
Item 1 – Cover Page

ShareBuilder Advisors, LLC

Investment Advisor Brochure

Updated September 4, 2014

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This Brochure provides information about the qualifications and business practices of ShareBuilder Advisors, LLC.

The Brochure represents our own responses to specific questions designed to disclose important information about registered investment advisers. It is organized to make it easy for clients and prospective clients to compare the services of different advisers by ensuring all firms respond to a common set of items in a specific order.

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. Registration as an investment advisor 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.

Item 2—Material Changes

The Material Changes section of this Brochure allows us to provide clear notice of any material changes in our business practices or disclosures.

Material Changes since the Last Update

We offer or deliver Form ADV Part 2A (“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, LLC ADV Part 2A since the prior version dated 11-12-2013:

- We have made general updates to simplify the language used in this Brochure and to make our terminology more consistent throughout the document.
- We have explained that we have custody over client assets because of the account servicing arrangements we have in place with our affiliated broker-dealer, Capital One ShareBuilder, LLC, member FINRA.
- We have provided additional detail about fee sharing arrangements with other investment advisors and broker-dealers, and concerning referral payments paid to marketing partners.

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.

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Item 4—Advisory Business

Firm Description

ShareBuilder Advisors LLC, (“SBA,” “ShareBuilder 401k,” “we,” “our,” or “us”) was founded in 2005. The firm’s primary mission is to provide affordable retirement investment products to businesses (“Plan Sponsor,” “Employer,” “Client”) and their employees (“Participants,” “Plan Participants,” or “Employees”). We consider the Employer or Plan Sponsor to be our Client, and our direct interaction, as well as our contractual agreements, are with the Employer and not with the Plan Participants. We typically serve businesses ranging in size from 1 to 2,500 employees.

Our goal is to make a complex process simpler by streamlining the job of Plan selection and implementation, and by limiting the investing choices available to our Clients and their Employees.

Principal Owners

SBA is a wholly-owned subsidiary of ShareBuilder Corporation, which is a wholly-owned subsidiary of Capital One Direct Securities Inc., and an indirect wholly-owned subsidiary of Capital One Financial Corporation.

Types of Advisory Services

We provide consulting services and information to Employers regarding the establishment of a defined contribution plan (“Plan”) for its Employees.

Through our website, we ask the Employer a series of questions and then recommend a particular Plan based on the Employer’s identified needs. We then provide an automated process to assist the Employer in selecting and purchasing a Plan and then choosing investment options, as described below. Our Plan recommendations are based on a number of factors, including but not limited to, size of employee base, demographics, and existing benefits.

Key to meeting our goal of making 401(k)s simpler is offering limited investment choices. To this end, we offer 20 Exchange Traded Funds (“ETFs”) on our platform, as well as a Money Market Fund, the ShareBuilder Bedford Shares of The RBB Money Market Portfolio. We also provide 5 Model Portfolios constructed of a subset of these 20 ETFs. We don’t offer advice on any other types of investments.

Participants may choose to invest in a Model Portfolio created by SBA or to build a custom portfolio from among the 20 ETFs and the Money Market Fund we offer. Model Portfolios are constructed to meet a range of Plan and Participant risk profiles and include Stable, Conservative, Balanced, Moderate, and Aggressive Portfolios. In no event does SBA offer personalized advice to Plan Participants concerning investment strategies.

Because SBA's Investment Committee chooses the investment options available, as well as the composition of each of the Model Portfolios, we serve as ERISA 3(38) advisor for each 401(k) Plan, unless otherwise arranged. We do not provide other investment advisory services beyond this. Our 3(38) status reduces some of the fiduciary risks and duties Employers would otherwise have in offering a Plan by managing the investments made available in the Plan. The Plan Sponsor and other Employer personnel involved with the Plan retain all other fiduciary duties, including the selection of other Plan providers.

Item 5—Fees and Compensation

Description

We are compensated primarily by asset-based fees. We may also receive a portion of one-time fees charged for Plan set-up, as well as ongoing monthly administration fees charged to the Plan Sponsor. For Plans with a very large number of Participants relative to a small asset base, we may also charge an ongoing per-Participant fee assessed directly to the Plan Participants.

All of our fees are detailed on SBA's website at:

<http://401kpricing.com/pricing.htm>.

In general, Plans become more expensive as they add Participants, and they become less expensive as they increase assets. The most expensive Plans are those with a large number of Participants and a small asset base.

We have provided broad descriptions of the types and ranges of fees that Plan Sponsors and Plan Participants can expect to pay. In all cases, a Plan Sponsor will receive a detailed proposal and fee disclosure document through our website prior to purchasing a Plan through us. This is the most accurate way to understand our fees and details both SBA's advisory fees and the fees charged by the third-party administrator ("TPA") responsible for recordkeeping for all the Plans we offer.

In addition to information available through our website, SBA representatives can be reached by toll-free number to discuss Plan features. In some markets, where we maintain a physical sales support presence, we are able to meet in person to answer questions and guide users to the Plan that fits their stated needs.

For Plans with fewer than 250 Participants, the primary components of our fees are:

- One-time set-up fees, charged to the Plan Sponsor and ranging from \$0 to \$995, depending on the Plan type and assets.
- Administration fees, charged to the Plan Sponsor, and ranging from \$0 to \$400 per month. Plans with more Participants generally pay higher monthly administration fees, but the fees decrease as assets increase above predetermined tiers.

- Asset-based fees, charged quarterly to the Plan Participant's account, and based on an annual fee ranging from 0.06% of asset value to 0.75% of asset value. The schedule of asset-based fees appears below for plans with 250 Participants or less.

Following is a summary of our fees by Plan type. All fees shown are for Plans with 250 or fewer Participants. We provide a custom quotation for Plans with more than 250 Participants. The quote takes into account asset base, Plan type, and the administration fees necessary for us to cover the increased servicing costs involved with a larger number of Participants.

Type of Plan	Individual 401(k)	Simplified 401(k)	Customized 401(k)	Tiered Profit Sharing 401(k)
Works Best For	Solo Owner(s) planning to save \$5,500 or more per year	Plans seeking to maximize owner contributions and avoid IRS tests	Employers seeking flexible matching, vesting, and profit sharing options	Employers seeking to reward employees by group, tenure, or age
One-time Set-Up Fee	\$150 for Plans with less than \$250,000 in assets; No charge for Plans with more than \$250,000	Under \$500,000 in assets: \$495 \$500K - \$1,999,999: \$400 \$2 million to \$4,999,999: \$250 Over \$5 million: No charge	Under \$500,000 in assets: \$750 \$500K - \$1,999,999: \$600 \$2 million to \$4,999,999: \$450 Over \$5 million: No charge	Under \$500,000 in assets: \$995 \$500K - \$1,999,999: \$750 \$2 million to \$4,999,999: \$500 Over \$5 million: No charge
Monthly Admin Fee, based on number of Participants, and charged to Plan Sponsor. <i>Maximum shown applies only to Plans with 250 or fewer Participants.</i>	\$15 per owner for Plans with less than \$250,000; No charge for Plans with more than \$250,000	From \$0 to \$325 per month, based on number of Participants and asset base. No charge for Plans with more than \$5 million and fewer than 250 Participants	From \$0 to \$400 per month, based on number of Participants and asset base. No charge for Plans with more than \$5 million and fewer than 250 Participants	From \$0 to \$325 per month, based on number of Participants and asset base. No charge for Plans with more than \$5 million and fewer than 250 Participants

Asset Management Fee	See Chart Below	See Chart Below	See Chart Below	See Chart Below
Per Participant Fee Assessed to Participants	None	None for Plans with fewer than 250 Participants;	None for Plans with fewer than 250 Participants;	None for Plans with fewer than 250

Asset-Based Fee Charged to Plan Participants (Plans with Fewer than 250 Participants):

Total Assets in Plan	Annual 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% (negotiable)

In addition, for Plans with more than 250 Participants, a flat per-Participant fee may be charged to the Plan Participant's account. The per-Participant fee ranges from \$0 to \$4.50 per month, depending on the asset and participant size of the plan.

How Plan Sponsors and Participants are Charged

Most of our billing functions are performed by third-party administrators ("TPA"). We use two different TPAs: Plan Administrators, Inc. ("PAI") and Ascensus, Inc. ("Ascensus"). These TPAs are unaffiliated with SBA and with each other. We assign new Plans to a particular TPA based on the Plan type, the number of Participants, and other factors. New Individual 401(k) Plans are typically assigned to Ascensus; similarly, Plans with more than 250 Participants are also assigned to Ascensus because PAI has elected not to administer Plans with a larger number of Participants. Employers will receive disclosure documents and agreements directly from the TPA associated with their Plan. Plans are not implemented until all agreements with the TPA are executed.

Below are more specifics about how different fees are charged.

- For plans with less than \$5 million in assets, SBA charges the Plan Sponsor a one-time set-up fee at the time the Plan is purchased. This fee is paid through our website to establish the Plan and is not usually refundable. For plans with less than \$500,000 in assets SBA retains a small portion of the set-up fee, and most of it is paid to the TPA.
- The assigned TPA bills the Plan Sponsor for the monthly administration fee, if applicable. This is paid by direct debit from the Plan Sponsor's bank account. Plan Sponsors do not have the option to pay by another method. PAi charges the administration fee one month in advance, while Ascensus charges the fee in arrears. Termination information is found in the agreement all Plan Sponsors execute directly with the TPA. SBA may share in part of the monthly administration fee; the amount SBA retains, if any, varies based on the size of the Plan. In general, we mark-up the wholesale price offered to us by the TPA and charge slightly more for Plans with little or no assets. As a Plan grows past certain asset milestones, the administration charge to the Employer may decline below the TPA's wholesale price to SBA.
- For Plans greater than 250 Participants, a per-Participant fee may be assessed to the Participant. When applicable, it is collected quarterly by the TPA. The fee is deducted directly from the Participant's account. The TPA remits 100% of these fees to SBA, or uses them to offset other fees SBA owes to the TPA.
- Asset-based fees are also deducted quarterly by the TPA directly from Participant accounts, in arrears. The TPA deducts the fee directly from the account without further notice to or consent of the Plan Sponsor or Participant. SBA has no authority to deduct the fee. The fee is calculated by determining the daily average value over the prior calendar quarter in the Participant's account, multiplying this value by the stated annual fee, and dividing by four.

For example, a Plan has \$2.5 million in total assets with SBA and has agreed to an annual fee of 0.55% (.0055). The TPA receives information about pricing data over the prior quarter and calculates that Participant A had a daily average balance of \$110,000. The fee is calculated as follows:

$$\$110,000 \times .0055 = \$605.$$

$$\$605/4 = \$151.25.$$

$$\$151.25 = \text{the quarterly fee charged to the Participant by the TPA}$$

Average daily account values are recorded by the TPA based on daily closing pricing data obtained from our broker-dealer affiliate, Capital One ShareBuilder (“COSB”). COSB, in turn, obtains pricing data from independent third parties, including its custodian, Pershing LLC. (See more on the relationship among SBA, COSB and Pershing in the Custody section, below.)

Of the fees charged, the TPA remits the entire amount to SBA, except for Individual 401(k) Plans. For Individual 401(k)s, PAi retains 15 basis points (.0015) from the total fee and Ascensus retains 10 basis points (.0010) from the total fee. The amount retained by the TPA doesn’t change the total amount charged to the Participant. Using the above example again, we’ve illustrated the amount paid to PAi and to SBA respectively for an Individual 401(k).

*Individual 401(k)
Example of Fee Sharing between SBA and TPA*

1. $\$110,000 \times .0055 = 605$.
 $\$605/4 = \151.25 .
\$151.25 = the quarterly fee charged to the Participant by the TPA
2. PAi retains .0015 per year or .000375 per quarter = \$41.25/quarter
SBA retains .004 per year or .001 per quarter = \$110/quarter
3. The total fee of \$151.25 charged to the Participant remains the same.

Other Compensation We Receive

SBA’s broker-dealer affiliate, 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 money market fund company, which is not affiliated with COSB or SBA. 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 don’t 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. To limit the effect of this conflict of interest, we do not include The RBB Money Market in Model Portfolios. Further, because each Plan Participant makes his or her own investment choices when constructing custom portfolios, Participants may choose not to allocate their investments to

The RBB Money Market. As a practical matter, however, because we don't offer another money market fund or cash equivalent, Participants seeking a cash equivalent option will likely invest in The RBB Money Market Portfolio.

Marketing Agreements and Referral Arrangements

We maintain marketing agreements with certain affiliated and unaffiliated companies that provide products and services to small and mid-size businesses. We may pay these companies marketing bonuses for referrals. These payments are in addition to subsequent payments of up to \$2,600 for the referral and the subsequent sale and funding of plans. Additionally, reduced set-up and monthly administration fees may be available for Plan Sponsors who have existing business relationships with these companies. Otherwise, all standard fees are the same. Any marketing bonuses paid are paid directly by SBA, and not out of Plan assets or fees assessed to the Plan Participants.

In addition to directly marketing our services to Plan Sponsors, ShareBuilder 401k Plans may be offered to businesses and their employees through other companies. These other companies include independent registered investment advisors ("RIAs"), registered broker-dealers ("B/Ds"), or Capital One Financial Corporation's affiliates ("COF Affiliates"). These other RIAs, BDs, or COF Affiliates offering our Plans to Clients may also be providing other advisory, brokerage, or banking services through independent agreements our Clients execute with those companies. In all cases, the services we offer remain the same and are described in this Brochure. We don't review, monitor, or otherwise oversee or participate in services offered by these other companies.

When we receive referrals from these other RIAs, BDs, or COF Affiliates, we have agreed to charge up to an additional 50 basis points (.0050) annually, on top of our standard asset-based fees, to be paid to the other firm. Plan Sponsors must evaluate the additional services they receive from these providers to determine if those services are (1) necessary to the operation of the Plan and (2) if the additional fee is no more than reasonable compensation for the services received.

Clients purchasing Plans through other RIAs, B/Ds, or COF Affiliates will pay higher fees than those shown on SBA's Standard Fee Schedule, to the extent the other service provider bills for its own services by increasing the standard SBA fee.

See Item 14, Client Referrals and Other Compensation, for more information.

Other Costs to Plan Sponsors or Plan Participants

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

The TPAs responsible for Plan and Participant recordkeeping also assess charges for certain transactions, such as withdrawals and loans. Detailed information on these charges is provided to Sponsors at the time they set up the Plan. The TPA is responsible for ongoing notice to the Plan of future fee changes.

Participants are not charged commissions or other transaction fees. This is possible because trades are processed through our affiliated broker-dealer, COSB, and routed to COSB's clearing firm, Pershing, LLC, for execution. We are able to take advantage of the relatively low trading costs available through our affiliate. We absorb the cost of these transactions instead of passing them on to Participants. Because SBA bears the transaction costs under this arrangement—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 our long-term approach to the Model Portfolios, however, we believe that financial disincentives associated with frequent trading support investor interests.

Expense Ratios & Brokerage Costs

We provide advice to Plan Sponsors on the selection and periodic modification of investment options and we provide Model Portfolios composed exclusively of a subset of the 20 ETFs selected by our Investment Committee. ETFs are not traditional mutual funds but are often compared with them for investment purposes. ETFs 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 normally pay individual transaction fees or commissions to brokers when they purchase exchange-traded funds.

We have arranged to have all Participant transactions executed through our affiliated broker-dealer, COSB. Participants do not pay any commissions or other transaction fees, but COSB charges us for the costs that would otherwise have been incurred by Participants. See Item 12, Brokerage Practices, for a detailed explanation of this process and the conflicts of interest inherent in our using our affiliate for execution and in aggregating Participant orders.

Past Due Accounts and Termination

We reserve the right to stop work on any account that is overdue for payment of services.

Plan Sponsors may terminate their accounts with us at any time by contacting us and completing some required forms. The TPAs serving the Plan may

require specific notice periods, as described in the agreements Plan Sponsors execute with those companies, but SBA does not require advance notice.

Item 6—Performance-Based Fees

Performance-Based Fees

We do not charge performance-based fees.

Item 7—Types of Clients

Description

We generally provide advice about Plan structure options to Employers, and make a limit number of investment choices and Model Portfolios available to Plan Participants. Our Clients are businesses or business owners. We do not offer personalized investment advice.

Item 8—Methods of Analysis, Investment Strategies and Risk of Loss

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.

Investing in securities always involves risk of loss that Plan Participants should be prepared to bear.

Investment Strategies

SBA does not have discretionary authority over individual participant accounts and, except as described below in Item 16, does not otherwise implement investment choices or offer personalized advice. Our Investment Committee (“Committee”) oversees the investment options available in Clients’ Plans along with overseeing the make-up of the five Model Portfolios (from conservative to aggressive). The Committee consists of investment professionals including four Chartered Financial Analysts (“CFAs”). To assist in our analysis, we use a model we obtain from ASI, an unaffiliated company. This model helps the Committee evaluate different elements of risk in a portfolio, as well as potential expected returns, and guides the Committee’s construction of the Model Portfolios. There is no guarantee that use of this model will lead to any specific returns or protect against loss.

With this model and other data, as well as other internal and external resources, the investment options are selected and Model Portfolios constructed in line with the ShareBuilder 401k Investment Philosophy and Policy. Our essential policy objectives are asset diversification, historical performance 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.

The Model Portfolios are constructed with set investment time horizons ranging from 1-3 years to over 10-20 years and are not expected to have frequent allocation changes based on normal market conditions. The underlying ETFs, in turn, will possess individual risk/return characteristics based on the investment objective of the ETF described in the prospectus and 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 the 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 them. The Model Portfolio objectives and the ETF selections are described on the following pages.

Model Portfolio Objectives:

In describing risk below, it is important to understand that we select investment options and build Model Portfolios solely for 401(k) Plans. Our choices begin with a relatively conservative objective: saving for retirement. Even when describing a Model Portfolio as "high risk," in our context our choices remain prudent. The portfolio will be reasonably diversified, and the investment options selected will meet established investment criteria.

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:

Domestic Equity ETFs	Symbol	Asset Class	Benchmark Index
SPDR S&P 500 ETF Trust	SPY	Large Cap Blend	S&P 500
iShares Russell 1000 Growth	IWF	Large Cap Growth Equity	Russell 1000 Growth
NASDAQ 100 Trust Shares	QQQ	Large Cap Growth	NASDAQ 100
SPDR DJIA Trust	DIA	Large Cap Value	Dow Jones Industrial Avg.
iShares Russell 1000 Value	IWD	Large Cap Value	Russell 1000 Value
iShares KLD Select Social Index	KLD	Large Blend	MSCI USA ESG Select Index
iShares Core S&P MidCap ETF	IJH	Mid Cap Blend	S&P 400 Mid Cap
iShares Dow Jones Select Dividend Index	DVY	Mid Cap Value	Dow Jones Select Dividend
iShares Russell 2000 Index	IWM	Small Cap Blend	Russell 2000
Specialty Equity ETFs	Symbol	Asset Class	Benchmark Index
Vanguard REIT ETF	VNQ	Real Estate	MSCI US REIT
Vanguard Emerging Market ETF	VWO	Diversified Emerging	MSCI Emerging Markets
Vanguard FTSE Developed Market ETF	VEA	Foreign Large Blend	MSCI EAFE
PowerShares DB Commodity Index	DBC	Commodities Broad Basket	DBIQ Optimum Yield Diversified Commodity Index Excess Return
iShares Gold Trust	IAU	Commodities Precious Metals	London PM Fix Price
Fixed Income ETFs		Asset Class	Benchmark Index
iShares Barclays 1-3 Year Treasury Bond	SHY	U.S. Gov. Bonds Short Term	Barclays Capital 1-3 Treasury

iShares Barclays 7-10 Year Treasury	IEF	U.S. Gov. Bonds Intermediate	Barclays Capital 7-10 Treasury
Vanguard Total Bond Market	BND	U.S. Corporate & Government Bonds	Barclays Capital Aggregate Bond
iShares Barclays TIPS Bond	TIP	U.S. Gov. Inflation Protected Bonds	Barclays Capital U.S. Treasury Inflation Notes
SPDR Barclays Capital International Treasury Bond	BWX	World Bond	Barclays Capital Global Treasury Ex-US Capped Index
PowerShares Emerging Markets Sovereign Debt	PCY	Emerging Markets Bond	DB Emerging Market USD Liquid Balanced Index
Stable Value Fund		Asset Class	Benchmark Index
RBB Fund, Inc.: Money Market Portfolio	BDMXX	Money Market Fund	Stable Value income

Risks

- **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 an ETF may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors that can be 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.
- **Risks Specific to ETFs:** ETFs are funds bought and sold on a securities exchange that attempt to track the performance of a specific index (such as the S&P 500), a commodity, or a basket of assets (such as a set of technology-focused, country-specific, or other sector-specific stocks). The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in its being more volatile than the underlying securities. ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

Item 9—Disciplinary Information

Legal and Disciplinary

We are required to disclose if we, key employees, or our affiliates, have been involved in specified legal or regulatory events. We have nothing to disclose in response to this question.

Item 10—Other Financial Industry Activities and Affiliations

Financial Industry Activities

All of SBA's personnel are associated with and provide services to COSB, a registered broker-dealer and SBA affiliate.

SBA's President and Chief Investment Officer, Dan Greenshields, also serves as President of COSB.

SBA's Chief Compliance Officer, Sara Andres, also serves as the Chief Compliance Officer of COSB.

For both Mr. Greenshields and Ms. Andres, their duties on behalf of the broker-dealer are substantial and occupy a majority of their time.

Our General Manager, Stuart Robertson, while registered with COSB, spends the majority of his time focused on SBA's activities.

Affiliations

SBA 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 (collectively, "COF Affiliates"). We have cross-marketing agreements in place with the COF Affiliates as described in this Brochure. Where these arrangements result in the payment of a referral fee in the form of sharing asset-based fees, this information is disclosed in advance.

Item 11—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

SBA 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. We will furnish a copy of the Code of Ethics to Clients or prospective Clients upon request.

Participation or Interest in Client Transactions

SBA itself, as well as our employees, may buy or sell the ETFs we make available and may also invest consistent with the Model Portfolios. The names of the 20 ETFs and the composition of the Model Portfolios are public information. These are widely traded securities and we do not believe that activity by our employees would have any significant impact on market prices. Further, no one working for SBA or COSB is able to see individual Participant transactions. COSB personnel are able to see aggregated transactions, after they have been submitted for execution, but only the TPAs know Participant identities or the amounts of securities purchased for specific Participants. We do not believe that our ability to invest in the same securities as Participants presents any disadvantage to Participants.

Employees of SBA and COSB must observe the personal trading policies outlined by both COSB and by our parent, COF.

COSB acts as principal when clients buy or sell fractional shares of 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 public 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 COSB of residual fractional shares is necessary 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. Instead, the firm fills fractional share orders at the same price obtained for full shares in that day's aggregated trading. COSB routes all orders to Pershing LLC for execution and orders are filled based on Pershing's order routing and execution policies. In no case does COSB or SBA independently determine the execution price.

COSB could realize some profit or loss from market fluctuation when liquidating a position resulting from residual fractional shares in the open market. For this reason, 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. COSB believes that the potential for profit or loss is not significant and we do not believe the process creates a material conflict of interest.

Item 12—Brokerage Practices

Selecting Brokerage Firms

As discussed above, our affiliate, COSB, is a registered broker-dealer. Our business model is based on our ability to execute trades on behalf of Participants at low cost and to provide for the purchase and sale of fractional shares. Our ability to use our affiliate for this purpose is central to our services. Accordingly, all Plan Sponsors establishing a Plan through us must use a TPA we recommend, and those TPAs have agreed to manage their recordkeeping and reporting responsibilities in a manner that leverages COSB's capacities.

COSB submits all transactions to Pershing LLC for execution 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 commissions 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 our long-term approach to the Model Portfolios, however, we believe that financial disincentives associated with frequent trading support investor interests.

Directed Brokerage

We require Plan Participants to establish their accounts with specific TPAs who will transmit information directly to our affiliate, COSB. As described below, we have an incentive to recommend COSB based on our business needs rather than on our Client's interest in receiving most favorable execution. In light of the circumstances, however, we believe that our interests are aligned with our Clients. Low-cost transactions, as well as the ability to purchase and sell fractional shares, are significant benefits to Plan Sponsors and Plan Participants.

Our relationship with COSB primarily benefits those Plans and Participants who execute transactions.

In order to keep our own expenses down, and to facilitate our ability to make fractional shares available, all Participant transactions are consolidated by the TPA and submitted to COSB once per day. COSB, in turn, routes the aggregated orders to its clearing firm, Pershing LLC, for execution. All Participants will receive the same execution price for trades entered that day. The price may be higher or lower than the price Participants would receive if their trades had been executed individually.

We have a duty to seek best execution on transactions and we have policies in place to monitor the execution of trades through COSB and Pershing. COSB and Pershing are also obligated to seek best execution. We are confident that the execution price obtained for any given transaction represents the best execution available at the time the order was routed to Pershing, in light of existing market conditions and other relevant factors.

Research and Other Soft Dollar Benefits

"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.

SBA 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. As discussed above, we do benefit from our affiliate's execution capabilities and obtain discounted pricing by directing all Plan assets and transactions to COSB. We are also able to access research reports and other services that Pershing makes available to COSB. These benefits are not, however, a significant factor in our decision to use our affiliate for execution. See Item 14, Client Referrals and Other Compensation, for more information on the benefits of our relationship with COSB.

Item 13—Review of Accounts

Periodic Reviews

Model Portfolios are reviewed quarterly by advisory staff under the direction of the Chief Investment Officer and the Investment Committee. Adjustments to Model Portfolio holdings are made as needed. (See Item 16, Discretion, for more information.) All assets are held on an omnibus basis through the Plans' TPAs. All recommendations of securities are limited to the Model Portfolios and are made on a non-personalized basis. SBA cannot see either individual Participant holdings or the holdings of individual Plans. Because the TPAs are responsible for recordkeeping and servicing, we do not review Plans or Participant accounts. Participants interested in having their accounts rebalanced may contact their respective TPA for information on one-time or regular automatic rebalancing options.

Review Triggers

Besides the scheduled quarterly reviews, other conditions may trigger a review of the investment options or the Model Portfolios, such as changes in market conditions, new investment information, and availability of investment products. Changes to the ETF options or to the Model Portfolios have, on average, been made 1-2 times per year.

Regular Reports

Reviewers are members of the firm's Investment Committee. Updates to portfolio structure and allocation are typically made the first of the month following the Investment Committee decision and are available via the ShareBuilder401k website. SBA provides an "Investment Roster Review" report to Plan sponsors as regular reviews occur. SBA does not provide reports directly to Participants. .

Item 14—Client Referrals and Other Compensation

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 receives the benefit of its affiliate's resources, including personnel and 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 reflect the value received by SBA.

SBA may provide bonus incentives to its own employees and to employees of COSB for new client referrals. Examples of the incentives include gift cards for \$25 or less to online vendors or coffee stores.

SBA maintains 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 (which may be COF affiliates) receive compensation up to a maximum rate of 0.005 (50 basis points) annually 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 maximum 75 basis points (.0075) SBA charges annually. Should Plan Sponsors elect to enter into a new Plan purchase directly with SBA, such charge would not be present.

Plan Sponsors must evaluate the additional services they receive from these providers to determine if those services are (1) necessary to the operation of the Plan and (2) if the additional fee is no more than reasonable compensation for the services received.

Clients purchasing Plans through Solicitors, other RIAs, or certain COF Affiliates, will pay higher fees than those shown on SBA’s Standard Fee Schedule.

Other Arrangements

SBA has entered into significant relationships with unaffiliated TPAs. SBA sells 401k plans and determines the appropriate TPA to support the plan. SBA provides on-going general plan consulting and subsequent, investment services. The TPAs provide ongoing administrative services, as well as the individual participant accounting described in Item 5, Item 12, and in Item 15, and may also introduce new clients to SBA. The fees charged under these arrangements are fully described in Item 5, Fees and Compensation.

We believe that the overall fees are reasonable and equivalent or better to what others charge at arm’s length.

Item 15—Custody

SEC Custody Requirements

Investment advisors are subject to specific rules governing how Client assets are maintained and accounted for. The rules are devised to ensure that

appropriate protections are in place to prevent fraud or theft, and to assure the ongoing accuracy of records provided to clients detailing their holdings, transactions, and the valuation of their investments.

The SEC's custody rules have several components, including the requirement to maintain all client assets with a "qualified custodian." The idea behind this is to ensure that assets are kept with a regulated company that has in place the systems, procedures, and competencies necessary to properly account for client holdings and transactions.

We believe that our systems are sound and are well-designed to protect clients. At the same time, we believe it's important for you to understand our custody arrangements.

We maintain arrangements with several different entities to handle transactions, hold customer assets, charge advisory fees, and provide account statements. SBA does not have direct access to any Participant's account, but SBA's affiliate, COSB, does have direct access to aggregated assets because of its omnibus arrangement with Pershing LLC, the qualified custodian ultimately holding all SBA Plan and Participant assets. Because our affiliate has this direct access, SBA is also deemed to have custody of client assets.

The TPA selected by the Plan Sponsor maintains all data regarding individual Plans, including the transactions and holdings specific to Participants. The Trust Company of each TPA sends COSB trade information on an aggregated basis, and COSB in turn routes orders to Pershing for execution. At no time does COSB or Pershing know the identity of the individual Plan Participants or Plan Sponsors. COSB has detailed procedures and systems in place to reconcile its own records with those of Pershing. COSB then passes trade and holding information back to the TPA on an aggregated basis. The TPA is then responsible for accounting for all transactions and positions at the individual Plan and Participant level and for delivering statements. Clients are highly dependent on the accuracy of the systems used by the TPAs to account for their invested assets. Neither SBA nor COSB has control over these systems.

Account Statements

The TPAs provide statements of activity via sub-accounting to the Plan Sponsor and the end Participant. SBA, COSB and Pershing do not account for Participant holdings separately or otherwise provide reporting on an individualized basis. Clients should review the statements received from the TPAs carefully and notify both SBA and the TPA of any discrepancies immediately.

Item 16—Investment Discretion

Discretionary Authority for Trading

SBA does not accept discretionary authority to manage securities accounts on behalf of clients. We do, however, solely determine the investment options made available through our platform, as well as the construction of the Model Portfolios, including changes to their make-up and allocation. Participants and Plans do not have the choice of retaining ETFs that are no longer offered by SBA.

When the Investment Committee chooses to remove and replace an ETF offered on the platform, SBA will notify the TPAs of the change. SBA and the TPAs will notify the Plans of the ETF change and transaction date.

Item 17—Voting Client Securities

Proxy Voting

SBA does not vote proxies on securities. Participants are expected to vote their own proxies, as applicable.

Item 18—Financial Information

Financial Condition

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