

**Item 1 Cover Page**



**TRANSPARENT 401K, LLC**

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*11/10/2018*

**FORM ADV PART 2  
BROCHURE**

**This brochure provides information about the qualifications and business practices of Transparent 401K, LLC. If you have any questions about the contents of this brochure, please contact us at 1-888-631-3336 or [info@transparent-401k.com](mailto:info@transparent-401k.com). 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 Transparent 401K, LLC is also available on IARD's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Transparent 401K, LLC is 158308.**

**Transparent 401K, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

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## **Item 2 Material Changes**

### **Annual Update**

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

### **Material Changes since the Last Update**

None

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 1-888-631-3336 or by email at: [info@transparent401k.com](mailto:info@transparent401k.com)

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## **Item 4. ADVISORY BUSINESS**

### **A. Firm Description**

Transparent 401K, LLC (“Transparent 401K, Firm, Us”), founded in 2011 is an investment consulting and strategic advisory firm focused on retirement plan services. Our Firm is a fee based financial advisory firm and we do not sell commissioned products, even though one of our RIAs is insurance licensed. Please see Item 10 for more information. Transparent 401K provides plan sponsors and their participants with advisory retirement services.

Investment advisory services for plan sponsors include evaluation of existing plans, investment selection, monitoring and performance reporting, open architecture investment structures, risk based portfolios, plan design consulting, vendor searches, and fiduciary best practices. Transparent 401K will also assist participants in the 401(k) plan with developing an appropriate investment strategy. When advising the participant, we will focus on employee educational investment training, and take into consideration their age, tolerance for risk, and retirement calculations based upon surveys and other questionnaires. Transparent 401K only advises participants on where to invest.

Transparent 401K was formed under the laws of the State of Delaware. This brochure provides clients with information regarding Transparent 401K and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of the firm.

### **Years in Business**

Date of formation: June 2, 2011

Date of initial investment adviser application: State of California, August 2011.

### **Direct Principal Owners**

Transparent 401K is wholly owned by Marianne Prueger

## **B. Pension Consulting and Advisory Services We Offer**

Transparent 401K offers investment consulting and advisory services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include any one or all of the following:

a) Comprehensive Marketplace Search- Transparent 401K will search the marketplace and provide quotations from leading retirement plan service providers.

b) Service Provider Analysis- Transparent 401K will analyze data regarding fees and services of responding retirement plan service providers, including plan features and service standards.

c) Recommendations – Transparent 401K will make recommendations regarding plan service provider selections and investment line-up based upon its research and client goals and objectives.

d) Development of Investment Policy Statement (IPS) – Transparent 401K will assist the Plan Sponsor in developing a written investment policy statement that defines the plan's purpose and provides a clear understanding concerning the investment policies and advice regarding the selection, monitoring, and replacement of plan investments and investment options available to plan participants.

e) Investment Option Selection, Monitoring, and Performance Reporting – Transparent 401K will advise the Plan Sponsor on the selection of appropriate investments for the retirement plan, or investment options for its participants, based upon the appropriate plan needs and ERISA standards. The number and type of investment options/vehicles to be recommended will be determined by the Plan Sponsor, based upon the plan's stated needs. Transparent 401K will review various investments, consisting predominantly of mutual funds (both index and managed) to determine which of these investments are appropriate to implement the Plan Sponsor's IPS. Transparent 401K's review process will result in the recommendation of specific investment options for the Plan Sponsor to consider for inclusion in the list of plan investment options.

f) Monitoring of Investment Performance – The retirement plan's investment options will be monitored quarterly or as otherwise determined appropriate by us. Although Transparent 401K will not be involved in any way in the purchase or sale of these investments, the Firm will make recommendations to maintain or replace ETFs and other mutual funds in the plan's menu to the Plan Sponsor as appropriate. In conjunction with Transparent 401K monitoring activities, the Firm may also provide periodic reports regarding the performance of the investments.

g) Existing Plan Review – A plan review is a comprehensive exam of major components of clients' retirement plan in order to identify strengths and weaknesses. The review can cover such areas as overall plan structure, related costs, and plan documentation.

h) Communication and Education – The nature of the topics to be covered will be determined by Transparent 401K and in conjunction with a Plan Sponsor. The educational support and investment workshops shall be compliant with Department of Labor (DOL) Interpretive Bulletin 96-1. For Plan

Sponsors whose plans offer plan participants the ability to self-direct their own investments, the Firm may also provide educational support and investment workshops designed for the plan participants.

i)Newsletters - Transparent 401K may provide clients with quarterly newsletters regarding investment and market updates. Investment and market updates will be from Morningstar or other reputable investment research firms. Articles about how to increase 401(k) participation and compliance may be included. Newsletters will be offered in both English and Spanish. Currently, there is no charge for the newsletters.

These pension consulting services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

Transparent 401K may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents. Our advisory fees for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis.

All client plans are regulated under the Employee Retirement Income Securities Act (“ERISA”). Transparent 401K is a fiduciary under ERISA and Code of Colorado Regulations when rendering this category of Plan Services and will provide consulting services to the plan fiduciaries as described above.

### Types of Investments

Transparent 401K generally provides investment advice in relation to the following specific types of securities/investments. However, Transparent 401K’s focus is on low cost mutual funds and index funds.

	Exchange Listed Equities	✓	Variable Annuities
	Over the Counter Equities	✓	Mutual Funds (closed-end and open-end funds)
	Equities of Foreign Issuers	✓	Exchange Traded Funds
	Commercial Paper		U.S. Government Securities
	Corporate Debt Securities		Options on Securities
	Certificates of Deposit		Options on Commodities
	Municipal Securities		Options on Futures
✓	Variable Life Insurance		Futures Contracts

### **Non-Investment Consulting/Implementation Services**

Transparent 401K provides fiduciary based consulting services to Retirement Plan Sponsors that may involve the evaluation of all or certain aspects of a retirement plan and recommendations for changes. To the extent requested by the client, Transparent 401K may also recommend the services of other professionals (i.e. attorneys, accountants, insurance agents, etc.) for certain non-investment implementation purposes for related matters, such as estate planning, tax planning, insurance, etc. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Transparent 401K.

### **C. Customization of Advisory Services**

Investment Advisory and Consulting services are tailored to the individual needs of the plan sponsors and clients, through analysis and discovery meetings. Transparent 401K will endeavor to tailor our advisory services to meet the specific needs of each and every client. Transparent 401K's primary focus, however, is to provide plan sponsors with an open architecture platform, non-proprietary fund requirements, and very low cost mutual funds. In order to determine a suitable course of action for a client, Transparent 401K will perform a review of the plan sponsor's corporate profile. Such review may include, but would not necessarily be limited to, investment objectives, consideration of a plan sponsor's employee risk profile and investment knowledge, and other factors unique to a client's particular circumstances.

In making investment recommendations on behalf of a client, Transparent 401K will rely on a data gathering document or other questionnaire, which would be completed based on information provided by a client, as well as feedback from plan sponsor's investment team.

### **D. Assets Under Advisement**

As of September 30, 2018 there are approximately \$18,482,517 assets under advisement that Transparent 401K advises at the plan level.

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## **Item 5. FEES AND COMPENSATION**

Below is a typical fee schedule which may be negotiated. Generally, Transparent 401K's fee for management of client assets within 401(k), 403(b), and 457 plans is based upon a percentage (%) of the market value of the assets placed under management (between 0.25% and 0.50 %) as shown in the fee schedule below:

**A. Fee Schedule - How Transparent 401K is compensated**

Plan Assets	Annual Fee
\$0 to \$3,500,000	.50%
\$3,500,001 to \$5,000,000	.40%
\$5,000,001 to \$15,000,000	.25%
\$15,000,001 and above	.20%

Transparent 401K may also provide consulting to individual participants on the investment options available to them within their company-sponsored 401(k), 403(b), and 457 plans. Under this line of service Transparent 401K does not manage the participant's accounts; rather it delivers a plan containing the advice on which the individual may choose, at his or her discretion, to act. Transparent 401K's fee for this service is included in the advisory fee of client's assets above. Although Transparent 401K prides itself on being a very low cost provider, lower fees for comparable services may be available from other sources.

**B. Fee Billing – How Transparent 401K fees are paid**

Pension Consulting fees are billed on a calendar quarter and require written authorization permitting Transparent 401K to be paid directly for the plan sponsor accounts ("the plan") held by the custodian or trustee. When the client elects to have the investment advisory fee paid directly from plan assets, the plan sponsor will receive a statement of plan assets from the custodian and an agreement of the invoice. The pension consulting fee is billed and payable in advance or in arrears on a quarterly basis. Fees payable in advance will include a prorated fee amount for the initial partial quarter. The first advisory fee is based on the value of the plan on the first day of management by Transparent 401K and is payable within one month after the invoice date. The first advisory fee will be assessed on pro-rata basis taking into account the time for which the plan was not managed by Transparent 401K and the time left in the quarter, which means that the advisory fees payable in proportion to the number of days in the month or quarter for which the client is serviced by Transparent 401K. The standard quarterly fee for the upcoming quarter is based on the value of the assets under management as of the close of business on the last business day of the preceding quarter as valued by the third-party custodian of the plan. Transparent 401K clients' will receive quarterly statements from their custodians showing all disbursements for the custodian account, including the amount of the advisory fees. Both the client and custodian or trustee will receive a copy of the Transparent 401K invoice at the same time.

Fees that are payable in arrears are based on the total value of the plan according to the last day of the billing period. Alternately, the Firm may charge a fixed fee. The fixed fee is a minimum fee of \$4,500 a year and is payable quarterly, in advance. This fee may be negotiated depending upon the level of service and needs of the client. Transparent 401K agrees to refund any prepaid fees for the

quarter, after receiving a 30 day notice. The exact fee and payment terms will be set forth in the agreement for services signed by the client and the Firm.

Either party to the pension consulting agreement may terminate the agreement upon a 30 day written notice to the other party. The pension consulting fees will be prorated for the quarter in which the termination notice is given when fees are payable in advance. On the other hand Transparent 401K will collect any prorated unpaid fees from the date of termination when fees are payable in arrears.

### **C. Other types of fees**

Transparent 401K's fees do not include transaction fees, brokerage commissions and other related costs and expenses, which the client may pay. The client may be charged fees charged by its custodian and mutual funds, including management fees, custodial fees, mutual fund fees, taxes and transfer fees. Transparent 401K does not receive a portion of any of these fees that are currently a standard part of doing business in the securities industry. Transparent 401K keeps clients' out-of-pocket expenses as low as possible by disclosing any of these revenue sharing arrangements and having them credited back to the client when possible.

Transparent 401k may charge a rate of \$250 per hour or an other agreed upon rate for extra projects that the client may request. Examples of such projects may include being available for special weekly conference calls for participants or conducting more than two training sessions a year at different locations.

### **Fees Paid in Advance**

Unless Transparent 401K agrees to bill the pension consulting fee in arrears, all plan fees are paid in advance. When fees have been paid in advance, and an advisory contract is terminated prior to the end of the billing period in which fees have been paid, a prorated refund will be issued, with the last billing amount divided by 90 and multiplied by the number of days remaining in the period. A refund will be issued directly to the plan.

### **D. Compensation (*commissions*) for the sales of securities or other Investment Products**

No representative of Transparent 401K accepts commissions or any other form of compensation for securities or other investment products placed in clients' 401(k) or other retirement plan.

However, Transparent 401K may collect a commission or referral fee on insurance products or advisory services recommended by other professionals that are not affiliated with Transparent 401K to accomplish financial or estate planning. (e.g., insurance agents, private wealth advisors etc.) that are engaged directly by the client. If this is the case Transparent 401K will disclose the commission in writing to the client and the commission will not affect the price of service and in no case will Transparent 401K receive fees on an insurance holding where commission was also derived. This creates a conflict of interest because the firm has an incentive to recommend insurance and collect a commission. In order to mitigate this conflict of interest, Transparent 401K will always act in the

client's best interest when making any recommendations. Also, the client always has the right whether or not to purchase insurance on the firm's recommendation.

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## **Item 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Transparent 401K does not participate in performance based plan fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance based fees are fees that are based on a share of capital gains or capital appreciation of a client's account.

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## **Item 7. TYPES OF CLIENTS**

Transparent 401K offers investment advisory services to corporations and other businesses, hedge funds, charitable organizations, and government entities.

Transparent 401K does not impose any requirements on the minimum plan size for opening or maintaining an account, but does require a \$5,000 annual minimum fee.

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## **Item 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Transparent 401K analysis & strategies**

Transparent 401K primarily performs fundamental security analysis of a mutual fund, which involves analyzing its financial statements and health, its management and competitive advantages, and its competitors & markets. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts, including projection of a mutual fund's performance, management evaluations and credit risks.

Transparent 401K reviews financial newspapers and magazines (including "The Wall Street Journal", "Financial Times", "Forbes", "Seeking Alpha", "Barrons", "Employee Benefit Research Institute Reports", "Plan Sponsor Magazine." We also study corporate rating services such as "Standard & Poors", "Value Line", "Morning Star" among others.

Transparent 401K is constantly evaluating several on-line resources, including the DoL and EBSA newswires, among others for the best analysis of clients' mutual funds. Certain clients may have custom (non-discretionary) models using mutual funds from their sponsored 401(k) plan.

Transparent 401K may utilize the following methods of security analysis in the future:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

*YOU SHOULD BE AWARE THAT INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT YOU SHOULD BE PREPARED TO BEAR*

**B. Material risks involved in Transparent 401K's analysis or strategies**

Transparent 401K's investment strategy is fairly conservative and designed to minimize significant or unusual non-market risks. The Firm primarily utilizes index or no-load mutual funds, often Vanguard funds, which are well known for their low fees. Also, plan sponsors and their designated investment team are consulted for approval on the investment menu that Transparent 401K suggest and Plan Sponsors may recommend or restrict funds.

**C. Does Transparent 401K recommend a particular type of security**

Transparent 401K does **not** recommend a particular security, as mentioned the Firm places client accounts in mutual funds, which are not customarily considered to involve significant or unusual risk. As noted above, investing in securities ALWAYS INVOLVES RISKS.

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**Item 9. DISCIPLINARY INFORMATION**

**Legal or Disciplinary Material**

Advisor and its registered personnel have no material legal or disciplinary events to disclose.

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**Item 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. Broker Dealer or Registered Representative**

No one at Transparent 401K is registered or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**B. Material Relationships or Arrangements with Financial Industry**

The founder, Marianne Prueger is also a licensed insurance Agent. While Transparent 401K's primary function is that of an investment advisor for company sponsored retirement plans, the Firm has established this affiliation in order to best serve client needs. Transparent 401K will receive a commission when a client purchases insurance for estate planning. If this is the case Transparent

401K will disclose the commission in writing to the client and the commission will not affect the price of service and in no case will Transparent 401K receive fees on an insurance holding where commission was also derived. This creates a conflict of interest because the firm has an incentive to recommend insurance and collect a commission. In order to mitigate this conflict of interest, Transparent 401K will always act in the client's best interest when making any recommendations. Also, the client always has the right whether or not to purchase insurance on the firm's recommendation.

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## **Item 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Describe Transparent 401K's Code Of Ethics**

The firm's Code of Ethics establishes ideals for ethical conduct based upon fundamental principles of openness, integrity and trust. It ensures that Transparent 401K always acts in the clients' best interest. Transparent 401K holds itself to high standards and diligence. Taken as a whole, Transparent 401K's Code of Ethics is to promise to work hard for clients' interests, with complete confidentiality and honesty. Transparent 401K will immediately provide a copy of the firm's Code of Ethics to any client or prospective client upon request.

### **B. Does Transparent 401K invest in securities it recommends**

Transparent 401K may buy or sell funds that it recommended in its clients' fund menu. However, a conflict of interest does not exist since it does not control transactions that result from its recommendations since the securities that Transparent 401K recommends are mutual funds. Transparent 401K is not a broker/dealer that buys or sell securities.

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## **Item 12. BROKERAGE PRACTICES**

### **A. Describe the factors Transparent 401K used in selecting a custodian**

Transparent 401K will recommend one or several custodian(s) based upon the goals of clients which are usually to save money for participants and offer an open architecture platform. For example, the Firm may recommend discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab, TD Ameritrade, and Matrix. If a client chooses a particular custodian Transparent 401K will work with that custodian. Assets under the direct management of Transparent 401K are held by independent custodians in the client's name. Transparent 401K does not act as a custodian of client assets. The firm does not receive any benefit or compensation for choosing a particular custodian. Transparent 401K recommends custodians based on the proven integrity and financial responsibility of the firm, best execution of orders at reasonable commission rates, and the quality of client service. Other considerations include ease of use and client familiarity with the websites and procedures of the broker/custodian.

1. Soft dollars The Firm does not accept “soft dollars”.
2. Brokerage for client referrals The Firm does not accept “brokerage for client referrals”.
3. Directed brokerage The Firm does not employ “directed brokerage.”

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## **Item 13. REVIEW OF ACCOUNTS**

### **A. Frequency & nature of reviews**

Account reviews occur at least quarterly by the Principal of Transparent 401K. Transparent 401K will e-mail clients quarterly monitoring reports of the mutual funds in their plan comparing them to indices and/or benchmarks. Market overviews and manager outlooks may be included in reviews, as well. Clients have access to their accounts online 24 hours per day, seven days per week for all 365 days per year via a third party, independent custodian. Clients have the choice of receiving transaction, quarterly statements via U.S. mail, email or online as well.

Transparent 401K’s Principal will also attempt to conduct formal Suitability Reviews annually with clients’ investment committee. A Suitability Review is conducted to assess that our client has its funds updated and replaced if not performing to standard benchmarks and our investment analysis as explained in Item 8. The Firm will also ensure that there is a proper selection of investments and training for both sophisticated and unsophisticated investors, and that all costs are reasonable and operations running smoothly.

### **B. Reviews on an other than periodic basis**

On occasions, such as a dramatic market move (in either direction), or any catastrophe, Transparent 401K will review the client’s fund menu to advise if the Firm needs to make appropriate repositioning moves.

### **C. Regular Reports**

The Firm will provide clients with quarterly investment and market updates. In addition, clients will always receive statements from the administrator of the assets, as well as the custodian of the funds, since all assets are held at qualified custodian. The custodians provide account statements directly to participants of the retirement plan at their address of record at least quarterly. Clients are urged to compare the account statements received directly from their custodians to the performance report statements prepared by the Third Party Money Managers.

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## **Item 14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefit**

Transparent 401K neither receives from Third Party nor pays to Third Parties compensation for referrals.

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## Item 15. CUSTODY

### Account Statements

Transparent 401K does not hold custody of client funds in any way, and utilizes relationships with independent custodians in order to safeguard our client's assets. Clients will always receive account valuation statements from the custodian of their assets directly.

Any values given on reports received from this Advisor should be verified against custodian statements received directly.

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## Item 16. INVESTMENT DISCRETION

### Discretionary Authority for Trading and Limited Power of Attorney

Investment management provided is on a non-discretionary basis for our clients, meaning that Transparent 401K will only select and replace funds with the consent of Plan Sponsors. Transparent 401K does not have the discretion to recommend or engage in transactions without obtaining specific consent from its customers.

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## Item 17. VOTING CLIENT SECURITIES

### A. Does Transparent 401K accept authority to vote client securities

Transparent 401K and its representatives have not, and will not accept, authority to vote client securities.

### B. Transparent 401K does not have the authority to advise on proxies and discloses that fact

Transparent 401K does not have the authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian and Transparent 401K encourages clients to discuss proxies with their legal representatives as the Firm is not in a position to handle proxy issues.

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## Item 18. FINANCIAL INFORMATION

Transparent 401K is not required to provide financial information to our clients because:

- A. Transparent 401K does not require the prepayment of more than \$500 in fees and six or more months in advance.
- B. Transparent 401K does not take custody of client funds or securities.
- C. Transparent 401K has not been subject of a bankruptcy petition at any time during the past ten years.

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**Item 19. REQUIREMENTS FOR STATE REGISTERED ADVISORS**

- A. Transparent 401K is wholly owned by Marianne Prueger. All material conflicts of interest under CCR Section 260.238 (k) which could be reasonably expected to impair the rendering of unbiased and objective advice are disclosed regarding the investment adviser, its representatives or any of its employees. Currently, there are no other representatives. Specific information can be found in item 10 above.
- B. Marianne Prueger is also licensed to sell insurance products. However, since the focus of Transparent 401K is to provide investment advice and consulting for retirement plans the majority of the time, she primarily keeps her insurance license to be able to refer clients to appropriate estate planners incorporating insurance into their financial plan.
- C. No representative of Transparent 401K is compensated with performance-based fees.
- D. Neither Transparent 401K, nor any of its representatives have been involved in an award or otherwise being found liable in an arbitration claim or found liable in a civil, self-regulatory organization, or administrative proceeding.