Krosnowski & Scott LLC
Investment & Retirement Planning Specialists

# K&S EXXONMOBIL 401(k) Savings Plan Investment Process

This message is intended to provide guidance to ExxonMobil employees to assist them in investing their savings plan assets. The first step in the investment process is to decide if you wish to consider participating in the ExxonMobil 401(k) Savings Plan. There are two distinct investment benefits that can be achieved by contributing to your retirement plan. ExxonMobil provides employer matching contributions. To participate, you must contribute a minimum of 6% of your pay to the Savings Plan by payroll deduction. This is called your minimum contribution. The company matches only your minimum contribution with 7% of your pay. Beyond your minimum contribution, you may make additional contributions by payroll deduction in 1% increments, for a combined total up to 20% of pay (10% of pay for Puerto Rico residents). Participants who are age 50 or older in a given calendar year and who maximize their before-tax contributions may make catch-up contributions to the Before-Tax Account. ). You also may make contributions to your After-Tax Account other than through payroll deductions. These are called After-Tax Account special contributions and are made by check.*

If employees contribute to the Savings Plan on a pre-tax basis, this will reduce the amount of earned income that is subject to taxation. Additionally, balances in the Savings Plan accumulate tax deferred until they are withdrawn.

Step two is to decide what percentage of your income that you wish to contribute to the Savings Plan on a pre or post-tax basis.

*Note: It is suggested to become more familiar with a tax planning concept called Net Unrealized Appreciation (NUA) which pertains to shares of company stock held in the ExxonMobil Savings Plan. Your potential future participation in this Savings Plan stock distribution method may influence your decision whether to make before or after-tax contributions to your Savings Plan. For more information on NUA, please visit the "Press Section" of our website at: www.KrosnowskiandScott.com.

The third step in the investment process is to determine your investor profile**.**

**Investor Profile** – To determine your investment direction, the following must be identified.

**A. Time Horizon -** Period of time from the present when you may need to withdraw assets from your investments or retire?

**1 to 5 years ______, 5 to 10 Years ______, or 10 (+) Years ______**

**B. Risk Tolerance -** Rate your risk tolerance from 1 to 10

**Conservative** ______ **(1 to 3)** Very low tolerance to principal fluctuation. Investor will tolerate 0 to 10% value decline over a 12 month period.

**Moderate** ______ **(4 to 6)** Willing to sustain 10 to 20% portfolio value decline over a 12 month period but not much more.

**Aggressive** ______ **(7 to 10)** Willing to experience 20 to 40% declines in portfolio value over a 12 month period in order to achieve potentially greater long term returns.

**C. Investment Objective –** Select an objective that matches your investment goals and comfort level.

**1. Income** ________ Invest 80 to 90% in bonds and money markets, 10 to 20% in income oriented stocks. This portfolio is suitable for very conservative investors.

**2. Balanced with an Emphasis on Income** __________ Invest 60-70% in bonds and money markets and 20-30% in common stocks. This is a conservative balanced portfolio.

**3. Balanced** ________ Invest 35 to 40% in money markets and bonds and 60 to 65% in stocks. This is a moderate to conservative risk portfolio.

**4. Balanced with an Emphasis on Growth** __________ Invest 20-30% in bonds and money markets and 70-80% in common stocks. This is a moderate risk portfolio.

**5. Growth** ________ Invest in common stocks for capital appreciation with little concern for income. This objective is for moderate to aggressive investors.

For further insight, please review the "*Investment Strategy*" section which can be found on pages 3, 4 and 5 of this document.

Once you have determined your investor profile, step four is to select a mix of investments that matches your objectives. Steps 5, 6, and 7 are outlined in the summary below.

**Step 4 - ExxonMobil Savings Plan Investment Recommendations:**

| INVESTMENT CATEGORY | INVESTMENT OBJECTIVE | | | | |
|---|---|---|---|---|---|
| | Income | Balance/Income | Balanced | Balanced/Growth | Growth |
| ExxonMobil Stock | 10% | 10% | 10% | 20% | 20% |
| Equity Units | | | | | 25% |
| Extended Market Units | | | | | 10% |
| International Equity Units | | | | | 20% |
| Balanced Units | 20% | 40% | 70% | 70% | 20% |
| Bond Units | 40% | 30% | 10% | | |
| Common Assets | 30% | 20% | 10% | 10% | 5% |

**Summary –** The following is a review of our seven step 401(k) Savings Plan investment process:

1. Decide how much of your income that you can contribute to the ExxonMobil 401(k) Savings Plan.

2. Determine what portion of your assets that you wish to contribute before or after taxes.

3. Define your investor profile when you choose your investment objective.

4. Select the mix of savings plan funds for your existing balances and future contributions that best matches your investment objective and comfort level.

5. Monitor your bond and stock allocations.

6. Re-balance your assets when your balances move out of alignment with your investment objectives.

7. Re-allocate your assets when there is a change in your feelings, current situation, family dynamics or future horizon.

Please contact us if you would like us to provide you with free advice on investing your ExxonMobil 401(k) Savings Plan.

Sincerely,

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**Investment Strategy** – This information can be used to assist you in selecting your investment objective in step 3C on page 2 of this document.

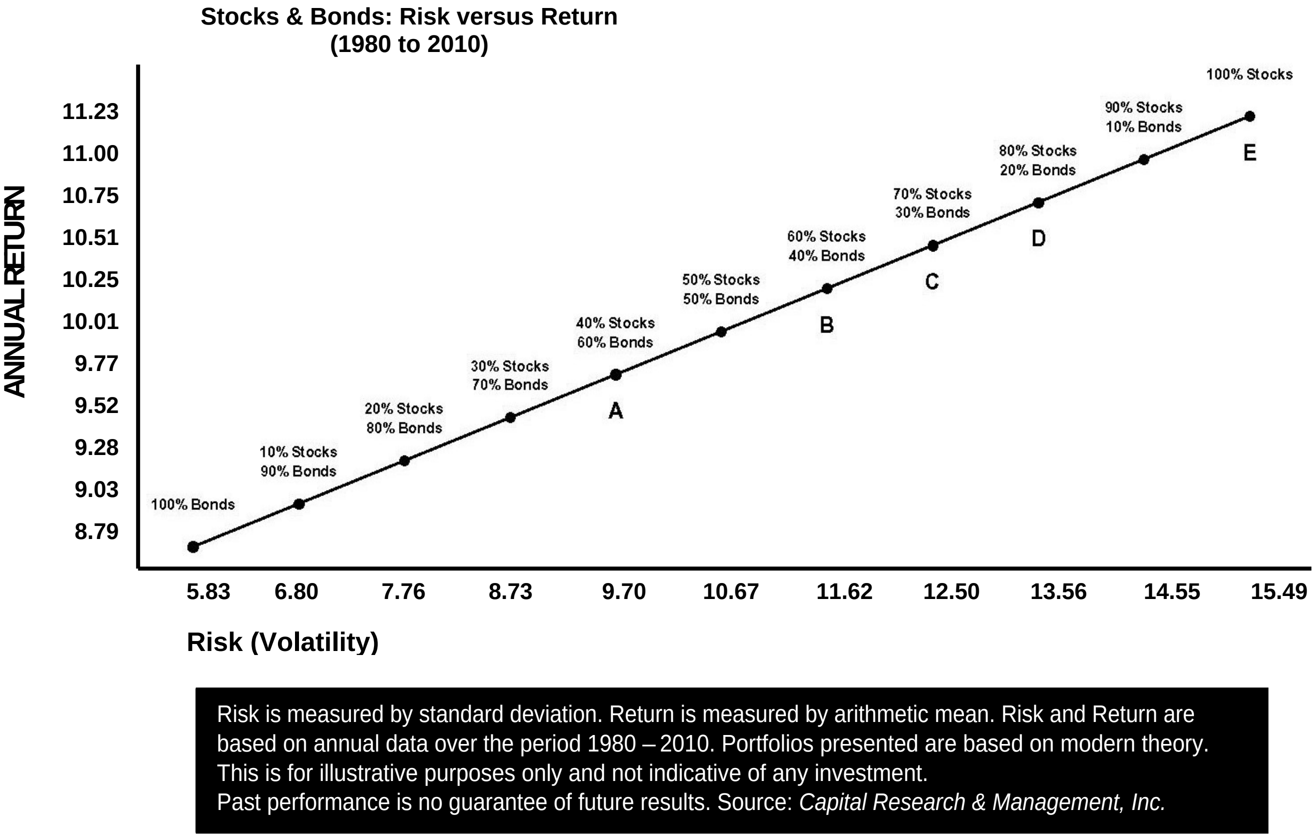
A. Modern portfolio Theory (MPT) - MPT is an investment philosophy that seeks to maximize investor's efficiency by combining different asset classes such as stocks, bonds and real estate whose price movements are not directly correlated (i.e. the asset classes move in different directions part of the time). By diversifying assets across these investment categories within an investor's risk tolerance and investment objective, MPT seeks to provide more consistent returns and less risk than more concentrated, less diversified portfolios.

B. Asset Allocation and Investment Efficiency- In Chapter 2 of his book "Stocks For The Long Run," Wharton Business School Professor Jeremy Siegel discusses modern portfolio theory and the "efficient frontier[1]." The theory illustrates the lowest risk point on a linear curve between differing combinations of bonds and stocks while achieving the highest possible return over 10, 20 and 30 year time periods[2]. Over a recent 200 year period the efficient frontier was approximately:

- 60% bonds / 40% stocks for 10 year periods
- 40% bonds / 60% stocks for 20 year periods
- 30% bonds / 70% stocks for 30 year periods

These allocations are illustrated in the chart below as points **A, B** and **C.**

C. The Intelligent Investor – Benjamin Graham is known as the grandfather of "value" investing and Warren Buffett's mentor. He is the author of the classic investment text "The Intelligent Investor. Graham encouraged stock investors to incorporate a **"margin of safety"** into their portfolios. He surmised that investors who were invested **100% in stock (Portfolio E)** would be more likely to panic and sell out of the market during periodic stock market declines. He felt that investors who invested **20% Bonds/80% Stocks** (**Portfolio D)** were more likely to remain fully invested for the long term, because the bond allocation dampened downside volatility.




ExxonMobil Savings Plan investors are advised to structure their assets so that their allocation matches their investment needs and comfort level. It is suggested to use input from the investor's profile, the "**efficient frontier**" and "**margin of safety"** concepts to determine an appropriate asset mix.

ExxonMobil employees may wish to invest a greater portion of their Savings Plan in stock investments. Prior to retirement the ExxonMobil pension can be viewed as a fixed income allocation that provides balance to a more growth oriented Savings Plan portfolio.

D. Stock Market Investing- Research indicates that investor's chances of success may be enhanced in the future if the following trends are incorporated into their portfolios:

- There is not a direct correlation between price movements of:
  **Stock Market Capitalization**: US large cap stocks and US mid/small stocks
  **Stock Asset Classes**: Value stocks and growth stocks
  **Geographic Markets**: Domestic stocks and international stocks

Every few years these different stock styles and asset classes move in and out of favor versus each other in the financial market place(3). As a result, combining these investments may reduce the peaks and valleys of investing in one stock category. It also may improve investment efficiency by providing potentially more consistent returns with less risk or volatility.
**Utilize US Large Cap Stocks as your stock foundation** (base of portfolio). Since large-cap stocks are usually less volatile, we suggest clients overweight this category. Adding mid and small-cap stocks to your portfolio in moderation may increase diversification, improve your performance potential and improve the consistency of your returns.

- **Invest in companies that pay healthy dividends**. Historically, dividends have provided a significant portion of stock returns. Since 1926, dividends have represented approximately 41% of the total return for large cap stocks, according to Ibbotson Associates.

- **Combine value and growth stocks**. Historic data (since 1965) indicates that value stocks with lower P/E ratios have provided investors with higher returns and dividends, and less risk than growth stocks with higher P/E ratios(5). When blending value and growth stocks, consider overweighting value stocks.

- **Globally diversify your portfolio**. Currently, stock valuations are more attractive outside the United States (ex Japan) due to higher dividend yields, greater dividend growth rates and lower P/E ratios(6) . Investing in globally diversified portfolios may provide investors with increased diversification and more consistent returns than investing exclusively in U.S. securities.

*(1) The use of any investment strategy, including the Modern Portfolio Theory, does not assure that any investment will be profitable or successful in achieving your investment objectives.*

*(2) Past Performance is not a guarantee of future results.*

*(3) Bloomberg (data as of 12/31/04).*

*(4) The ICA Guide, American Funds*

*(5) Website of Kenneth French, Dartmouth's Tuck School of business; www.russell.com*

*(6) MSCI, as of 12/31/2004*

*(7) Source: Morgan Stanley, Ned Davis Research, Fact Set Research Systems*

*Investing in small or mid cap stocks may not be suitable for every investor and may involve great risk due to increase volatility. International investing involves additional risks, such as currency fluctuations, economic instability and political turmoil. Investments in stocks are subject to market fluctuations and the value of shares when redeemed may be more or less than the original cost. Investors should always consider their own objectives, risk tolerance and time horizon and invest accordingly.*

*There is no certainty that any investment or strategy will be profitable or successful in achieving your investment objectives.*

*The Dow Jones Industrial Average is a price-weighted average of thirty blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.*

*There are fees and expenses associated with investing in mutual funds, including portfolio management fees and expenses and sales charges. Mutual funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from Andy Krosnowski and Melissa Scott Paine at (703)506-6886. Be sure to read the prospectus carefully before deciding whether to invest.*