

**Pentegra Investors, Inc.
Firm Brochure**

(The date of this Firm Brochure and the information in it is as of March 31, 2011)

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This Firm Brochure (***Brochure***) provides information about the qualifications and business practices of Pentegra Investors, Inc. (in this Brochure, we refer to Pentegra Investors, Inc. as ***Pentegra Investors*** or the ***Firm***). If you have any questions about the contents of this Brochure, please contact:

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The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Pentegra Investors, Inc. is registered as an investment adviser with the U.S. Securities and Exchange Commission (***SEC***). Registration does not imply that either the Firm or any employee has any certain level of skill or training.

Additional information about Pentegra Investors, Inc. is available by accessing: www.adviserinfo.sec.gov.

Item 2 - Material Changes

Pentegra Investors has changed the information contained in its Brochure and the manner in which it is presented as required by a recent rule change adopted by the U.S. Securities and Exchange Commission (*SEC*). Other than the changes required by the rule change, the information relating to Pentegra Investors in this Brochure has not changed materially since the Firm last updated its Form ADV and Brochure.

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Item 4 - Advisory Business

A. The Firm

Pentegra Investors was formed as a corporation under the laws of the state of Delaware on February 28, 1989. Until August 2008, Pentegra Investors was one of a number of subsidiaries of Retirement System Group Inc. (*RSGroup*). In August 2008, three of the RSGroup subsidiaries, including Pentegra Investors, were acquired by Pentegra Services, Inc., a for-profit Delaware corporation. Pentegra Services, Inc. is a subsidiary of Pentegra Defined Benefit Plan for Financial Institutions (*Pentegra Plan*), a not-for-profit, multiple employer defined benefit plan. After the change in ownership, Pentegra Investors changed its name from Retirement System Investors Inc. to Pentegra Investors, Inc. Pentegra Investors is currently one of a group of companies that are subsidiaries of Pentegra Services, Inc. (collectively, *Pentegra*) that provide a variety of services to retirement plans, primarily sponsored by financial institutions for their employees. Pentegra Investors has been registered as an investment adviser with the U.S. Securities and Exchange Commission (*SEC*) since August 1, 1990. It has made notice filings in the states in which its business requires it to do so.

B. Types of Services

1. Management Services

Pentegra Investors offers ongoing management of assets for Clients (*Clients*) on both a discretionary and a nondiscretionary basis. The primary business of Pentegra Investors involves the management of the securities portfolios of a limited number of retirement plans. See Item 7. Pentegra Investors invests its Clients' assets primarily in registered investment company securities (*mutual funds*) or interests in collective investment trusts that are exempt from registration (*collective trusts*, collectively with the mutual funds, *Funds*). See Item 8.

2. Investment Advice

Pentegra Investors also provides advice about securities in connection with discussing the services that Pentegra can provide for retirement plans and retirement plan sponsors. Investment adviser representatives of Pentegra Investors may provide advice about the securities that Clients may be evaluating to fund a defined contribution plan or otherwise in connection with structuring a retirement plan. This kind of investment advice does not involve ongoing management of assets.

3. Consulting Services

Pentegra Investors occasionally provides consulting services to Clients based on the specific needs or requests of a Client. Consulting services are negotiated on a case-by-case basis and do not involve management of Client assets.

C. Tailoring Services to Needs of Clients

All of the services of Pentegra Investors are individualized for each of its Clients. At the time Pentegra Investors enters into a contract with a Client, and regularly thereafter, Pentegra Investors obtains information from the Client concerning the investment guidelines, objectives, risk tolerance levels, financial requirements, investment restrictions, asset and liability structure and any specific requests or needs of each Client. Because the Clients are usually retirement plans, Pentegra Investors also evaluates whether the Client is subject to ERISA and any risk levels, asset requirements or other guidelines that are required under the specific retirement plan. Based on its review, Pentegra Investors develops recommendations concerning the structure of the investment portfolio for each Client and designates those securities that Pentegra Investors recommends the Client purchase, sell, exchange or hold.

D. Wrap Fee Programs

Pentegra Investors does not offer a wrap fee program.

E. Assets under Management

As of February 28, 2011, Pentegra Investors had \$357,923,000 under management for Clients on a discretionary basis and \$5,172,000 under management for Clients on a non-discretionary basis.

Item 5 - Fees and Compensation

A. Fees Charged

1. Negotiability

Pentegra Investors documents all of its services with a written agreement that describes the services to be provided and the fees to be charged for those services. Fees may be negotiable depending on the type of services to be provided, whether the Client has multiple accounts under management, the length of time that Pentegra Investors has been managing the Client's assets and other factors considered relevant by Pentegra Investors. Under most circumstances, fees will not be greater than those listed below.

2. Management Fees

a. Fee Schedule

For management of assets in Internal Revenue Code Section 401(k) and non-qualified deferred compensation plans, Pentegra Investors charges the following annual fees calculated as a percentage of assets under management:

<u>Assets</u>	<u>Fee</u>
First \$1,000,000	.80%
Next \$2,000,000	.65%
Next \$3,000,000	.50%
Over \$6,000,000	.35%

For management of assets in tax-qualified defined benefit plans, Pentegra Investors charges the following annual fees calculated as a percentage of assets under management:

<u>Assets</u>	<u>Fee</u>
First \$5,000,000	.85%
Next \$5,000,000	.80%
Next \$10,000,000	.75%
Next \$20,000,000	.70%
Over \$40,000,000	.65%

b. Determination of Value of Assets

The above fees are based on the value of the securities managed by Pentegra Investors as of the last day of the preceding quarter. Pentegra Investors relies on the value of the assets reported by the custodian of the assets to calculate its fees. If the custodian does not provide the values, Pentegra Investors will obtain a value from the distributor or a third party pricing agent.

c. Minimum

Pentegra Investors does not have a minimum fee or minimum account size; however, Pentegra Investors may decline to accept a Client if the amount of assets to be managed is not large enough to allow Pentegra Investors to manage them effectively.

3. Investment Advice

Pentegra Investors generally does not charge separately for the advice its investment adviser representatives provide to current and prospective Clients in connection with evaluating securities used to fund retirement plans. Pentegra includes such advice in the overall services that Pentegra provides for the retirement plans it sells and services.

4. Consulting Services

Pentegra Investors does not have a fee schedule for consulting services. Pentegra Investors usually provides consulting services for fixed fees negotiated for each project.

B. Payment of Fees

1. Management Fees

Management fees are payable quarterly, at the end of each quarter, based on the value of the assets at the end of the quarter. Pentegra Investors does not deduct fees from Client accounts, but sends a billing statement to each Client after the quarter ends. All fees for management services are due and payable within 30 days of the date of the billing statement.

2. Consulting Services

The terms of payment for consulting services are negotiated for each project. Consulting fees may be payable (i) at the end of a project, (ii) in advance or (iii) periodically over the term of a project. If fees are paid in advance, any unearned fees would be refunded within 30 days after the consulting relationship ends, if the relationship ends before all fees have been earned.

C. Other Fees Paid by Clients

1. Additional Services

Pentegra Investors does not currently charge for providing additional services to Clients, such as providing additional copies of statements or monthly expense charges.

2. Investments in Funds

As noted above, Pentegra Investors uses investment company securities such as mutual funds and collective trusts in managing Client accounts. Clients should be aware that these Funds may charge management and administration fees to their shareholders and that those fees are in addition to the fees charged by Pentegra Investors.

3. Brokerage and other Costs

Clients may also be required to pay transaction costs, custodial costs or other costs that are charged by the Fund companies holding Fund shares or trust assets. Those fees are in addition to the fees charged by Pentegra Investors. See Item 12.

D. Advance Payments and Refunds

1. Proration of Fees

If management services begin or end at a time other than the beginning or end of a quarter, Pentegra Investors prorates its fees based on the days during the quarter that the assets were under management.

2. Limit on Fees paid in Advance

In no event will Pentegra Investors require advance payment for its services that would be more than \$1,200.00 per Client and which would be paid six (6) or more months in advance.

E. Compensation for Sales of Securities

Neither Pentegra Investors nor any supervised person or related person accepts any compensation for transactions in securities for Clients. See Item 12, below.

Item 6 - Performance-Based Fees

Pentegra Investors does not enter into contracts with Clients where its compensation would be based on a share of capital gains, or capital appreciation of the assets of a Client (*performance-based fees*). See Item 5.

Item 7 - Types of Clients

Pentegra Investors is primarily involved in managing assets for qualified and non-qualified retirement plans sponsored by financial institutions such as banks or thrift institutions. It may, in its discretion, accept other Clients, such as credit unions and for profit and not-for-profit corporate entities.

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

A. Methods of Analysis and Investment Strategies

Pentegra Investors manages assets using mutual funds and collective investment trusts that invest in different markets, asset classes and types of securities. The Firm attempts to balance risk through investment in Funds offering different risk levels, taking into consideration the strengths and weaknesses in the market at any given time. Pentegra Investors evaluates the markets and the Funds it selects to invest in the differing market segments through the use of electronic research and analytical tools provided by unaffiliated sources such as Morningstar, Lipper and Zephyr, as well as through the following traditional sources of information:

- financial newspapers and magazines;
- annual reports, prospectuses;
- filings with the SEC;
- research materials prepared by others;
- company press releases; and
- corporate rating services.

These information sources offer extensive coverage of asset classes, investment managers and mutual funds.

Pentegra Investors selects Funds and monitors them on an ongoing basis using a combination of quantitative and qualitative analyses. The Firm reviews and synthesizes the following factors for each current and prospective Fund investment for its Clients:

- investment style,
- consistency,
- expenses relative to respective peers,
- absolute and relative performance and risk,
- investment process and philosophy,
- investment professionals, and
- organizational structure.

B. Risks of Strategies Used

Pentegra Investors primarily focuses on investments in Funds, long-term investment strategies and asset allocation across distinct asset classes to minimize risk. All investments are subject to market risks, risks related to the type of industry involved and other risks of investments. The strategies employed by Pentegra Investors do not involve frequent trading, margin, options or other strategies that can increase risk or the use of margin.

C. Risks of Securities

As noted above, Pentegra Investors recommends primarily investments in mutual funds and collective trusts for its Clients. Fund investments allow investors to spread their investments over a larger number of securities, but may increase costs of such investments due to the payment of fees and expenses to the manager of the Fund assets. Where possible, Pentegra Investors invests in institutional or other no-load or reduced load shares to reduce costs to Clients.

Item 9 - Disciplinary Information

Neither Pentegra Investors nor any person having the power to exercise a controlling influence, directly or indirectly over the management of Pentegra Investors (*Management Person*) has been involved in any material legal or disciplinary proceedings that should be evaluated by Clients or prospective Clients. Regulatory authorities consider the following types of matters to be material proceedings:

A. Criminal or Civil Actions

Neither Pentegra Investors nor any Management Person has been:

1. convicted of, pled guilty to, pled nolo contendere to or no contest to, any criminal action;
2. named in a criminal action that is currently pending;
3. found in any action to have violated any investment-related statute or regulation; or
4. the subject of any order, judgment or decree permanently or temporarily enjoining, or otherwise limiting, Pentegra Investors or any Management Person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

B. Administrative Proceedings

Neither Pentegra Investors nor any Management Person has been involved in any administrative proceeding before the U.S. Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority in which any of such parties was:

1. found to have caused an investment-related business to lose its authorization to do business; or
2. found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - (a) denying, suspending, or revoking the authorization of Pentegra Investors or any Management Person to act in an investment-related business;
 - (b) barring or suspending Pentegra Investors or any Management Person from association with an investment-related business;
 - (c) otherwise significantly limiting Pentegra Investors or any Management Person's investment-related activities; or
 - (d) imposing a civil money penalty of more than \$2,500 on Pentegra Investors or any Management Person.

C. Action by Self Regulatory Organizations

Neither Pentegra Investors nor any Management Person has been involved in any proceeding before any self-regulatory organization, such as the Financial Industry Regulatory Authority, in which Pentegra Investors or any Management Person was:

1. found to have caused an investment-related business to lose its authorization to do business; or
2. found to have been involved in a violation of the organization's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; or (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

Item 10 - Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration

Neither Pentegra Investors nor any Management Person is registered with the U.S. Securities and Exchange Commission as a broker-dealer or representative of a broker-dealer.

B. Futures and Commodities Registration

Neither Pentegra Investors nor any Management Person is registered or has applied to be registered as a futures commission merchant commodity pool operator, a commodity trading advisor, or an associated person of any of those entities.

C. Arrangements with Related Persons

The largest Client of the Firm is RSI Retirement Trust (**Trust**), a New York common law trust that holds the assets for approximately 35 tax-qualified defined benefit retirement plans. The President of Pentegra Investors is one of the trustees of RSI Retirement Trust. Pentegra Services, Inc., directly and through its subsidiaries, provides a number of services to the retirement plans that have assets invested in the Trust, including administrative, recordkeeping and custodial services. Other than the relationship to the Trust, neither Pentegra Investors nor any Management Person has any relationship or arrangement that is material to the Firm's advisory business or to its Clients with any of their related persons. As used in this Brochure, a **related person** is any officer, director, employee, controlling person, person controlled by, or any person under common control with Pentegra Investors.

D. Recommendation of Investment Advisers

Pentegra Investors does not recommend or select other investment advisers for Clients, other than through the selection of Funds for investment that are advised by other investment advisers

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

A. Code of Ethics

Pentegra Investors has adopted a Code of Ethics (**Code**) that contains policies and procedures intended to avoid conflicts of interest with Clients, to prevent insider trading and to maintain high ethical standards. The Code applies to all persons associated with Pentegra Investors who could have access to information about proposed securities transactions for Clients or material information about any security (**Access Persons**). The Code contains policies and procedures reasonably designed to assure that the interests of Clients always come before the interests of the Firm or its associated persons, and that no associated person trades any security when the Firm has any inside or proprietary information about the security. Pentegra Investors keeps records of securities transactions by all associated persons, including Access Persons and reviews those records to assure that no Access Person is violating Code provisions or otherwise trading in conflict with the interests of Clients. A copy of the Code is available upon request to Pentegra Investors at the address listed on the cover of this Brochure.

B. Conflicts in Transactions in Securities

Pentegra Investors does not recommend, buy or sell for Clients any securities in which Pentegra Investors or any related person has a material financial interest, except that Pentegra Investors or a related person may invest in the same securities as Clients. See Subsection C, below.

C. Conflicts in Investments in Securities

Pentegra Investors and/or its associated persons, may, from time to time, purchase or hold securities that Pentegra Investors recommends to Clients or that Pentegra Investors has purchased or sold for Clients. Associated persons are not authorized to effect personal

transactions until transactions for Clients have been completed; however, transactions in mutual funds are generally exempt from the prohibitions under the Code.

D. Conflicts in Contemporaneous Transactions

As noted above, the Code generally prohibits Pentegra Investors or any associated persons from buying or selling a security (other than mutual fund shares, which are generally exempt) at the same time as a Client. The Code also prohibits Pentegra Investors or any related person from simultaneously buying a security while Pentegra Investors recommends that a Client sell the same security or from simultaneously selling a security while Pentegra Investors recommends that a Client purchase the security.

Item 12 - Brokerage Practices

A. Recommending Broker-Dealers

Pentegra Investors has the authority under its contracts to select the broker-dealers through which securities are purchased and sold for its Clients; however, because Pentegra Investors purchases primarily mutual fund shares or interests in collective trusts, it does not exercise that right. Interests in those types of Funds are executed by the Fund itself or its distributor and commissions, if any, are not negotiable, but are determined by the class of share that is being purchased. Fund distributors do not offer research or other services to clients in exchange for commission business, but may offer services, analytical tools and other research information to all clients similarly situated.

1. Research and Other Soft Dollar Benefits

In the event it were available, Pentegra Investors would not accept any research that consists of equipment, data or other services provided by a broker from a third party in exchange for directing a specified amount of transactions to the broker-dealer (a practice referred to as involving *soft dollars*). Pentegra Investors does not receive any commissions, trading fees or services from any broker-dealers in connection with using that broker-dealer for Client transactions. Pentegra Investors may take advantage of research information and services provided by broker-dealers to their clients at no additional charge. Such information and services are often available from a number of broker-dealers and therefore, would not be a significant factor to Pentegra Investors in selecting a broker-dealer.

2. Brokerage for Client Referrals

In selecting a broker-dealer for Client transactions, Pentegra Investors does not take into consideration any Client referrals from that broker-dealer to Pentegra Investors or its related persons.

3. Directed Brokerage

Clients do not have the ability to direct that transactions be done through a specific broker-dealer designated by the Client.

B. Aggregation and Allocation of Orders

1. Aggregating Orders

Pentegra Investors does not aggregate or bunch trades of two or more different Clients when placing an order.

2. Allocation of Trades

There may be occasions where Pentegra Investors is unable to purchase all the securities required to fill all the orders of its Clients. Under those circumstances, Pentegra Investors must allocate the securities among the Clients for whom the securities were being purchased in a manner that is fair to all Clients. Pentegra Investors has adopted procedures for allocating securities among its Clients that are intended to treat each Client equitably and to assure that the best interests of the Clients are protected. Those procedures may include allocating based on size, prorating or other methods considered equitable by Pentegra Investors.

Item 13 - Review of Accounts

A. Regular Review

Michael Randazzo, the Chief Investment Officer of the Firm, monitors all Client holdings on a continuous basis. At least quarterly, Pentegra Investors monitors investment performance to assure that Client assets are performing in line with the Firm's expectations and policies.

B. Factors Triggering Extra Reviews

Pentegra Investors might conduct an immediate review if any of the following should occur:

- significant changes in market or economic conditions affecting Client holdings;
- significant withdrawals from or additions to assets under management for a given Client;
- if, for other reasons, the Firm believes it necessary or advisable to do so; or
- if requested by a Client.

C. Reports to Clients

Each client receives reports, at least quarterly, from the custodian of the Client assets or the Fund sponsor or manager. Those reports include all purchases and sales during the preceding period, withdrawals and additions to the assets, any fees deducted from the account and the value of the assets at the beginning and end of the period.

Item 14 - Client Referrals and Other Compensation

A. Economic Benefits for Providing Advice

No third party who is not a Client of Pentegra Investors provides any economic benefit to Pentegra Investors for providing its advisory services to Clients. The officers, employees and

directors of Pentegra Investors provide services to other Pentegra companies. Their salaries are paid by Pentegra Services, Inc. and allocated to the various subsidiaries.

B. Payment for Referrals

Neither Pentegra Investors nor any related person pays any third party to refer business to Pentegra Investors.

Item 15 - Custody

Pentegra Investors does not maintain custody of Client assets. All Fund shares are held at the fund sponsor or transfer agent for the Fund. Under recent rules adopted by the SEC, Pentegra Investors may be deemed to have custody of assets held in the RSI Retirement Trust.

Item 16 - Investment Discretion

Pentegra Investors is granted discretionary authority with respect to certain of its Clients accounts. Pentegra Investors will not exercise discretion unless a Client has granted Pentegra Investors discretion, in writing, under the terms of the Firm's advisory contract. Clients may limit discretion or may enter into agreements with Pentegra Investors where the Client does not grant discretion to Pentegra Investors.

Item 17 - Voting Client Securities

Pentegra Investors does not receive proxies or vote proxies for securities held in Client accounts. Clients receive proxies and vote proxies directly or through the custodian of their securities. Fund companies generally send proxies directly to Fund shareholders.

Item 18 - Financial Information

Pentegra Investors is not required to provide financial statements.

A. Prepayment of Fees

Pentegra Investors does not require prepayment of more than \$1,200 in fees per Client, more than six months in advance.

B. Discretionary Authority/Custody

Pentegra Investors is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

C. Bankruptcy

Pentegra Investors has not been subject to a bankruptcy petition at any time during the past ten years.