



SOUTHEAST
FINANCIAL GROUP

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Adidas Q2 2024 401(K) Report

MARKET OVERVIEW

At the start of the year, most forecasters anticipated rapidly falling inflation to allow central banks to embark on a series of rate cuts. Those were reasonable projections, a fair reading of the situation at hand. But the economy has defied the forecasts. Inflation hasn't declined as quickly as many have hoped. Still, across a range of macro variables, the current global economy looks remarkably strong with several ongoing and potential threats on the horizon.

While elevated valuations, overbought conditions, and underwhelming market breadth point to a potential pause ahead, seasonal trends suggest momentum could continue in the second half due to a broadening of opportunities to include more companies and sectors across the market that may have lagged in recent years.

Over the past 40 years, investors have become accustomed to an environment characterized by generally declining interest rates, low inflation and the rapid advance of globalization. Since the end of the Cold War, we have also enjoyed long periods of relative geopolitical stability. All that is changing and, as investors, we must face up to a new reality of investing and consider fresh scenarios. Along with change comes uncertainty, and we are moving from a period of relatively low volatility to what could be much higher in the years ahead.

As always, we believe designing a diversified portfolio and contributing to your account consistently (in good times and bad) is the most impactful action you can take to help improve the likelihood of achieving your financial goals. We are here to guide you along the way. Please feel free to contact me about your portfolio or any other matter. I am always available to you and look forward to speaking with you soon.



2024 Q3 Plan Management Checklist

Adidas' Requirement	Complete	Due Date
Provide Statement of Material Modification to participants	Yes	07/31/2024
Deadline to File 2023 5500 July 31 or request extension. Review and submit as directed by TPA or Recordkeeper.	Yes	07/31/2024
Review Investment Monitoring report 3 funds on watch list (no changes required).	Yes	09/30/2024
Arrange time for plan health review.	Yes	09/30/2024
Determine Participant Education date for 2024.	Yes	07/31/2024
Confirm employee's date of birth, date of hire or date of termination are up to date (on web/employee data/census rpt.).	No	09/30/2024
Distribute Quarter End Participant statements or direct employees to elect paperless delivery (see #3 in general items for directions).	No	09/30/2024
Premier TPA's Requirements	Complete	Due Date
Confirmed that the 8955 SSA was not required.	Yes	07/31/2024
Prepared the 5500 for submission.	Yes	07/31/2024
Paychex's Requirements	Complete	Due Date
File or extend 5500	Yes	07/31/2024
Prepare form 8955-SSA annual statement identifying separated participants with deferred vested benefits (July 31 unless an extension is filed)	Yes	7/31/2024

PLAN NOTES FOR QUARTER

Plan Sponsor:

1. Held an introductory call with Bill Smith regarding his takeover of the business effective May 31, 2024. Discussed the operations of the 401k plan, eligibility, and rolls of all parties involved (Plan sponsor, Record Keeper, Advisor).
2. Established a new service agreement with Bill Smith noted as the new business owner and trustee on 5/22/2024.
3. Sent an organizational change form to Bill Smith on 5/22/2024 to appoint Bill Smith as trustee and administrator. Forwarded the signed form to Paychex 5/23/2024. Once Paychex has this form, they will submit a plan adoption



agreement amendment which the trustee will accept on the paychexflex.com website. Changed course per #5 below.

4. Susie granted access rights to Bill Smith
5. Spoke to Bill Smith about terminating the existing Adidas Plan and starting a new plan under Bill's new EIN. This will allow Bill to take advantage of startup plan tax credits according to Lisa at Paychex. This was confirmed by email from Lisa on 6/13/2024.
6. Due to plan termination and re-establishment, we have Eligibility Grandfathering for all employees on payroll now. Once the plan starts employees must be 21 years of age, 1000 hours working for the company and 1 year of service with the company. Company Contribution: 3% Non-Elective Contribution (NEC)-goes to every eligible employee regardless of if they put any of their own money in the plan. Vesting: Immediate for the NEC and 6 years graded for discretionary Profit Sharing. Auto Enroll: 6%-employees have 90 days to opt out. The employees will get an email stating that this is going to be happening on the check after July 19th. Entry Dates: Immediate. 401K Plan Start Date: July 19, 2024.
7. Bill reached out to Paychex to request a fidelity bond for \$200k and auto escalation 6/25/2024.
8. Held a zoom meeting 6/26/2025 with Bill to discuss the enrollment process in the Paychex 401K plan. Walked through the enrollment process with Bill on the Paychex side. We looked at the opportunity to choose traditional or Roth deferrals. Reviewed the automatic enrollment amount of 6% and the ability to change that to any desired deferral the employee wants. Finally, we looked at the investment options which include forty different choices. Bill arranged a meeting with the employees on July 8th to discuss the investment options so employees will be able to make informed choices in choosing their investments. We discussed the importance of educating the employees and letting them make their own investment decisions after all their questions are answered. At the enrollment meeting on July 8th, we plan to walk the employees through the enrollment process. We scheduled a zoom meeting and sent a message to Paychex to see if they want us to discuss any particular items or if they wanted to participate in the meeting.
9. Plan Health Review not required as new plan established with Bill as business owner.
10. Filed 5500 per record keeper for plan year 2023.
11. Distribute participant quarter end statements or direct participants to log in and enable paperless statement delivery as follows: log into PaychexFlex.com select DOCUMENTS REPORTS from the Menu select Quarterly Reports to see the option to download statements and change their delivery method.
12. Participant Fee disclosure 404(a)5 is always posted online and updated monthly. No need to distribute.
13. Investment Review yields 3 funds on the watch list (T. Rowe Price Blue Chip Growth, Royce International Premier Investment, Vanguard Target Retirement 2070). T Rowe Price Blue Chip Gr – 11 qtrs., 1yr performance improved from 18th percentile to 11th percentile quarter(Q4) and now has improved to the 8th percentile(\$1.6k). Royce International Premier Investment – 5 qtrs., consider replacing with viable alternative if desired (\$0). Since there are no current assets in the holdings and the broad market impact of inflation and recession concerns have been prevalent across the entire market, no changes to offerings are currently advised. Disregard warning on Vanguard Target Retirement 2070 as it does not have 3 years history.



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14. Eligible if age 21, 1 year of service and 1000 hours worked. Entry date immediately coinciding with or next following the date you satisfy the eligibility requirements. Traditional and Roth deferrals allowed. Safe Harbor match is 100% of first 3%, vesting is 100%. Profit Sharing is discretionary, and vesting is a 6-year schedule (0, 20, 40, 60, 80, 100). You may borrow up to 50% of vested account balance to a max of \$50,000. Hardship not allowed. Auto Enroll: 6%-employees have 90 days to opt out.
15. As always if you or your employees have questions, we are available to assist as needed.
16. Distributed the 2024 Q2 401k Monitoring Report with noted action items for Q3 2024.

Participants:

1. A participant enrollment meeting was held to discuss tools available on the recordkeeper website.
2. Assisted Bill Johnson with rollover from his prior employer to the current plan.

TPA:

1. Premier provided the annual cover letter 7/22/2024, confirmed the 5500 was ready to be signed, and advised the Summary Annual Report would be sent in the fourth quarter along with all notice filings.
2. Premier TPA confirmed the ERISA bond coverage was adequate for plan the size of the plan.

Record Keeper:

1. 6/20/2024 did a conference call with Ed (SEFG), Susie (Adidas) and Jasmine (Paychex) to request termination of the Adidas plan 17043911. Termination is being requested since Susie sold the company to Bill Smith effective 5/31/2024. Paychex will send a request to terminate to Susie. The termination will take at least 10 days. Susie will need to file a 5500 for 2024. She will have access to the Paychex site for 12 months to handle whatever needs to be taken care of. Employees will become 100% vested in all money sources at the point of termination. Employees will be able to leave money at Paychex until they decide to move it out as long as the administrator does not request an involuntary distribution. If at a later date the administrator wants to force employees out of the plan the administrator may do so.
2. 10. Ed and Susie called Paychex 7/2/2024 regarding plan termination questions. We spoke to Shawna in Cancellations. We confirmed the following: All the required adoptions on the plan are up do date. Paychex acknowledged that we notified them the Adopting Employer (Susie) utilizes a Qualified Nonelective Contribution. Paychex Acknowledged they will perform the necessary ADP/ACP tests prior to termination. Paychex suggested we use the termination date of 7/17/2024 when we notify employees of the termination.



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Paychex administration 800-472-0072 x 7564011. Paychex cancellations 800-472-0072 x 7568002 Reference #479145.

3. 17. Confirmed with Paychex 5/23/2024 that the ERISA bond for Adidas is in force and renews 9/1/2025. I asked Paychex to send a copy to Susie so we may add it to the Adidas file. The ERISA bond is for \$125,000 with a built-in inflationary guard to cover any growth of the balance during the policy term – 3 years. \$253 was paid on 9/1/2022. You are required by the Employee Retirement Income Security Act of 1974 (ERISA) to maintain Fidelity Bond coverage equal to 10% of the beginning of the year assets/investments. Approximate quarter end asset level \$1,683,535. The new Fidelity bond through Paychex that Bill requested is pending.