



**Firm Brochure**  
Form ADV, Part 2A

**Item 1 – Cover Page**

**Smart401k, LLC**

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**[www.smart401k.com](http://www.smart401k.com)**

This “Brochure” provides information about the qualifications and business practices of Smart401k, LLC [“Smart401k”]. If you have any questions about the contents of this Brochure, please contact us at 877-627-8401. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Smart401k, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Note: While Smart401k may refer to itself as a “registered investment adviser” or “RIA”, clients should be aware that registration itself does not imply any level of skill or training.

July 2016

## ***ITEM 2 – MATERIAL CHANGES***

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### **Annual Update**

The Material Changes section of this brochure is updated annually to report any material changes to the previous version of Form ADV, Part 2A (the Firm Brochure). The section below provides a summary of material changes since the last update.

### **Material changes since the last update:**

Investment advisers must update the information in their Form ADV, Part 2A, when a material change has occurred. Smart 401k, LLC is updating its Form ADV, Part 2A, dated March 2015 to report the following:

- I. On February 1, 2016, Financial Engines, Inc., through its subsidiaries, acquired Smart401k, LLC.
- II. The amount of assets under its management and the number of clients, as of December 31, 2015;

The revised Form ADV, Part 2A, for Smart401k is dated February 2016.

### **Full Brochure Available**

Whenever you would like to receive a copy of our Form ADV, Part 2, please contact us by telephone at 877-627-8401.

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#### ***ITEM 4 – ADVISORY BUSINESS***

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Smart401k, LLC is an SEC registered investment adviser, offering asset management and investment advisory services. Smart401k, LLC commenced operation and became an SEC registered investment adviser in 2003.

Financial Engines, Inc. (“Financial Engines” or “FEI”), through its subsidiaries, wholly owns Smart401k, LLC. Financial Engines, Inc. is a publicly traded company (symbol “FNGN”).

#### **Independent Participant Investment Advice**

Smart401k, LLC (“Smart401k”) provides investment advice to retirement plan participants (“Advice Clients”) to assist Advice Clients to select an appropriate mix of investments that are made available to them through their employer-sponsored retirement plan (“Plan”). Smart401k offers its Advice Clients the ability to provide information about investment time horizon, individual risk tolerance and investment goals through the Smart401k questionnaire that is made available in hardcopy form or through a website. In certain circumstances, Smart401k may have an arrangement with the Plan to provide independent investment advice to the Plan (“Independent Plan Investment Advice”) and/or Plan participants. Where no such arrangement exists, Advice Clients may be required to supply information regarding the investment options that are available through the Plan, including mutual fund and/or brokerage windows. Smart401k will analyze the information supplied by the Advice Client and will generate customized investment recommendations for the Advice Client to implement to achieve a well-diversified portfolio through the investment options available under the Plan. The investment advice may include recommendations to invest in specific funds and the dollar amount to be allocated to each fund or to invest in a preexisting model or managed portfolio made available through the Plan. Advice Clients are provided instructions to implement – if the Advice Client so chooses – the elements of the action plan. Smart401k asks its Advice Clients to review their accounts quarterly, through the Smart401k website, to review their asset allocation and/or obtain a new recommendation. It is the sole responsibility of Advice Clients to update their accounts and address any personal circumstances that may have changed, and Smart401k will not render any advice or have any responsibility for investments held outside of the Plan.

Smart401k may also have an arrangement with the Plan to create and/or manage the model portfolios (“Independent Portfolio Allocation Services” and/or “Independent QDIA Management”), but it will not receive additional compensation when an Advice Client invests in one of the model or managed portfolios. Smart401k is an Independent Investment Adviser and does not receive any compensation from those who provide or manage investments that are available through the Plan. Smart401k charges a fee that is based upon a percentage of Plan assets, the number of Plan participants and/or a flat dollar amount. As such, Smart401k has no incentive to direct an Advice Client to invest in one investment option over another. Nevertheless, Advice Clients are free to arrange for investment advice from an advisor that has no affiliation with the Plan.

Any advice delivered by Smart401k to an Advice Client will be non-discretionary, and the Advice Client must affirmatively elect to implement the recommendations through the Plan’s recordkeeper or administrator. Any decision to purchase, sell or hold an investment must be made solely at the direction of the Advice Client. The investment advice provided to an Advice Client is based on the

information supplied by the Advice Client (and, if applicable, information supplied by the Plan) and the market and economic conditions prevailing (or reasonably believed to occur) at the specific time that the investment advice is provided to the Advice Client. In rendering Independent Participant Investment Advice to Advice Clients, Smart401k is a fiduciary under the Employee Retirement Income Security Act of 1974 (“ERISA”) and the Investment Advisers Act of 1940 (the “Act”) and will act solely in the best interest of its Advice Clients. Unless Smart401k is also providing Independent Plan Investment Advice to the Plan, Smart401k, has no obligation, fiduciary or otherwise, to select and monitor the investment options made available under the Plan.

#### **Independent Plan Investment Advice**

Smart401k may provide Independent Plan Investment Advisory Services to Plan fiduciaries of employer-sponsored retirement plans to assist the Plan fiduciary in selecting and monitoring investment options for the Plan. The Plan fiduciary is solely responsible for the selection of the investment platform, recordkeeping and other services for the Plan. Based upon the investments available to the Plan, Smart401k will assist the Plan fiduciary in selecting and monitoring investment options, which are consistent with the asset classes selected by the Plan fiduciary in the Plan’s Investment Policy Statement (“IPS”), to make available to Plan participants. Smart401k uses proprietary and third-party research tools to formulate the advice and will provide quarterly reports and/or other information as the Plan fiduciary may reasonably request to assist the Plan fiduciary in meeting its responsibility to prudently select and periodically monitor investment options available under the Plan. Smart401k will act as a fiduciary under the Act and section 3(21)(A)(ii) of ERISA, and the Plan fiduciary will retain sole discretion and responsibility as to whether to implement the recommendations with the Plan’s recordkeeper or third-party administrator.

#### **Independent Portfolio Allocation**

Smart401k may provide Independent Portfolio Allocation Services to Plan fiduciaries of employer-sponsored retirement plans. Unless Smart401k has been engaged by the Plan to provide Independent Plan Investment Advice, Smart401k will use the investment options selected by the Plan fiduciary or a delegate thereof to construct a series of well-diversified model and/or managed portfolios to be included as investment options available to Plan participants through the Plan. The model and/or managed portfolios will seek to achieve varying degrees of long-term appreciation and capital preservation, subject to the Plan fiduciary’s stated investment guidelines, through a mix of equity and fixed income exposures offered as investment options under the Plan. Smart401k will not include company stock or investment options made available through mutual fund and/or brokerage windows in the model and/or managed portfolios and will have no responsibility or liability for such investments. In rendering Independent Portfolio Allocation Services, Smart401k is a fiduciary under the Act and ERISA and will act solely in the best interest of the Plan’s participants and beneficiaries. Unless Smart401k is also providing Independent Plan Investment Advice to the Plan, Smart401k, has no obligation, fiduciary or otherwise, to select and monitor the individual investment options made available under the Plan. The agreement executed with the Plan fiduciary will determine whether Smart401k provides model portfolio or managed account portfolio allocation services.

### **Managed Portfolio Allocation Services**

In providing Managed Portfolio Allocation Services, Smart401k will have full discretion and authority, without further approval by the Plan fiduciary, to supervise and direct the asset allocation with respect to each managed portfolio designed by Smart401k. Smart401k will act as a fiduciary under the Act and a fiduciary “investment manager” under section 3(38) of ERISA, but the Plan fiduciary shall be responsible for determining whether to implement the initial recommendations required to create the managed portfolios. Once the Plan fiduciary elects to implement the initial advice, Smart401k will be primarily responsible for monitoring the managed portfolios, and the Plan fiduciary’s responsibility will be limited to monitoring the performance of Smart401k as an investment manager to the Plan. Smart401k will communicate investment instructions directly with the Plan’s recordkeeper or third-party administrator and will provide quarterly reports and/or information as the Plan fiduciary may reasonably request to assist the Plan fiduciary in meeting its responsibilities to monitor the performance of Smart401k as an investment manager to the Plan.

### **Managed Account Sub-Advisory Services**

In providing Managed Account Sub-Advisory Services, Smart401k constructs managed account allocations utilizing model portfolio allocations made up from investment options available under a plan. The allocations are updated and submitted on a quarterly basis to the plan’s participant advisor, who then implements and supports the advice. Smart401k will provide information as the Plan fiduciary may reasonably request to assist the Plan fiduciary in meeting its responsibility to prudently select and periodically monitor investment options available under the Plan.

### **Independent Qualified Investment Alternative Management**

Smart401k may provide Qualified Default Investment Alternative (“QDIA”) management services and will create and manage a series of portfolios that allocate the assets of individual accounts for those Plan participants who fail to make an investment election. The managed portfolios will be constructed so as to achieve varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposures offered through investment alternatives available under the Plan. Smart401k will reallocate and rebalance the portfolios and associated risk levels over time in accordance with generally accepted investment theories and will diversify the managed portfolios to minimize the risk of large losses. Based on the Participant’s age, target retirement date or life expectancy, Smart401k will invest defaulted participants into the proper managed portfolio and will automatically move defaulted Participants into more conservative managed portfolios as the Participant ages. Smart401k will not take into account the risk tolerances, other investments or other preferences of an individual Participant that is defaulted into a managed portfolio.

In providing QDIA Management Services, Smart401k will act as a fiduciary under the Act and a fiduciary “investment manager” under section 3(38) of ERISA, but the Plan fiduciary shall be responsible for determining whether to implement the initial recommendations required to create the managed portfolios. Once the Plan fiduciary elects to implement the initial advice, Smart401k will have full discretion and authority, without further approval by the Plan fiduciary, to supervise and direct the asset allocation with respect to each managed portfolio designed by Smart401k. Smart401k will be primarily responsible for monitoring the managed portfolios, and the Plan fiduciary’s responsibility will be limited to monitoring the performance of Smart401k as an

investment manager to the Plan. Smart401k will communicate investment instructions directly with the Plan's recordkeeper or third-party administrator and will provide quarterly reports and/or information as the Plan fiduciary may reasonably request to assist the Plan fiduciary in meeting its responsibilities to monitor the performance of Smart401k as an investment manager to the Plan.

Smart401k will be considered to be serving as a QDIA Manager only with respect to the assets of a defaulted Plan participant's account over which it has authority to exercise discretion.

Consequently, Smart401k will not have any discretion over and/or responsibility or liability for investments in employer securities or other investment options available under the Plan, including those made available through mutual fund or brokerage windows. The Plan fiduciary retains the sole responsibility to provide all required notices to Plan participants as required under ERISA section 404(c)(5), and Smart401k makes no representations that the Plan will otherwise be compliant with ERISA section 404(c).

### **Sub-Advisory Services**

In addition to providing investment advisory and related services under arrangements with employer-sponsored plans and plan sponsors, Smart401k also has arrangements with financial institutions to provide similar services on a sub-advisory basis. Smart401k may license certain advice methodologies, quarterly portfolio allocation recommendations and services to these firms to provide investment advisory and other related services. In these cases, the financial institution is responsible for delivering the advice services to its clients through its personnel and technology.

## ***ITEM 5 – FEES AND COMPENSATION***

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Smart401k charges the following fees for providing the above-referenced services. Such fees will not vary depending upon the basis of any investment option selected and are calculated pursuant to one or more of the following bases: (i) a flat-dollar basis; (ii) a flat percentage of total plan assets; or (iii) a per-participant basis. In special circumstances, Smart401k may also enter into agreements with clients pursuant to which it charges hourly fees for the advisory services. The amount of such fees and the corresponding rates are subject to negotiation.

### **Independent Participant Investment Advice**

In certain circumstances, the company that offers or sponsors a retirement plan ("Plan") may decide to pay Smart401k's fees as a benefit for the employee. If Smart401k services are funded by the company, two types of fees are typically charged: a fixed fee and an additional fee per participating employee. Fees are negotiable on a provider by provider basis. Generally, fees range from 0 - \$5,000 plus \$5 to \$50 per employee plan participant per year (or the equivalent as an asset-based fee) based on the employee base, up to 10,000 employees. Based on the number of Plan participants, Smart401k may negotiate the annual employee fee. The fees paid by the Provider are billed when the Smart401k setup is complete (and the service becomes available to Plan participants) and on an annual basis thereafter.

If the Smart401k service is paid for by Advice Clients, they must pay when registering for the service on the Smart401k website. Generally, the standard pricing is \$59 per quarter (every 3 months), or \$199.95 per year, payable in advance. This pricing can be reduced through a group

discount to companies that allow the marketing of Smart401k to their employees. The typical discount lowers the price per individual to \$45 per quarter, or \$149.95 per year.

#### **Independent Plan Investment Advice**

This service is typically paid for by the Plan or the Plan Sponsor through either a fixed fee or asset-based fee. Pricing will generally vary from a fixed fee of \$500-\$10,000, or 3 to 30 basis points on plan assets.

#### **Independent Portfolio Allocation Services**

Smart401k charges a fixed fee, an asset-based fee, or a combination of the two for Independent Portfolio Allocation Services on a quarterly basis in arrears. This pricing will generally vary from 1 to 30 basis points, based on the assets in the Plan and the services provided. Generally, fees will be higher where Smart401k is providing managed portfolio services and has the responsibility to direct the investments with discretion.

#### **Independent QDIA Management**

Smart401k charges a fixed fee, an asset-based fee, or a combination of the two for QDIA Management Services on a quarterly basis in arrears. This pricing will generally vary from 1 to 30 basis points, based on the assets in the Plan and the services provided.

#### **Sub-Advisory Services**

Smart401k may offer advisory services to customers of certain financial institutions on a sub-advisory basis. The financial institution collects the advisory fees from the plan sponsor and then pays Smart401k a sub-advisory fee based on the number of plan participants. The amount of the fee and the ability to obtain refunds or terminate an agreement before its expiration is subject to negotiation between Smart401k and the financial institution. Typically, Smart401k charges both a fixed fee and an asset based fee for these services. The fixed fee is paid annually and the asset based fee is paid on a quarterly basis in arrears.

Smart401k is an Independent Investment Adviser registered with the Securities and Exchange Commission. As an Independent Investment Adviser, Smart401k does not receive any fees or other compensation, directly or indirectly, from any person or persons (or anyone affiliated with such persons) that market, sell, manage or provide investments in which plan assets of any individual account plan are invested. The only compensation received by Smart401k are the fees set forth above. Smart401k does not participate in any revenue sharing with investment providers to the Plan or receive any “special” compensation above-and-beyond the fees it charges for the above-referenced services.

#### **Service Pricing Promotions and Discounts**

Smart401k may offer discounts and/or promotional pricing on any of the services noted above to select clients, plans and/or participants. Smart401k may also offer free trial periods, at its sole discretion, to select prospective clients.

#### **Other Fees and Expenses**

In addition to the fees charged by Smart401k, investment options recommended for a participant and/or plan will also bear a variety of expenses, including, but not limited to, investment



management, accounting, legal, administrative and distribution expenses. Please refer to the prospectus or other offering documents for each investment offered in your particular plan for more information regarding fees and expenses.

### **Potential Conflicts of Interest**

As explained in above, the fees for the use of Smart401k services might be paid in certain circumstances by the Plan sponsor, the Plan, Plan participants or a service provider to the Plan. In such situations, the Plan sponsor or service provider paying our fee might seek to reduce its costs by either limiting the services available through Smart401k or otherwise. Also, there might be situations in which a Plan service provider pays, from a portion of the amount they earn for the services provided to the Plan, our service fee. There could be incentives for such providers to seek to increase the number or amount of Plan transactions. To mitigate any potential conflict of interest that may arise where the fees charged by Smart401k are paid by a third-party, Smart401k will base its recommendations solely on the criteria provided by the Plan fiduciary (either directly or through the IPS) or the Advice Client.

Smart401k may be deemed to be under common control (as defined by the SEC) and have relationships with other firms that provide services to investors and/or retirement plans. The Mutual Fund Store permits us to use their name on our website and in marketing materials. In addition, The Mutual Fund Store makes available to us certain – but not all -- of their proprietary research tools. The Mutual Fund Store, however, is under no obligation to provide any investment advice, guidance, research or other service to us or any of our Clients. Any investment advisory relationship with our clients is strictly between us and such client.

### **Service Termination Provisions and Refunds of Fees Paid to Smart401k**

Clients may terminate their relationship with Smart401k at any time upon written or email notice. Clients may also cancel their service as-of the end of their respective service periods by contacting a Smart401k advisor by telephone or by logging in to their Smart401k accounts. However, please note that any client wishing to cancel a service as-of a date prior to the end of the previously selected service period, and wishing to receive a refund, to the extent applicable, for any unused portion of that service period, must cancel by written or email notice.

A client terminating the relationship by submitting a written or email notice during the first 30 days of service will be entitled to a full refund, unless the client requests to continue service through the end of the initial service period. After the first 30 days of service, cancellations will be processed as-of the end of the service quarter in which the cancellation request is received. As-of the end of the quarter in which the cancellation request is received, the client will be deactivated from the Smart401k website and will no longer receive advisory or portfolio allocation services. For written and email cancellation requests submitted after the first thirty days of service, a client will be refunded for unused quarters, where applicable, based on their original method of payment.

For a client utilizing a free trial period, the paid subscription service automatically begins once the free trial period has ended. However, a client utilizing a free trial may cancel the service prior to the conclusion of the trial period through the normal cancellation methods noted above. Once the free trial period has ended, the subscription period will begin as-of the first day after the trial period

has ended and any cancellations or refunds will be subject to the provisions noted in the preceding two paragraphs above.

#### ***ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT***

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Smart401k does not receive performance based fees.

#### ***ITEM 7 – TYPES OF CLIENTS***

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Smart401k's clients generally consist of Plan sponsors, Plan participants and individual customers wishing to obtain advice regarding their employer sponsored retirement plans.

#### ***ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS***

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Smart401k provides investment advice relating to investment allocations to funds offered through company-sponsored retirement plans. Smart401k does not offer advice with respect to company stock ("Company Stock") or any other individual company security except that Smart401k generally recommends that Clients allocate no more than ten percent (10%) of the investable assets of their portfolios to Company Stock.

Smart401k's methodology is designed to create asset allocation recommendations that match clients' Investor Profiles. Asset allocation models are provided by an affiliate of Smart401k, The Mutual Fund Research Center, LLC (Research Center), an SEC registered investment adviser. The Research Center does not manage client assets but rather provides non-discretionary investment advisory services to affiliates, including Smart401k. The Research Center provides templates of various asset allocation models for use by Smart401k Advisors. These templates include a range of asset allocation models from the most conservative to the most aggressive.

Smart401k is responsible for evaluating and determining the proper asset allocation for a particular client and implementing an investment strategy for that client. Client Investor Profiles are based on clients' answers to a standardized questionnaire, which is designed to measure clients' investment time horizons, risk tolerances and investment goals.

Based upon each client's answers to the questionnaire, Smart401k chooses an asset allocation model.

Asset allocation refers to the way in which money is allocated among the various asset classes, such as International Stock Funds, Small/Mid-cap Stock Funds, Large-cap stock Funds, Bond Funds and Short-term Fixed Income, and other asset categories.

To determine what Smart401k believes is an optimal mix for each client, Smart401k uses the concepts of Modern Portfolio Theory and the Efficient Frontier.

- **Modern Portfolio Theory** – The theory, first published in the 1950s, formalizes and advocates the practice of diversifying across a variety of investment types. The chief

benefit of diversification is a reduction in portfolio risk – diversification is the opposite of putting all your eggs in one basket.

- **The Efficient Frontier** – An element of Modern Portfolio Theory, financial analysts use this equation to determine which funds that have the highest expected return for a specific level of investment risk.

Once an asset allocation model is chosen for a client, Smart401k uses a proprietary fund selection methodology to determine what it believes to be the best available fund in each asset category.

Factors that are considered include, but are not necessarily limited to, the following:

- The fund manager's track record;
- Consistency of performance across multiple time periods;
- Performance of the fund against others in the same category;
- Risk factors;
- Expenses;
- The overall ethics and stewardship of the fund family; and
- Potentially other factors.

Smart401k acquires plan-level Fund offerings and certain other information from plan participants, plan sponsors, and potentially other sources. Performance, expense and other data relating to specific funds is generally obtained through third-party databases, including Morningstar and Lipper, and may be obtained through other sources.

### **Risks and Other Limitations**

Investing in mutual funds and other investments involves risk, including the risk of a loss of principal investments. There is no guarantee that Smart401k's investment methodology will result in a positive investment return for any client portfolio.

Above included references to Modern Portfolio Theory and Efficient Frontier concepts should not be construed as any guarantee of efficiency in expected returns as compared to portfolio risks. Smart401k applies a variety of criteria in choosing funds for each asset class, including historical returns, fee ratios, management tenure and several other criteria, the application of which may cause a recommended portfolio to be theoretically less efficient than it may have been had other fund recommendations been made. Additionally, Smart401k's ability to match funds to asset classes for any given plan is limited, potentially significantly, due to limitations in the number and/or types of funds offered in any particular plan.

Please note that that portfolio recommendations provided by Smart401k to a participant of a particular 401k plan do not take into account investments and other assets held by the participant outside of that plan. If you have significant fund and/or individual securities investment outside of this 401k plan, we strongly urge you to speak to a qualified investment professional prior to implementing any allocation recommendations provided by Smart401k. Additionally, because Smart401k is reliant upon participants and other parties to provide updated plan information, recommendations made by Smart401k may not always capture or include changes to a roster of funds offered in a given plan if those changes were not communicated to Smart401k.

## ***ITEM 9 – DISCIPLINARY INFORMATION***

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Smart401k does not have any disciplinary information to disclose.

## ***ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS***

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Smart401k is wholly owned by Financial Engines, Inc. Through its common ownership under Financial Engines, Inc., Smart 401k does have material business relationships and arrangements with other investment advisers which are affiliated or related entities, as well as affiliated or related entities which are not investment advisers, which clients should know and broadly understand. Smart401k and its staff do not have any material business relationships or arrangements with unaffiliated or unrelated third parties.

Smart401k is wholly owned by Financial Engines, Inc. which, through its subsidiaries, also owns other registered investment advisers doing business as The Mutual Fund Store. The Mutual Fund Store is a part of The Mutual Fund Store system of investment advisers. The system includes both company-owned and-operated registered investment advisers as well as independently-owned and -operated franchise registered investment advisers, all doing business as The Mutual Fund Store, in their respective geographic region. All of the investment advisers doing business as The Mutual Fund Store provide their clients with the same services and utilize the mutual fund and asset allocation recommendations, as well as the economic and other research provided by The Mutual Fund Research Center, LLC.

Through its common ownership under Financial Engines, Inc., Smart401k is also affiliated with TMFS Insurance Agency, LLC. TMFS Insurance Agency, LLC provides clients term life insurance solutions. Insurance is offered in states where the agency is licensed to offer insurance.

Additionally, as a wholly owned subsidiary of Financial Engines, Inc., The Mutual Fund Store is under common ownership with Financial Engines Advisors, LLC (“Financial Engines Advisors” or “FEA”). Financial Engines Advisors primarily offers advisory and related services to participants in employer-sponsored defined contribution plans for their plan accounts and for retirement accounts outside the plans. FEA offers services for employees’ workplace retirement accounts through an agreement between FEA and the plan and/or the sponsoring employer. FEA also has arrangements with financial institutions to provide similar services on a sub-advisory basis. FEA provides other investment-related services, including guidance and investment education.

The Mutual Fund Store also permits Smart401k to use their name on our website and in marketing materials. In addition, The Mutual Fund Store makes available to us certain – but not all -- of their proprietary research tools. The Mutual Fund Store, however, is under no obligation to provide any investment advice, guidance, research or other service to us or any of our Clients. Any investment advisory relationship with our clients is strictly between us and such client.

An agreement for investment advice exists between Smart401k and The Mutual Fund Research Center, LLC. Termination of that agreement could limit the ability of Smart401k to access new asset allocation recommendations provided by The Mutual Fund Research Center. Smart401k does not anticipate any future events occurring which would result in termination of the agreements, as

both entities share common ownership. Upon request, Smart401k will provide a listing of occurrences that could result in the termination of either of these agreements.

The officers and managers of Smart401k are also officers and manager of (all) the other registered investment advisers doing business as The Mutual Fund Store, which are considered company-owned and operated. These are considered company-owned and operated because Financial Engines, Inc. is the owner of those investment advisers and they all share the same management team members.

## ***ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS***

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Individuals associated with Smart401k may buy or sell securities identical to those mutual fund investments or securities which may be offered as investment options in any of Smart401k's advice or portfolio allocation clients' company-sponsored retirement plans. Smart401k does not maintain either possession or custody of Client assets. However, with regard to portfolio allocation clients, Smart401k does exercise discretionary authority over such client's retirement plan assets. Smart401k has adopted a Code of Conduct pursuant to 204A-1 of the Investment Advisers Act of 1940 (the "Code"). Smart401k's Code specifies that all employees, officers, and directors of Smart401k ("Employees") are expected to conduct business according to high standards of honesty and fairness and to render that service to its customers, which, in the same circumstances, it would apply to or demand for itself. Employees are also expected to provide competent customer focused sales and service; to engage in active and fair competition; to provide advertising and sales materials that are clear as to purpose and honest and fair as to content; to provide for fair and expeditious handling of customer complaints and disputes; and to maintain a system of supervision that is designed to achieve compliance with the rules and regulations of its industry.

## ***ITEM 12 – BROKERAGE PRACTICES***

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Smart401k does not recommend or direct any brokerage services.

## ***ITEM 13 – REVIEW OF ACCOUNTS***

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For the Independent Participant Investment Advice Service, Smart401k offers customized investment recommendations to retirement plan participants. For the advice service, Smart401k does not monitor the Advice Client's retirement plan accounts. Smart401k provides a customized investment recommendation to its Advice Clients, which is available for review by the Advice Client via the internet, before the Advice Client determines whether to implement the recommendation. Smart401k asks that participants review their accounts quarterly to address and review their asset allocation through the Smart401k website and obtain a new recommendation as the Advice Client wants or as the Advice Client determines is appropriate. It is the sole responsibility of the Advice Clients to update their accounts and address any personal circumstances that may have changed.

For the Independent Portfolio Allocation Service, Smart401k offers customized investment portfolio recommendations to retirement plan participants ("managed account clients") and

periodically updates the asset allocation to maintain a certain portfolio. Every three months (at calendar quarter end), Smart401k reviews and revises the investment portfolio recommendations, which identify asset categories and allocations by fund category, to determine the customized investment portfolio recommendations for clients.

For the Independent Plan Investment Advice Service, Smart401k provides advice to the Plan Sponsor regarding the selection and monitoring of investment options for the Plan from among the options available on the investment platform selected by the Plan Sponsor. The initial service is performed at initiation of the agreement, and ongoing fund monitoring is performed quarterly (if arranged with the client).

#### ***ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION***

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Smart401k is wholly owned by Financial Engines, Inc. which also owns other registered investment advisers doing business as The Mutual Fund Store. Advisors of Smart401k may, on occasion, refer a prospect or client to an advisor of The Mutual Fund Store. In doing so, Smart401k may provide compensation to its advisors which will not exceed \$100.

Smart401k may compensate, either directly or indirectly, a number of third-party institutions or any person for referrals. Smart401k may also compensate an affiliated organization for referrals. Compensation for client referrals is generally paid out of client fees paid to Smart401k, but generally will not result in a higher fee charged to clients than would otherwise be the case.

Each client for which Smart401k pays a referral fee should receive, and agree to, disclosures setting forth the nature of activities conducted by the referral agent, the nature of the fees paid by Smart401k, whether Smart401k is affiliated with the referral agent and whether the Client pays a fee higher than that which the Client would have paid otherwise.

#### ***ITEM 15 – CUSTODY***

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Smart401k does not maintain custody of any client funds or securities.

#### ***ITEM 16 – INVESTMENT DISCRETION***

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Smart401k has discretionary authority over client's assets only for managed accounts, which is obtained through an executed investment Advisory Agreement. Discretion over client assets is generally limited to establishing investment allocation percentages in the asset allocation models maintained by Smart401k for certain clients. With the Plan Sponsor's authorization, Smart401k will rebalance and adjust allocations to the models as often as needed.

#### ***ITEM 17 – VOTING CLIENT SECURITIES***

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At this time Smart401k does not vote proxies on behalf of clients.

***ITEM 18 – FINANCIAL INFORMATION***

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Smart401k does not have any financial condition that is likely to impair its ability to their contractual commitments to their clients.

***ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS***

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Not applicable