

# Disclosure Brochure

March 29, 2011

## **TEAM Financial Managers, Inc.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of TEAM Financial Managers, Inc. (hereinafter "TEAM Financial"). If you have any questions about the contents of this brochure, please contact James Dailey at (717) 540-7875. 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 TEAM Financial Managers, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

TEAM Financial Managers, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since TEAM Financial's last annual update dated March 1, 2010. Since this is TEAM Financial's initial disclosure brochure, there are no material changes to report.

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### Supervised Person Brochure Supplements

## Item 4. Advisory Business

Since November 1996, TEAM Financial has been in business as an independent registered investment adviser specializing in a broad range of wealth management services, which includes financial planning, consulting and investment management. As a fee-only adviser, TEAM Financial is committed to providing comprehensive and impartial guidance in an effort to help its clients achieve and maintain financial independence.

The principal owners of TEAM Financial are Samuel S. Lindenberg and James L. Dailey. As of December 31, 2010, TEAM Financial had \$175,265,000 in assets under management, all of which are managed on a discretionary basis.

Prior to engaging TEAM Financial to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with TEAM Financial setting forth the terms and conditions under which TEAM Financial renders its services (collectively the "*Agreement*"). Neither TEAM Financial nor the client may assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of TEAM Financial is not considered an assignment.

This disclosure brochure describes the business of TEAM Financial. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of TEAM Financial's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on TEAM Financial's behalf and is subject to TEAM Financial's supervision or control.

### Financial Planning and Consulting Services

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TEAM Financial may provide its clients with a broad range of comprehensive financial planning and consulting services, which may include other non-investment related matters. Generally, TEAM Financial's consulting and financial planning services address the following matters, without limitation: insurance and long-term care needs, estate planning, educational planning, survivor needs, budgeting and cash flows, disability planning, debt reduction, tax planning and retirement planning.

These services may be rendered in conjunction with TEAM Financial's portfolio management, as part of its wealth management services. Alternatively, TEAM Financial may perform financial planning as a standalone service offering.

In performing its services, TEAM Financial is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. TEAM Financial may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if TEAM Financial recommends its own services. The client is under no obligation to act upon any of the

recommendations made by TEAM Financial under a financial planning or consulting engagement or to engage the services of any such recommended professional, including TEAM Financial itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of TEAM Financial's recommendations. Clients are advised that it remains their responsibility to promptly notify TEAM Financial if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising TEAM Financial's previous recommendations and/or services.

### **Investment Management and Wealth Management Services**

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TEAM Financial manages all or a portion of its clients' assets on a discretionary or non-discretionary basis. In addition, TEAM Financial may provide clients with wealth management services which generally include a broad range of comprehensive financial planning services, as well as discretionary and/or non-discretionary management of investment portfolios.

TEAM Financial primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), exchange-traded notes ("ETNs"), individual debt and equity securities and options, as well as certain real estate investment trusts ("REITs"), in accordance with the investment objectives of the client. TEAM Financial may also provide advice about any legacy securities held in clients' portfolios.

TEAM Financial may also render investment advisory services to clients relative participant directed 401(k) plans and other products that may not be held by the client's primary custodian. In so doing, TEAM Financial recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

TEAM Financial tailors its advisory services to the individual needs of clients. TEAM Financial consults with clients initially and on an ongoing basis to determine time horizon and other factors that may impact the clients' investment needs. TEAM Financial consults with clients initially and on an ongoing basis to confirm clients' objectives remain consistent with TEAM Financial's investment strategy.

Clients are advised to promptly notify TEAM Financial if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon TEAM Financial's management services. Clients may impose reasonable restrictions or mandates on the management of their accounts (e.g., require that a portion of their assets are invested in socially responsible funds) if, in TEAM Financial's sole discretion, it determines such conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to their management efforts.

## **Additions and Withdrawals to Accounts**

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Clients may make additions to and withdrawals from their account at any time, subject to TEAM Financial's right to terminate an account. Clients may withdraw account assets on notice to TEAM Financial, subject to the usual and customary securities settlement procedures. However, TEAM Financial designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

## Item 5. Fees and Compensation

TEAM Financial offers its services on a fee basis, which may include hourly fees and fees based upon assets under management. Alternatively, certain of TEAM Financial's *Supervised Persons* may offer insurance products under a commission-based arrangement.

### Financial Planning and Consulting Fees

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When TEAM Financial renders financial planning and consulting services outside of a wealth management arrangement, it does so on an hourly fee basis. This fee is negotiable, but is generally set at \$250 per hour, depending upon the level and scope of the services to be rendered.

Prior to engaging TEAM Financial to provide financial planning and/or consulting services, the client is required to enter into a written agreement with TEAM Financial setting forth the terms and conditions of the engagement. Generally, TEAM Financial requires one-half of the estimated hourly fee payable upon execution of the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Wealth Management Fee

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TEAM Financial provides wealth management services for an annual fee based upon a percentage of the assets being managed by TEAM Financial. TEAM Financial's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. TEAM Financial does not, however, receive any portion of these commissions, fees, and costs. TEAM Financial's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by TEAM Financial on the last day of the previous quarter. The annual fee varies (between 1.00% and 1.50%) depending upon the amount of assets under management, as follows:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$499,999	1.50%
\$500,000 - \$999,999	1.25%
Above \$1,000,000	1.00%

The fee schedule is based on the level of assets designated by the client for management by TEAM Financial. The fee schedule is not adjusted for asset growth from existing assets, only if new assets are designated for management by the client.

## Fee Discretion

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TEAM Financial, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), TEAM Financial generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts.

TEAM Financial may only implement its investment management recommendations after the client has arranged for and furnished TEAM Financial with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, any other broker-dealer recommended by TEAM Financial, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to TEAM Financial's fee.

## Fee Debit

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TEAM Financial's *Agreement* and the separate agreement with any *Financial Institutions* may authorize TEAM Financial to debit the client's account for the amount of TEAM Financial's fee and to directly remit that management fee to TEAM Financial. Any *Financial Institutions* recommended by TEAM Financial have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to TEAM Financial. Alternatively, clients may elect to have TEAM Financial send an invoice for payment.

## Fees for Management During Partial Quarters of Service

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The *Agreement* between TEAM Financial and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. TEAM Financial's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.



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Additions may be in cash or securities provided that TEAM Financial reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. TEAM Financial may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated to account for the number of days remaining in the quarter.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

TEAM Financial does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

TEAM Financial provides its services to individuals, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size**

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As a condition for starting and maintaining a relationship, TEAM Financial generally imposes a minimum portfolio size of \$200,000 and requires that at least one account carry a balance of \$100,000 or more. TEAM Financial, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. TEAM Financial only accepts clients with less than the minimum portfolio size if, in the sole opinion of TEAM Financial, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified investment objective. TEAM Financial may aggregate the portfolios of family members to meet the minimum portfolio size.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Primary Methods of Analysis

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TEAM Financial employs a fusion of traditional fundamental, technical, quantitative and complex systems analyses in an effort to identify global market and economic trends. While TEAM Financial believes that market prices are driven by fundamentals over the long term, it recognizes that over the short to intermediate term, prices may be driven by the cyclical swings in investors' aggregate risk appetite.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. TEAM Financial analyzes the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that TEAM Financial will be able to accurately predict such a reoccurrence.

*Cyclical analysis* (which is generally inclusive of quantitative and complex systems analyses) is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that TEAM Financial is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### Investment Strategy

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TEAM Financial manages portfolios pursuant to an absolute return based investment objective, whereby it seeks to generate consistent returns, irrespective of market trends or economic tides. It utilizes a proprietary asset allocation strategy, which can deviate significantly from typical industry methodology (e.g., modern portfolio theory). TEAM Financial invests and trades client assets based upon its assessment of both long-term fundamentals and aggregate market appetite for risk.

TEAM Financial's portfolio management methods are designed to be most aggressive when its assessment of both long-term fundamentals and investors' willingness to take risk are favorable. However, it is willing to take more speculative positions with client assets, even when long-term fundamentals do not warrant such action, as long as its assessment of investor risk appetite is positive. During periods in which long-term fundamentals are not favorable, but investor risk appetite is high (i.e., a

“speculative environment”), TEAM Financial typically engages in a more active portfolio management style in which frequent trading may occur. While frequent trading increases transaction and possibly tax costs to its clients, the firm believes that it is prudent to actively harvest gains and limit losses in positions when such a speculative environment exists.

TEAM Financial's asset allocation strategy may preclude exposure to major asset classes for significant periods of time if its research indicates that the expected risk/reward is not likely to be favorable for its clients and at odds with their long-term financial goals. TEAM Financial's strategy also includes periods of time when it employs dynamic hedging and/or holds significant cash reserves. Specifically, when both long-term fundamental research and investor risk appetite appear negative, TEAM Financial typically engages in dynamic hedging and/or holds significant cash reserves.

TEAM Financial defines dynamic hedging as the active use of ETFs and/or mutual funds, which are specifically designed to generate inverse returns of a specific index and protect overall client portfolio values during market periods that it believes are susceptible to significant declines. These vehicles may utilize derivatives and/or leverage to achieve their objectives. TEAM Financial allocates assets among these vehicles for both dynamic hedging and/or speculative purposes. TEAM Financial's asset allocation strategy often includes an allocation of mutual funds, which execute strategies that are designed to enhance long-term returns, while limiting volatility (i.e., “Absolute Return Funds”). These funds' investment strategies often utilize more advanced investment management techniques and may also utilize derivatives and/or leverage. In addition, the firm may also seek exposure to commodity and currency markets through the use of mutual funds, ETFs and exchange-traded notes.

TEAM Financial may also invest in inverse ETFs, including double inverse (or ultra-short) ETFs. Inverse ETFs seek to negatively correlate to the performance of the particular index that they track by using various forms of derivative transactions, including by short-selling the underlying index. Ultra-short ETFs seek to multiply the negative return of the tracked index (e.g., twice the inverse return). As a result, an investment in an inverse ETF will decrease in value when the value of the underlying index rises.

### **Mutual Funds and Exchange-Traded Funds (ETFs)**

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An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. As such, a fund investor may incur substantial tax liabilities even when the fund underperforms.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value (“NAV”), plus any shareholders fees (e.g., sales loads, purchase fees,

redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### **Options**

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Options are a form of derivative which allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### **Real Estate Investment Trusts (REITs)**

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TEAM Financial may recommend clients invest in REITs, the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

### **Leveraged Funds**

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TEAM Financial may invest in certain vehicles that utilize leverage, meaning that the fund manager may use debt to finance certain of its investments. While the use of leverage can substantially improve

returns, such use may also increase the potential adverse impact to which a fund portfolio may be subject. Leverage is typically secured by the fund's securities and/or other assets. Under certain circumstances, a counterparty may demand an increase in the collateral that secures the fund's obligations and if the fund is unable to provide additional collateral, the counterparty could liquidate fund-level assets to satisfy its obligations. Liquidation in that manner could have extremely adverse consequences to the performance of the fund. The amount of the fund's borrowings and the corresponding interest rates, which fluctuate, may also have a significant effect on the fund's profitability.

### Market Risks

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The profitability of a significant portion of TEAM Financial's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that TEAM Financial will be able to predict those price movements accurately.

### Management Through Similarly Managed Accounts

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For certain clients, TEAM Financial may manage portfolios by allocating portfolio assets among various mutual funds and securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, TEAM Financial buys, sells, exchanges and/or transfers shares of mutual funds and securities based upon the *investment strategy*.

TEAM Financial's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to TEAM Financial's clients may be limited. As further discussed in response to Item 12B (below), TEAM Financial allocates investment opportunities among its clients on a fair and equitable basis.

### Risk of Loss

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Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

TEAM Financial is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. TEAM Financial does not have any required disclosures to this Item.



### Item 10. Other Financial Industry Activities and Affiliations

TEAM Financial is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

#### Receipt of Insurance Commission

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Certain of TEAM Financial's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While TEAM Financial does not sell such insurance products to its investment advisory clients, TEAM Financial does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that TEAM Financial recommends the purchase of insurance products where TEAM Financial's *Supervised Persons* receive insurance commissions or other additional compensation. TEAM Financial's *Supervised Persons* currently devote approximately five percent (5%) of their time to insurance sales.

#### Affiliated Investment Adviser

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TEAM Financial is under common control with its affiliated SEC registered investment adviser, TEAM Financial Asset Management, LLC ("*TFAM*"), SEC File No. 801-70590. Certain Principals and *Supervised Persons* of TEAM Financial also serve in the same capacity for *TFAM*.

*TFAM* serves as the adviser to the TEAM Asset Strategy Fund (ticker: TEAMX), a mutual fund. TEAM Financial uses the TEAM Asset Strategy Fund as a core position within its investment strategy, but does not charge an advisory fee for any client assets invested therein. TEAM Financial's place of business is the same as that of *TFAM*.

### Item 11. Code of Ethics

TEAM Financial and persons associated with TEAM Financial ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with TEAM Financial's policies and procedures.

TEAM Financial has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by TEAM Financial or any of its associated persons. The *Code of Ethics* also requires that certain of TEAM Financial's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in TEAM Financial's *Code of Ethics*, none of TEAM Financial's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of TEAM Financial's clients.

When TEAM Financial is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when TEAM Financial is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact TEAM Financial to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, TEAM Financial generally recommends that clients utilize the brokerage and clearing services of *Schwab*.

Factors which TEAM Financial considers in recommending *Schwab* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* enables TEAM Financial to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by TEAM Financial's clients comply with TEAM Financial's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where TEAM Financial determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. TEAM Financial seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

TEAM Financial periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct TEAM Financial in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and TEAM Financial will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by TEAM Financial (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, TEAM Financial may decline a client's request to direct brokerage if, in TEAM Financial's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless TEAM Financial decides to purchase or sell the same securities for several clients at approximately the same time. TEAM Financial may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among TEAM Financial's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among TEAM Financial's clients pro rata to the purchase and sale orders placed for each client on any

given day. To the extent that TEAM Financial determines to aggregate client orders for the purchase or sale of securities, including securities in which TEAM Financial's *Supervised Persons* may invest, TEAM Financial generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. TEAM Financial does not receive any additional compensation or remuneration as a result of the aggregation. In the event that TEAM Financial determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, TEAM Financial may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist TEAM Financial in its investment decision-making process. Such research generally will be used to service all of TEAM Financial's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because TEAM Financial does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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TEAM Financial may receive from *Schwab*, without cost to TEAM Financial, computer software and related systems support, which allow TEAM Financial to better monitor client accounts maintained at *Schwab*. TEAM Financial may receive the software and related support without cost because TEAM Financial renders investment management services to clients that maintain assets at *Schwab*. The software and related systems support may benefit TEAM Financial, but not its clients directly. In fulfilling its duties to its clients, TEAM Financial endeavors at all times to put the interests of its clients first. Clients should be aware, however, that TEAM Financial's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence TEAM Financial's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

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Additionally, TEAM Financial may receive the following benefits from *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. TEAM Financial's *Supervised Persons* may also receive reduced or no cost admission to seminars through *Schwab*.

### Item 13. Review of Accounts

For those clients to whom TEAM Financial provides investment management services, TEAM Financial monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom TEAM Financial provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of TEAM Financial’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with TEAM Financial and to keep TEAM Financial informed of any changes thereto. TEAM Financial contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom TEAM Financial provides investment advisory services will also receive a report from TEAM Financial that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from TEAM Financial.

Those clients to whom TEAM Financial provides financial planning services will receive reports from TEAM Financial summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by TEAM Financial.

### **Item 14. Client Referrals and Other Compensation**

TEAM Financial is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. TEAM Financial may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 10, above.

In addition, TEAM Financial is required to disclose any direct or indirect compensation that it provides for client referrals. TEAM Financial does not compensate for client referrals.

### Item 15. Custody

TEAM Financial's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize TEAM Financial through such *Financial Institution* to debit the client's account for the amount of TEAM Financial's fee and to directly remit that management fee to TEAM Financial in accordance with applicable custody rules.

The *Financial Institutions* recommended by TEAM Financial have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to TEAM Financial. In addition, as discussed in Item 13, TEAM Financial also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from TEAM Financial.



### Item 16. Investment Discretion

TEAM Financial may be given the authority to exercise discretion on behalf of clients. TEAM Financial is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. TEAM Financial is given this authority through a power-of-attorney included in the agreement between TEAM Financial and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). TEAM Financial takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### Item 17. Voting Client Securities

TEAM Financial may vote client securities (proxies) on behalf of its clients. When TEAM Financial accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in TEAM Financial's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in TEAM Financial's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact TEAM Financial to request information about how TEAM Financial voted proxies for that client's securities or to get a copy of TEAM Financial's Proxy Voting Policies and Procedures. A brief summary of TEAM Financial's Proxy Voting Policies and Procedures is as follows:

- TEAM Financial has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to TEAM Financial's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, TEAM Financial devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct TEAM Financial's vote on a particular solicitation but can revoke TEAM Financial's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that TEAM Financial maintains with persons having an interest in the outcome of certain votes, TEAM Financial takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

TEAM Financial does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, TEAM Financial is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. TEAM Financial has no disclosures pursuant to this Item.

## **TEAM Financial Managers, Inc.**

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Prepared by:

