

## **Wrap Fee Program Disclosure Brochure**

**Sponsored by:  
Meric Capital Management, LLC  
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Burnsville, MN 55306  
(952) 892-3231**

**This brochure provides clients with information about Meric Capital Management, LLC and its wrap fee program that should be considered before becoming a client of the wrap fee program. This information has not been approved or verified by any governmental authority.**

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### ***Advisory Services***

Meric Capital Management, LLC (hereinafter “*MERIC*” or the “*Firm*”) offers personalized investment advisory services including Portfolio Management Services and Financial Planning to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. The Firm’s services and fee arrangements are described in the following pages.

MERIC stands for Morally & Ethically Responsible Ivestment Choices. The name itself embodies what the Firm does, in that it assists Clients in selecting investments that are aligned with their values, morals, and ethics. When opening an account with MERIC, Clients complete a filtration profile, which enables them to flag those issues that are important to them in investing their money and to ensure that they have placed restrictions on those industries or issues where they do not want their money invested.

MERIC is a limited liability company formed under the laws of the State of Minnesota. This brochure narrative provides clients with information regarding MERIC and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of MERIC.

Individuals associated with MERIC will provide its investment advisory services. These individuals are appropriately licensed, qualified and authorized to provide advisory services on the firm’s behalf. Such individuals are known as Investment Adviser Representatives (“IARs”). Its services may also be available through unaffiliated investment advisors.

### ***Portfolio Management Services***

MERIC provides discretionary portfolio management services where the investment advice provided is custom tailored to meet the needs and investment objectives of the Client. Portfolios may be managed using advice provided by unaffiliated third party investment advisors (“Sub-Advisors”) with whom the Adviser has contracted or who are available on the brokerage platform selected by the client with the assistance of the Adviser. The services available through the Sub-Advisor are more completely outlined in the Sub-Advisor’s disclosure brochure, a copy of which is provided to the client prior to engagement. Subject to any written guidelines, which the Client may provide, the Firm will be granted discretion and authority to manage the account. Accordingly, MERIC is authorized to perform various functions, at the Client’s expense, without further approval from the Client. Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold and to hire and fire Sub-Advisors. Once the portfolio is constructed, MERIC provides continuous supervision and re-optimization of the portfolio as changes in market conditions and client circumstances may require.

The client may instruct Meric Capital Management, LLC to screen his or her account for companies that violate or potentially violate the client’s desires for morally and or socially responsible investing. MERIC and its sub-advisors will use “best efforts” in determining whether a company violates the client’s desires for morally and or socially responsible investing.

For all Portfolio Management Services, MERIC will either invoice the client directly for management fees or payment will be made by the qualified custodian holding the client's funds and securities provided the client provides written authorization permitting the fees to be paid directly from their account. The annual fee for portfolio management services is billed quarterly or monthly in arrears based on the asset value at the end of the previous quarter or month as applicable. Fees will be assessed pro-rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter. On an annualized basis, MERIC's fees for portfolio management services, subject to negotiation, are as follows:

<b>Account Value</b>		<b>Annual</b>
<b><u>From:</u></b>	<b><u>To:</u></b>	<b><u>Fee%</u></b>
\$0	\$150,000.00	1.95%
\$150,000.01	\$250,000.00	1.85%
\$250,000.01	\$350,000.00	1.65%
\$350,000.01	\$500,000.00	1.45%
\$500,000.01	\$1,000,000.00	1.35%
\$1,000,000.01	\$2,000,000.00	1.15%
\$2,000,000.01	Above	Negotiated

Performance Reporting/ Account Administration Fee (Quarterly): \$6.25

In addition to the fee schedule above, is a fee of .15% based on assets under management. This fee is in lieu of paying ticket charges on security buys and sells. Additionally, the Client will be responsible for any "S.E.C." charge for each transaction.

This portfolio management service is referred to as a wrap fee program, as it is inclusive of transaction and custodial charges.

A client's total cost of each of the services provided through the service, if purchased separately, could be more or less than the cost of the bundled wrap fee program. Cost factors may include the client's ability to: obtain the services provided within the program separately with respect to the selection of investments, invest and rebalance the selected investments without the payment of a sales charge, and obtain performance reporting comparable to those provided within the program.

#### ***General Information on Advisory Services and Fees***

MERIC shall never have custody of any Client funds or securities, as the services of an independent custodian will be used for these asset management services.

The fees charged are calculated as described above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds or any portion of the funds of an advisory client

MERIC does not represent, warranty, or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

Advice offered by MERIC may involve investment in mutual funds. Clients are hereby advised that all fees paid to MERIC for investment advisory services are separate and distinct from the

fees and expenses charged by mutual funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Further, there are transaction charges involved with purchasing or selling of securities. MERIC does not share in any portion of the brokerage fees/transaction charges imposed by the custodian holding the client funds or securities. The client should review all fees charged by mutual funds, MERIC, and others to fully understand the total amount of fees to be paid by the Client.

### ***Education and Business Standards***

Associated persons of MERIC that are involved in determining or giving investment advice to Clients must meet all examination or experience requirements of the state(s) and/or jurisdiction(s) in which the individual provides advisory services, and must hold a college degree or possess equivalent business experience.

### ***Education and Business Background***

Eric E. Wegner

Born: 1964

Educational Background:

University of Wisconsin- Oshkosh, Oshkosh, WI- General Studies

Ealing College, London, England, - Business Studies

Northwood University, Midland, MI – Marketing and Business Management, minor in Finance and Economics

Business Background:

Meric Capital Management, LLC, 08/2009 – Present, Managing Member/President

Provident Financial, LLC, 10/2005 - Present, Managing Member/President

QA3 Financial Corp, 01/2009 – Present, Registered Representative

QA3 Financial, LLC, 01/2009 – Present, Investment Adviser Representative

Sammons Securities Company, LLC, 12/2002 – 12/2008, Registered Representative

### ***Other Business Activities and Industry Affiliations***

IARs of MERIC may also be licensed as registered representatives (RRs) to sell securities through QA<sup>3</sup> Financial Corp. (“QA<sup>3</sup>”), a registered general securities broker/dealer member FINRA & SIPC, and investment adviser representatives of QA<sup>3</sup> Financial, LLC, an investment adviser registered with the Securities and Exchange Commission (“SEC”). In this capacity, IARs that are also RRs may be involved in the sale of securities of various types, including, but not limited to, stocks, bonds, and mutual funds and may receive normal and customary commissions for the sales of such products.

Eric Wegner, Managing Member and President of MERIC, is also the Managing Member and President of Provident Financial, LLC, an insurance agency. As such, he and his company may receive usual and customary compensation related to the sale of insurance and banking products.

QA<sup>3</sup> Financial, LLC will collect, as paying agent for MERIC, the investment advisory fee remitted to MERIC by the account custodian and will retain a portion of those fees.

### ***Participation or Interest in Client Transactions<sup>(1)(2)</sup>***

MERIC or individuals associated with the Firm may buy or sell – for their personal account(s) – investment products identical to those recommended to Clients. It is the expressed policy of MERIC that employees shall not have priority in any purchase or sale over Client's accounts.

The Firm has adopted a Code of Ethics, the full text of which is available to clients upon request. The Firm has several goals in adopting this Code. First, the Firm desires to comply with all applicable laws and regulations governing its practice, and the management of the Firm has determined to set forth guidelines for professional standards, under which all associated persons of the Firm are to conduct themselves. The Firm has set high standards, the intention of which is to protect client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith and fair dealing with clients. All associated persons are expected to adhere strictly to these guidelines, as well as the procedures for approval and reporting established in the Code of Ethics primarily related to personal securities transactions, and violations of the Code. In addition, the Firm maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Firm or any person associated with the Firm.

#### **Footnotes:**

<sup>(1)</sup> This investment policy has been established recognizing that some securities being considered for purchase and/or sale on behalf of MERIC's Clients trade in sufficiently broad markets to permit transactions by Clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with MERIC's records in the manner set forth above.

<sup>(2)</sup> The foregoing does not apply to certain types of securities, such as obligations of the U.S. Government, and shares in open-end mutual funds. Open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds by Advisory Representatives are not likely to have an impact on the prices of the fund shares in which Clients invest.

### ***Conditions for Managing Accounts***

Generally, MERIC requires a minimum of \$150,000 to open and maintain an advisory account. The firm may waive this requirement at its discretion.

### ***Review of Accounts***

Eric Wegner, Managing Member and President, generally reviews accounts on a weekly basis but no less than quarterly to ensure the advisory services provided to the Client are consistent with the Client's investment needs and objectives. Triggering factors that may stimulate a review include, but are not limited to, significant market corrections, large deposits or withdrawals from an account and the Client's request for an additional review.

### ***Reports to Clients***

MERIC will provide Clients with a report on a quarterly basis. Additionally, Clients will receive statements directly from their account custodian(s) on a monthly basis.

### ***Investment or Brokerage Discretion***

Clients grant MERIC complete discretion over the selection and amount of securities to be purchased or sold, the broker/dealer to be used and the commission rates to be paid for their account without obtaining their prior consent or approval. However, in line with MERIC's stated objectives, investment authority may be subject to specified investment objectives, guidelines and/or conditions imposed by the Client. For example, a Client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio, restrictions or prohibitions of transactions in the securities of a specific industry, and/or directed brokerage.

### ***Suggestion of Broker***

MERIC will recommend that a Client in need of brokerage and custodial services utilize TD Ameritrade Institutional Services, a division of TD Ameritrade, Inc., member FINRA/SIPC ("TD Ameritrade"). Associated persons of MERIC are also registered as representatives of QA<sup>3</sup>, a broker/dealer and FINRA member Firm. QA<sup>3</sup> is required to supervise the securities trading activities of its representatives.

MERIC participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. MERIC receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 13.A. below.) MERIC and/or Advisory Representatives may receive benefits such as assistance with conferences and educational meetings from product sponsors.

When recommending a broker/dealer, MERIC will attempt to minimize the total cost for all brokerage services paid by the Client. It may be the case that the recommended broker charges a higher fee than another broker charges for a particular type of service, such as commission rates. Clients may utilize the broker/dealer of their choice; and they have no obligation to purchase or sell securities through such broker as MERIC recommends.

MERIC has adopted a policy on selecting brokers and dealers which requires that "best execution", adherence to fiduciary duty and compliance with the law are paramount considerations in selecting a broker or dealer to effect transactions for Client accounts. "Best execution" means obtaining for the Client the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, MERIC considers all factors that it deems relevant to the broker's or dealer's execution capability, including, for example, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction in light of market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

In the case where the Client chooses QA<sup>3</sup> as their broker/dealer, the IAR may be paid commissions for transactions through QA<sup>3</sup>. As a registered representative of QA<sup>3</sup>, the IAR may receive services from QA<sup>3</sup>, which are customarily provided to representatives of QA<sup>3</sup>. Other than the commissions paid by the Client, there are no additional charges to the Client by QA<sup>3</sup> for

services received by IARs. Commissions paid by the Client to QA<sup>3</sup> will be determined according to, or discounted from, standard commission rates in effect at QA<sup>3</sup>.

IARs who are registered representatives of QA<sup>3</sup> are subject to NASD Conduct Rule 3040, which may restrict such registered individuals from effecting securities transactions away from QA<sup>3</sup> unless QA<sup>3</sup> provides the representative with written authorization to do so. Therefore, Clients are advised that IARs may be limited to conducting securities transactions only through QA<sup>3</sup> and its clearing broker.

### ***Directed Brokerage***

Some Clients may instruct MERIC to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct MERIC to use a particular broker should understand that this may prevent MERIC from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent MERIC from obtaining the most favorable net price and execution. Thus, when directing brokerage business, Clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that MERIC would otherwise obtain for its Clients. Clients are encouraged to discuss available alternatives with their advisory representative.

### ***Additional Compensation***

As disclosed above, MERIC participates in TD Ameritrade's institutional customer program and MERIC may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between MERIC's participation in the program and the investment advice it gives to its clients, although MERIC receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving MERIC participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to MERIC by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by MERIC's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit MERIC but may not benefit its client accounts.

These products or services may assist MERIC in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help MERIC manage and further develop its business enterprise. The benefits received by MERIC or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by MERIC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the MERIC's choice of TD Ameritrade for custody and brokerage services.



While MERIC and its associated persons, endeavor at all times to put the interest of the clients first as part of their fiduciary duty, clients should be aware that receipt of additional compensation in itself creates a potential conflict of interest.

Research products and services MERIC may receive from may include financial publications, information about particular companies and industries, and computer software, e.g. customized statements, reporting features, and web site account access. These products and services provide lawful and appropriate assistance to the Firm in the performance of its investment decision-making responsibilities.

IARs of the Firm, as registered representatives, may receive traditional and customary commissions, including 12b-1 fees, as a result of securities sales transactions. Additionally, IARs who are licensed insurance agents could potentially earn commissions as the result of the sale and servicing of insurance products.

### ***Compensation for Client Referrals***

Non-employee (outside) consultants of the Firm, who are directly responsible for bringing a Client to MERIC, may receive compensation from MERIC. Such agreements will comply with the requirements set out in Rule 206(4)-3 of the Investment Advisers Act of 1940, including the requirement that the relationship between the solicitor and the investment adviser be disclosed to the Client at the time of the solicitation or referral. Under these arrangements, the Client does not pay higher fees than MERIC's normal/typical advisory fees.

MERIC maintains a referral relationship with unaffiliated advisors. Those unaffiliated advisors may in turn share a portion of the referral fee with other individuals/entities from whom the referral was generated.

In any case, applicable state laws may require these persons to become licensed either as representatives of MERIC or as an independent investment adviser. MERIC will request that its clients acknowledge this arrangement prior to acceptance of the Clients' account for advisory services.

### ***Privacy Policies***

Protecting Client privacy is very important to MERIC. MERIC views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

MERIC does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a Client's account, MERIC may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants and lawyers.

MERIC restricts internal access to nonpublic personal information about the client to those employees who need to know that information in order to provide products or services to the Client. As emphasized above, it has always been and will always be the firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the

firm's policy not to share information unless required to process a transaction, at the request of a customer, or as required by law.

### **Aggregation of Orders**

MERIC generally will aggregate orders with respect to a security if such aggregation is consistent with achieving best execution for the various Client accounts. Orders may be aggregated if such aggregation is consistent with achieving best execution for the various Client accounts. When orders are aggregated, each participating account will receive the weighted average share price for all transactions in a particular security effected to fill such orders on a given business day. Transaction costs will be shared pro rata based upon each account's participation in the transaction.

Allocations of orders among Client accounts must be made in a fair and equitable manner. As a general rule, allocations among accounts with the same or similar investment objective are made pro rata based upon the size of the accounts. There is no allocation to an account or set of accounts based on account performance or the amount or structure of management fees. However, the following factors may justify an allocation that deviates from the general rule:

1. Specific allocations may be chosen based upon an account's existing positions in securities.
2. Specific allocations may be chosen because of the cash availability of one or more particular accounts.
3. Specific allocations may be chosen based on a partial fill of the block trade.
4. Specific allocations may be chosen for tax reasons.
5. Specific allocations may be chosen based on required minimum trade lot sizes for foreign securities.

### ***Trade Errors***

On infrequent occasions, an error may be made in a client account. For example, a security may be erroneously purchased for a client account instead of sold. In these situations, the Firm generally seeks to rectify the error by placing the client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including but not limited to, canceling the trade, adjusting an allocation, and/or reimbursing the account. In the event the trading error results in an erroneous profit, the profit will not be allocated to the Client as QA<sup>3</sup> Financial Corp. would maintain the profit.

### ***Proxy Voting***

MERIC will not be required to take any action or render any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which Client's assets may be invested. MERIC will forward to the client any information that the firm receives regarding proxy voting materials involving any security held in the Client's account(s).

### ***Class Action Lawsuits***

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. MERIC has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. MERIC also has no duty to evaluate a Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, MERIC has no obligation or responsibility to initiate litigation to recover damages on behalf of Clients who may have been injured as a result of actions, misconduct or negligence by corporate management of issuers whose securities are held by Clients.

Where MERIC receives written or electronic notice of a class action lawsuit, settlement or verdict affecting securities owned by a Client, it will forward all notices, proof of claim forms and other materials, to the Client. Electronic mail is acceptable where appropriate, and the Client has authorized contact in this manner.