### **How does ShareBuilder use cookies?**

"Cookies" are elements of data that a website can send to your browser and store on your computer. Our cookies do not collect or contain personal information about you or compromise the confidentiality of your personal information.

Our system automatically gathers information about the areas you visit on our sites and about the links you may select from within our site to other areas of the Internet or elsewhere online. We use such information in the aggregate to understand how our users as a group use the services and resources provided on our sites. This way we know which areas of our sites are favorites of our users, which areas need improvement, and what technologies are being used so that we may continually improve our sites. We may link such usage information to Contact Information or Personal Nonpublic Information in order to securely verify your identity, to personalize aspects of your experience on our web sites and to better understand which information or services are of greater value to our customers.

We may share aggregated statistical information with our partners, suppliers and other third parties, but we will not share any individual names, personal navigation or other personal information.

You can choose whether to accept cookies by changing the settings of your browser. You can reset your browser to refuse all cookies, or allow your browser to show you when a cookie is being set. You can also erase cookies already stored on your computer. If you choose not to accept these cookies or if you erase them, your experience at our site and other websites may be diminished and some features may not work as intended. For more information on working with cookies, you should consult the User Manual, FAQ or Help function of your specific browser and operating system software.

While you are browsing our websites, you might be directed to websites operated by third parties. These other websites may send their own cookies to you and collect data or solicit personal information. We do not control and are not responsible for what third parties do on their separate websites, or how they handle information about you.

We also use web analytics services to provide additional tracking and analysis of website browsing and usage of our websites in order to better understand how our customers and other website visitors use our websites and the services we offer. Although we do not allow the web analytics providers to capture or transmit any transactional information, banking information, credit card information or other personal financial information, the data collected does include your email address and a unique customer

identifier that we (not the web analytics providers) can use to associate the data collected with individual customers. We use this data in order to continually improve our website and the services we offer, and also to help us deliver the most relevant products and services to our customers.

### **Data Security**

We take the security of information very seriously and have established security standards and procedures to prevent unauthorized access to customer information. We use industry standard means such as physical, electronic and procedural safeguards, including data encryption and secure socket layer technology. We update and test our technology regularly to maintain and improve the protection of our customers' information. We restrict access to personal information to employees and service providers for legitimate business purposes and to assist in providing services to you. Employees who violate our policy are subject to disciplinary action.

### **Miscellaneous**

This notice describes ShareBuilder Advisors, LLC's current online and security practices. We may change our practices outlined in this document in the future and we may revise this notice to reflect material changes. This notice was last revised November 12, 2013, and is effective as of that date. If this notice changes, you agree to receive any updates to this notice at the last email address you have provided to us.

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