

Alerus Investment Advisors Corporation

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This Brochure provides information about the qualifications and business practices of Alerus Investment Advisors Corporation (Alerus Investment Advisors). If you have any questions about the contents of this Brochure, please contact us at 651-746-6000. 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 Alerus Investment Advisors is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure dated March 25, 2011 is a new document prepared according to the SEC's new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous Brochure did not require. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. Alerus Investment Advisors will also reference the date of our last annual update of our brochure.

Alerus Investment Advisors will further provide the client with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Barb Elmore at 651-746-6000 or belmore@alerusmail.com. Additional information about Alerus Investment Advisors is also available via the SEC's web site www.adviserinfo.sec.gov.

Item 3 -Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-By-Side Management	6
Item 7 – Types of Clients	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9 – Disciplinary Information	7
Item 10 – Other Financial Industry Activities and Affiliations	7
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	8
Item 12 – Brokerage Practices	10
Item 13 – Review of Accounts	11
Item 14 – Client Referrals and Other Compensation	11
Item 15 – Custody	12
Item 16 – Investment Discretion.....	12
Item 17 – Voting Client Securities.....	12
Item 18 – Financial Information	13

Item 4 – Advisory Business

Alerus Investment Advisors is a wholly-owned subsidiary of Alerus Financial N.A., a \$9.35 billion dollar financial services provider based in Grand Forks, ND. Offices are also located in Fargo, ND, the Minneapolis, MN metropolitan area and Phoenix, AZ.

Alerus Investment Advisors provides advisory services through two complimentary delivery channels. One channel provides investment and benefits consulting to corporate clients as “Retirement Plan Advisory Services” and the second channel provides traditional investment consulting services known as “Asset Management”. Each advisory service offering is described in detail in the narrative that follows.

RETIREMENT PLAN ADVISORY SERVICES

To assist retirement plan sponsors in meeting their fiduciary obligations, Alerus Investment Advisors offers objective investment and benefit consulting services. Key differentiators of our services include:

Advisory Services and Account Management. As an independent consultant, Alerus Investment Advisors performs unbiased analysis and review of investment managers when constructing clients’ retirement plan investment menus. Together with highly disciplined fund selection and monitoring processes, Alerus Investment Advisors provides quality, objective advice in Manager Selection and ongoing Manager Due Diligence (details follow in “Fiduciary Services” description), providing thoughtful Performance Monitoring and assistance with building Asset Allocation strategies within retirement plans. Alerus Investment Advisors assigns a Relationship Manager to each Plan Sponsor who will assist the Plan Sponsor and serve as a daily resource in matters related to the Service Agreement with Alerus Investment Advisors. The Relationship Manager also coordinates resources of the Plan Sponsor and Alerus Investment Advisors as needed to fulfill Alerus Investment Advisors’ obligations and to meet the Plan Sponsor’s expectations. The Relationship Manager will develop an annual participant education plan with the assistance and participation of the benefits staff of the Plan Sponsor. The purpose of the plan will be to

facilitate communication between Alerus Investment Advisors and the Plan Sponsor regarding all issues that affect Plan investments, education and communication.

Fiduciary Services. Alerus Investment Advisors brings an understanding of the fiduciary requirements and risk management associated with retirement plans to all our client relationships. Our comprehensive services, experience and expertise combine to manage and minimize risk, while increasing the efficiency and performance of our clients' retirement plans.

Co-fiduciary Services. Alerus Investment Advisors will provide the following services as a Co-Fiduciary to Plan Sponsors:

- Evaluation and documentation of the “risk tolerance” of Plan Sponsor with respect to the Plan.
- Development of an Investment Policy Statement for the Plan Sponsor’s review and adoption for the Plan. The Investment Policy Statement provides guidelines for the Plan Sponsor for the management and investment of Plan assets for the benefit of Plan participants and beneficiaries of the Plan.
- Periodic review of the Investment Policy Statement to determine whether there have been material changes to the goals and objectives or the risk return profile of the Plan. (The Plan Sponsor is responsible for adoption and amendment of the Investment Policy Statement.)
- Recommendations to the Plan Sponsor of select investment options to be made available to Plan participants. (Plan participants or beneficiaries are responsible for selecting among the investment options.)
- Design and recommend, if requested by the Plan Sponsor, Professionally Managed Accounts (PMAs). These PMAs will be model asset allocation portfolios utilize the mutual funds selected for the Plan by the Plan Sponsor that provide a simple and effective way for Plan participants to invest in the Plan.
- Preparation and delivery of a quarterly monitoring report to assist in the ongoing monitoring of the investment options in the Plan.

- Monitoring of recommended mutual funds for performance and continued compliance with the Investment Policy Statement of the Plan. And, as necessary, recommendations for the replacement of specific mutual fund investments. When acting as a co-fiduciary, the Plan Sponsor is responsible for the selection and retention of the investment options, including the PMAs. Discretionary investment services (details follow in “Discretionary Investment Manager Services” description) as specified in the advisory agreement may include mutual fund selection for the Plan including the PMAs.
- Participation and preparation of materials for presentation at meeting of the retirement plan committee of the Plan Sponsor, as may be agreed to in the Service Agreement.

Discretionary Investment Manager Services. In addition to the Co-Fiduciary services offered, Alerus Investment Advisors also offers an advanced level of investment and advisory support as a designated Investment Manager for the Plan. Contracted as the appointed Investment Manager for the Plan, as defined by ERISA section 3(38), Alerus Investment Advisors will be engaged to fulfill the responsibilities of investment selection and ongoing investment monitoring, including investment replacement as may be necessary in the execution of this responsibility. Alerus Investment Advisors acts as an independent fiduciary, relieving the Plan Sponsor of this duty.

Key elements of Discretionary Investment Manager Services include:

- Contractual acceptance of fiduciary responsibilities
- Full discretionary responsibility for the ongoing investment management of the investment options for the Plan, which includes investment manager searches, evaluations and monitoring, and decisions regarding the retention of investment options.
- Ongoing support and guidance for the client’s Retirement Plan Committee

Alerus Investment Advisors’ dedicated team of investment professionals utilizes a

sophisticated research process to analyze and monitor hundreds of investment options. In addition to Alerus Investment Advisors' proprietary investment process, the professionals at Alerus Investment Advisors have significant ERISA experience which ensures compliance with complicated and detailed fiduciary requirements and responsibilities.

Participant Education. Development and delivery of an annual education plan for the Plan Sponsor's adoption.

- Selected media, such as translation services, printing services, video and web ex.
- On-site annual enrollment and education seminars for Plan participants which reflect the education and investment philosophy of the Plan as determined by the Plan Sponsor.
- Toll-free telephone access during normal business hours for Plan participants.

ASSET MANAGEMENT SERVICES

Alerus Investment Advisors provides Asset Management Services to affluent individuals, family offices, foundations and endowments, banks and trust companies, as well as other corporate entities. Alerus Investment Advisors offers discretionary investment management of separately managed account portfolios and common and collective funds. Our experience and proficiency combine to optimize risk with appropriate asset allocation to meet the client's unique investment objectives. Alerus Investment Advisors also provides selection of individual securities that may include equities, preferred stocks, convertible bonds, corporate debt securities, U.S. Government securities, municipal securities, commercial paper, certificates of deposit, mutual funds and exchange-traded funds. Implementation of asset management recommendations is provided through an independent custodian and trading platform.

REPORTING ASSETS UNDER MANAGEMENT

Alerus Investment Advisors currently provides Asset Management Services to Alerus Financial, N.A. As of December 31, 2010, discretionary assets under management are: \$1,336,300,000

Item 5 – Fees and Compensation

ADVISORY FEES

As full compensation for its services, Alerus Investment Advisors receives a negotiated fee, which may be based on a percentage of assets under advisory management, an hourly rate or a fixed fee. The specific manner in which fees are charged by Alerus Investment Advisors is established in a client's written agreement with Alerus Investment Advisors. Generally, fees are billed on a quarterly basis to be billed in arrears each calendar quarter. Fees may be revised upon 90 days advance written notice made by either party. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

Alerus Investment Advisors' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Alerus Investment Advisors' fee, and Alerus Investment Advisors would not receive any portion of these commissions, fees, and costs unless contractually allowed to do so to offset advisory fees.

Reasonable travel expenses may be reimbursed by the client, upon prior agreement, in the event that regular in-person meeting attendance is required.

Item 6 – Performance-Based Fees and Side-By-Side Management

Alerus Investment Advisors does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Alerus Investment Advisors provides Retirement Plan Services to corporate pension and profit-sharing plans. Asset Management Services are provided to affluent individuals with investment assets ranging from \$2 to \$20 million in assets, family offices, foundations and endowments, banks and trust companies, as well as other corporate entities.

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

Investing in securities involves risks of loss that Plan Sponsors and participants, and individual clients must understand and be prepared to bear. To that end, Alerus Investment Advisors provides the client with insight into investment principles and practices that are invaluable, especially in volatile markets when performance can fluctuate dramatically. Alerus Investment Advisors' investment discipline is an analytical approach that emphasizes broad diversification of asset classes, investment styles and money managers. With a combination of sophisticated technology and in-depth research, Alerus Investment Advisors' investment team searches the universe of available managers or mutual funds considering areas such as:

- Overall return consistency
- Risk adjusted returns
- Peer group comparisons
- Manager history
- Size, strength and history of fund/management company
- Plan investment objectives and guidelines
- Corporate philosophy
- Risk tolerance
- Style consistency
- Expense ratios

The result is fund options or managers thoroughly evaluated and ready for review by a Plan Sponsor's Investment Committee when Alerus Investment Advisors acts as Co-Fiduciary.

Under Full Fiduciary Service, Alerus Investment Advisors also accepts fiduciary responsibility and executes the selection, monitoring and replacement of the plan's investment options on behalf of the Plan Sponsor.

In all roles, Alerus Investment Advisors applies the disciplines of the Fiduciary Service process one step further for the client's benefit by incorporating plan level criteria into the analysis. This ensures that the investment options and plan functions are in sync and working together. Examples of plan components included in the analysis are: plan design, participant demographics, appropriate share class availability, record-keeping and trading platform compatibility.

These same investment disciplines are applied to our Asset Management Services as well, which considers the broader spectrum of investment products.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the client's evaluation of Alerus Investment Advisors or the integrity of Alerus Investment Advisors' management. Alerus Investment Advisors has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealers. Alerus Investment Advisors' employees may be registered as Representatives of National Planning Corporation (NPC), a registered broker dealer, member FINRA, SIPC and an SEC-registered investment advisor. Alerus Investment Advisors or its employees may receive compensation for its/their activities as NPC

Representatives. Under this relationship, if securities are bought or sold through NPC, these individuals may be paid commissions. This arrangement would typically be a unique request by the client. Clients are advised that if NPC is selected as the broker dealer, the transaction charges may be higher or lower than the charges the client may pay if the transactions were executed at other broker dealers. Clients should note that they are under no obligation to purchase securities through NPC and NPC is not an Alerus affiliate.

Alerus Investment Advisors' affiliate Alerus Securities Corporation is also a registered broker dealer. Alerus Securities effects securities transactions for compensation for brokerage clients. All brokerage activities of Alerus Securities are separate and distinct from the client activities of Alerus Investment Advisors.

Banking or Thrift Institution. Alerus Financial, N.A. is a shareholder of Alerus Investment Advisors and is a provider of personal, business and agribusiness banking services with office locations in North Dakota, Minnesota and Arizona. Other principal executive officers of Alerus Investment Advisors are also the principal executive officers of Alerus Financial, N.A., however these individuals do not determine the investment advice to be given to clients.

Insurance Company or Agency. Alerus Financial Insurance Services Corporation is an affiliate of Alerus Investment Advisors. All insurance activities of Alerus Financial Insurance Services are separate and distinct from the client activities of Alerus Investment Advisors.

Item 11 – Code of Ethics, Participation or Interest in Client Transaction and Personal Trading

Alerus Investment Advisors has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment

items, and personal securities trading procedures, among other things. All supervised persons at Alerus Investment Advisors must acknowledge the terms of the Code of Ethics annually, or as amended.

Alerus Investment Advisors anticipates that, in appropriate circumstances, it will cause accounts over which Alerus Investment Advisors has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Alerus Investment Advisors, its affiliates and/or clients, directly or indirectly, have a position of interest. Alerus Investment Advisors' employees and persons associated with Alerus Investment Advisors are required to follow Alerus Investment Advisors' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Alerus Investment Advisors and its affiliates may trade for their own accounts in securities which are recommended to Alerus Investment Advisors' clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of advisory employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interests of clients. In addition, the Code requires pre-clearance of many transactions. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Alerus Investment Advisors and its clients.

Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Barb Elmore at 651-746-6000 or BElmore@alerusmail.com.

Item 12 – Brokerage Practices

The services provided by Alerus Investment Advisors do not involve traditional brokerage and trading functions. At this time, Asset Management Services are provided to Alerus Financial, N.A. and as such, their trading and custodial services are provided through Northern Trust and other brokerage companies, at the direction of Alerus Financial, N.A. Alerus Financial, N.A., Alerus Investment Advisors and their affiliates endeavor to act in their clients' best interests and any accepted products and services are supervised to consistently identify outside services that may create any potential conflicts of interest.

Soft Dollars. Currently, trust services provided through Alerus Financial, N.A. receive “soft dollars” that are directed to market research resources for placing trades through Bank of New York. With this, Alerus Financial, N.A. receives equity, economic and other financial market research and commentary from Northern Trust based on that existing custodial relationship. This market research is made available to Alerus Investment Advisors to assist in the Asset Management Services it contractually provides to its affiliate. In turn, these benefits are not limited to use with only Alerus Financial, N.A. It is understood that this benefit and others that may become available, may not be proportionally allocated only to account relationships that generate soft dollar benefits or no soft dollar benefits.

Investment or Brokerage Discretion. Alerus Investment Advisors may assist clients in the selection process for various vendor relationships, including trust and brokerage services. Alerus Investment Advisors and its affiliates may suggest a specific provider based on the services required for its Retirement Plan clients. Alerus Investment Advisors may or may not have discretionary authority as a fiduciary to determine the securities to be bought or sold, the amount of the securities, the broker dealer to be used and the commission rates paid. Alerus Investment Advisors would only operate with discretion for those Retirement Plans where it has been contracted to operate in the role of a fiduciary.

As well, trust services provided through Alerus Financial, N.A. encompass all typical trust powers, which include authority to determine the securities to be bought or sold, the

amount of the securities to be bought or sold, the broker or dealer to be used and the commission rates paid as a trust provider.

Item 13 – Review of Accounts

REVIEWS FOR RETIREMENT PLAN ADVISORY SERVICES

Alerus Investment Advisors provides periodic plan reports based on standards outlined in the Investment Policy Statement developed for the client. These reports, along with economic and financial market commentary and information regarding the management of the Plan, are distributed to Plan Sponsors who will provide them to their Retirement Plan Committee members. Consultants of Alerus Investment Advisors formally review their respective client plans, at least annually, to report and monitor investment performance and scrutinize compliance with the Plan's Investment Policy Statement. More frequent reviews may be triggered by changes with money managers, material market, economic, or political events, substantial additions or withdrawals from the plan or pursuant to a negotiated agreement with the plan.

REVIEWS FOR ASSET MANAGEMENT SERVICES

Alerus Investment Advisors provides comprehensive quarterly reviews to Alerus Financial, N.A. and supports Alerus Financial's in-person client meetings to discuss investment performance, economic indicators, account transactions and account investment strategy. The frequency and nature of account reviews would be identified in each client's Service Agreement with Alerus Financial N.A.

Item 14 – Client Referrals and Other Compensation

Alerus Investment Advisors may compensate employees of affiliates for a client referral. The fee paid to Alerus Investment Advisors by the client who is referred through any referral arrangement is the same as a client who is not referred. If a client is obtained through a referral, a written disclosure of the compensation arrangements between the Alerus affiliates will be provided to the client.

Item 15 – Custody

Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains a client's investment assets. Alerus Investment Advisors urges the client to carefully review such statements and compare official custodial records to the account performance reports that we provide to the client. Alerus Investment Advisors' reporting may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Alerus Investment Advisors contractually receives discretionary authority from clients when providing Full Fiduciary Services to Plan Sponsors, and when providing Asset Management Services. With discretionary authority, Alerus Investment Advisors will have authorization to execute investment decisions without prior approval from the client and/or Plan Sponsor. It is critical that investment guidelines and restrictions be provided in writing to Alerus Investment Advisors at the outset of the advisory relationship, and whenever there are updates or changes.

Item 17 – Voting Client Securities

Alerus Investment Advisors empowers each client with full rights and authority to vote on proxy matters associated with their assets, unless contractually authorized to vote proxies on the client's behalf. Proxy materials are sent directly to clients and clients are free to vote on proxy issues, as appropriate. In this manner clients are allowed to vote differently on the same proxy issues.

If proxies are voted for the client, an individual proxy voting policy will be established for execution by Alerus Investment Advisors. At this time, Alerus Investment Advisors votes proxies on behalf of its affiliate, Alerus Financial, N.A.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide the client with certain financial information or disclosures about their respective firm's financial condition. Alerus Investment Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.