

Registration No. 801-70283



Managed Account Solutions Program

Form ADV Part 2A

December 2010

**ARQUE CAPITAL, LTD.**

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**This brochure provides information about the qualification and business practices of Arque Capital, Ltd. If you have any questions about the contents of this brochure, please contact us at 602-971-9000.**

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**Item 2: Material Changes**  
**-no material changes**

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#### Item 4: Advisory Business

- A. Arque Capital, Ltd. Offers wealth management and traditional investment brokerage services to private clients and small to mid-sized corporations through its independent financial advisors. Headquartered in Scottsdale, Arizona, the company has multiple branches in Arizona, California, Texas and Nevada. Arque Capital is a member of the Arque Orion Group of financial companies. The date of formation is 11/18/2005.
- B. The Types of Services We Offer: Arque Capital, Ltd., provides its clients with a wide range of investment management and investment advisory services through the Managed Accounts Solutions Program (“MAS”) offered by National Financial Services, LLC (“NFS”). NFS is the custody and clearing subsidiary of Fidelity Investments (“Fidelity”), founded in 1946 and an international provider of financial services and investment resources. As of September 2010, Fidelity managed \$1,504.7 billion in client assets over 20 million individuals and institutions as well as through 5,000 financial intermediary firms. The MAS Program provides fully disclosed broker-dealers a platform to offer investment management and investment advisory solutions including but not limited to the, Separate Accounts Program (“SMA”), Mutual Fund Wrap (“MFW”), Advisor Directed Unified Managed Account Program (“UMA”), Multi-Manager Account Program (“MMA”), Rep as Portfolio Manager (“RPM”), collectively referred hereinafter as the “Programs”. These Programs are offered in conjunction with Envestnet Asset Management, Inc., (“Envestnet”). Other than through contractual relationships formed through NFS, Arque Capital and Envestnet are not affiliated entities. Other than the RPM Program, portfolios in the SMA, MFW, UMA and MMA Programs are managed by third party investment managers (“Platform/Sub-Managers”). Portfolios in the PRM Program are managed by the client’s Financial Advisor. Through MAS and depending on the Program a client chooses, Envestnet offers the following services:
- ☐ Assessment of the client’s investment needs and objectives;
  - ☐ Investment policy planning assistance
  - ☐ Development of an asset allocation strategy designed to meet the client’s objectives;
  - ☐ Recommendations on suitable style allocations;
  - ☐ Identification of appropriate managers and investment vehicles suitable to the client’s goals;
  - ☐ Evaluation of asset managers and investment vehicles meeting style and allocation criteria;
  - ☐ Engagement of selected asset managers and investment vehicles on behalf of the client;
  - ☐ Ongoing monitoring of individual manager’s performance and management (for approved SMA managers and mutual funds only);
  - ☐ Review of client accounts to ensure adherence to policy guidelines and asset allocation;
  - ☐ Recommendations for account rebalancing, if necessary;
  - ☐ Online and paper reporting of client account(s) performance and progress; and
  - ☐ Fully integrated back office support systems to advisers, including custody, trade execution, and confirmation and statement generation, through National Financial Services, LLC

Clients may open up accounts in any one or more of the Programs (each an “Account”).

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## C. Tailoring of Advisory Services

Through its Financial Advisors, Arque Capital compiles pertinent financial and demographic information on each client to develop an investment strategy that will seek to meet that particular client's financial objectives and goals. The client's information is electronically forwarded to Envestnet and a proposal is generated for review by Arque Capital. In its review of the proposal, Arque Capital will consider a number of factors, including but not limited to the client's needs, goals and objectives, investment time horizon, risk tolerance and any other pertinent factors. Envestnet's proposal generation software uses a number of proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical risk ratings for various asset classes, correlation across asset classes and risk premiums. Clients are reminded that past performance does not guarantee future results.

Clients with SMA Accounts are offered access to actively managed investment portfolios chosen from a roster of third party investment managers ("Manager") from a variety of disciplines. Unlike a mutual fund, where the securities in the fund are commingled and each owner of the fund owns a fraction of the whole, a separately managed portfolio is a portfolio of individually owned securities that can be tailored to fit a particular client's investing preferences. Depending on the Manager and portfolio, minimum investment amounts in the SMA Program range from \$50,000 to \$500,000. As part of its services, Envestnet evaluates each Manager and decides whether or not such Manager meets the criteria to be included in the SMA Program. Once on the Envestnet Platform, Envestnet continues to monitor the performance and management of such Manager. For a further description of Approved and Available Managers, please see the "Manager Evaluation" section below. Arque Capital will recommend individual Managers and investment vehicles that correspond to a client's specific financial situation. It is therefore extremely important that a client disclose an accurate picture of his/her financial situation to his/her financial advisor.

Clients with MMA Accounts, are offered a single portfolio that accesses multiple asset managers representing various asset classes and investment styles. This investment model delivers many of the benefits of a traditional separately managed account in a single broadly-diversified portfolio for a minimum investment of \$250,000. Envestnet allocates the portfolio across investment asset classes and complementary asset managers to create a blend that fits the client's investment needs and risk tolerance. Envestnet provides overlay management services for MMA accounts and the client directly owns the underlying securities in the portfolio.<sup>1</sup>

Clients with UMA Accounts, are offered a single portfolio that is customized by the client's Financial Advisor, that contains multiple asset managers representing various asset classes. Envestnet provides overlay management services for UMA accounts and the client directly owns the underlying securities in the portfolio. This investment model delivers the benefits of a traditional separately managed account in a single broadly-diversified portfolio with a smaller minimum investment of \$150,000. Like the MMA Program, the asset allocation models for UMA are defined by Envestnet; however, unlike the MMA Program, the client's Financial Advisor is able to customize the portfolio by selecting the specific, underlying investment vehicles in the appropriate model to meet the client's needs.

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<sup>1</sup> A portion of the assets that make up the MMA Program may be invested in the PMC Funds, where appropriate, in conjunction with using multiple model providers and investment vehicles that comprise the investment portfolios. Since Envestnet serves as the investment advisor to the PMC Funds, the amount that Envestnet receives with respect to the MMA Program assets that are invested in the PMC Funds may be greater than just the portion of the MMA Program assets fee remitted to Envestnet. In order to address the economic incentive that Envestnet may have in investment MMA Program assets in PMC Funds, when PMC Funds are utilized in the MMA Program, Envestnet makes a corresponding fee reduction to the fee that Envestnet charges for the MMA Program assets that offsets the fees it receives as a result of those MMA Program assets being invested in the PMC Funds. Envestnet may still recognize ancillary benefits in investing MMA accounts in PMC Funds.

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Clients with RPM Accounts are offered a fully customized investment portfolio. A client's Arque Capital Financial Advisor is the investment manager in the RPM Program and will select individual securities, including but not limited to stocks, bonds, mutual funds and ETFs to create a portfolio suitable to the client's needs, goals and objectives. The Financial Advisor uses Envestnet's software applications to create a model to monitor the securities in the portfolio. Required minimum investment for the RPM Program is \$50,000.

**Item 5: Fee Schedule**

- A. Clients with Accounts in the various Programs pay a program fee (a "Program Fee") each calendar quarter. From this Program Fee, Arque Capital pays itself, sub-managers and any third-party service provider. The Program Fee also includes investment management services comprised of client profiling, strategic asset allocation, style allocation, research and evaluation of asset managers, ongoing monitoring of manager and account performance, asset manager hiring and termination, account rebalancing, account reporting, and other operational and administrative services. Clients in Programs, who do not receive all of the services listed above, may pay a lower Program Fee. There is a minimum annual Program Fee charged per Account for participation in the Program. Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of the quarter or as an average market value for the preceding quarter. Program Fees are charged on a calendar quarter basis in advance and prorated to the end of the quarter upon inception of the account or may be charged in arrears if using the average market value for the quarter. The level of the Program Fee will vary with the amount of assets under management and the particular investment styles and investment options chosen or recommended. Clients may receive comparable services from other sources for fees that are lower or higher than those charged by Arque Capital, Envestnet or other third party service provider.
- B. If there is insufficient cash in the Account at the time the Program Fee is to be debited from the Account, the Client understands and acknowledges that Platform Manager/Sub-Managers, at Platform Manager/Sub-Managers sole discretion, may sell an amount of the assets in the Account to generate sufficient cash to pay the Program Fee. This may create a taxable gain or tax loss for the Client. If Program Assets are illiquid and Platform Manager/Sub-Manager determines that the sale of Program Assets to pay the Program Fee is not feasible, Platform Manager/Sub-Manager will send the Client an invoice for the Program Fee for the quarter. For reporting only accounts or any other account that necessitates it, another designated Client account may be billed for the Program Fee. The Client agrees to pay this invoice within ten (10) days of receipt. The maximum annual fees for this program are based upon the following asset levels, and are subject to negotiation:

**Managed Account Solutions Maximum Fee Schedule (minimum account size)**

**Separate Accounts Program (SMA) - \$150,000**

Equity and Balanced Managed Accounts:

|                             |          |
|-----------------------------|----------|
| First 500,000               | 3.00%    |
| Next 500,000                | 2.50%    |
| Over 1,000,000              | 2.00%    |
| Minimum Annual Platform Fee | \$825.00 |

Manager Blend Managed Accounts:

|                               |          |
|-------------------------------|----------|
| First 500,000                 | 3.00%    |
| Next 500,000                  | 2.50%    |
| Over 1,000,000                | 2.00%    |
| Minimum Annual Platform Fee - | \$925.00 |

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Fixed Income Managed Accounts:

|                               |          |
|-------------------------------|----------|
| First 500,000                 | 2.50%    |
| Next 500,000                  | 2.00%    |
| Over 1,000,000                | 1.50%    |
| Minimum Annual Platform Fee - | \$775.00 |

**Multi Manager Accounts Program (MMA) - \$250,000**

|                               |          |
|-------------------------------|----------|
| First 500,000                 | 3.00%    |
| Next 500,000                  | 2.50%    |
| Over 1,000,000                | 2.00%    |
| Minimum Annual Platform Fee - | \$925.00 |

**Unified Managed Account Program (UMA) - \$150,000**

|                               |                  |
|-------------------------------|------------------|
| First 500,000                 | 3.00%            |
| Next 500,000                  | 2.50%            |
| Over 1,000,000                | 2.00%            |
| Minimum Annual Platform Fee - | \$250.00 per SAM |

**Mutual Fund Wrap Program (MFW) - \$50,000**

|                               |          |
|-------------------------------|----------|
| First 500,000                 | 2.50%    |
| Next 500,000                  | 2.00%    |
| Over 1,000,000                | 1.50%    |
| Minimum Annual Platform Fee - | \$200.00 |

**Rep as Portfolio Manager (RPM) - \$50,000**

\*Transaction Fees May Apply

|                               |          |
|-------------------------------|----------|
| First 500,000                 | 3.00%    |
| Next 500,000                  | 2.50%    |
| Over 1,000,000                | 2.00%    |
| Minimum Annual Platform Fee - | \$120.00 |

\* \$18.95 for equity trades, \$10.00 mutual fund trades, \$25 for government bond trades, \$14.95 municipal bond trades \$25 for option trades up to 10 contracts, \$35 for option trades between 11 and 25 contracts, \$50 for option trades in excess of \$25 per year, and \$75 per trade for foreign securities.

C. The Program Fee does not include: (1) other costs that may be assessed to the Client and that are not part of the Program Fee include but are not limited to fees for portfolio transactions executed away from NFS, dealer mark-ups, electronic fund and wire transfers, spreads paid to market-makers, dealer mark-ups, market maker spreads and exchange fees; (2) any additional advisory fee charged by Financial Advisors to their individual clients; and, certain fees charged by a broker or custodian used by that client's advisor. In that case, those fees will be disclosed separately to the client by NFS.

D. Program Fees are charged on a calendar quarter basis in advance and prorated to the end of the quarter upon inception of the account or may be charged in arrears if using the average market value for the quarter. For reporting only accounts or any other account that necessitates it, another designated Client account may be billed for the Program Fee. The Client agrees to pay this invoice within ten (10) days of receipt. If the advisory contract is terminated before the end of the billing period, a refund will be issued based upon a prorated daily basis. Arque Capital is a securities broker-dealer, and as such sells securities and insurance products.

E. We hold approximately \$ 8 million on a managed basis at this time

**Item 6:** Performance – Based Fees and Side-by-Side Management - N/A

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## **Item 7: Types of Clients**

Arque Capital, Ltd., will provide investment advice to individuals, trusts, investment companies, and pension plans. Minimum account size is \$ 50,000.00 USD.

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

**A.** Each client's account is managed on the basis of the client's individual financial situation. Each client has the opportunity to select the account's investment objective and impose reasonable restrictions on the management of assets in the account. In addition, clients will be contacted annually and notified quarterly, in order to confirm the accuracy of information regarding this client. We explain to each client that investing in securities involves the risk of loss.

Arque Capital, through its association with NFS, utilizes the Envestnet technology platform ("Envestnet Platform") to support proposal generation, asset allocation, investment manager and investment vehicle research and monitoring, performance reporting, fee calculation and billing, to generate rebalancing trades for the asset allocation models managed by Arque Capital (RPM Program Accounts), as well as to provide clients with access to Managers that are part of the Programs. Arque Capital Financial Advisors have the capability to recommend Managers and investment vehicles that correspond with the proposed asset class and investment styles output through the Envestnet Platform.

Envestnet has established relationships with various Managers whose investment vehicles reside on the Envestnet Platform. From time to time, Envestnet may establish relationships with new Managers. Envestnet evaluates Managers specializing in asset categories which include but are not limited to equities (both domestic and foreign), corporate debt; commercial paper, certificates of deposit, municipal securities, mutual funds, real estate investment trusts, government securities, options, and futures. Clients acknowledge that Envestnet and Arque Capital cannot guarantee the continued availability of Managers or investment vehicles under the Programs.

**B.** Clients participating in the Programs are required to grant full discretionary investment authority to Arque Capital and Envestnet to invest, reinvest, sell, exchange and otherwise deal with Account assets in their discretion, including without limitation the authority to select, allocate and reallocate the Account assets in client's accounts to different sub-Managers and to delegate such discretion to such sub-Managers.

- ☐ For SMA Accounts, Arque Capital and Envestnet generally will only use this grant of discretion to replace investment vehicles, including sub-managers, when it deems such a change is necessary; to rebalance a client's account as agreed between the client and Arque Capital; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable. Notwithstanding the foregoing, there may be situations in which Envestnet will fully utilize this grant of discretion, such as to liquidate a position.
- ☐ For MFW Accounts, Arque Capital and Envestnet will generally use this grant of discretion to invest in, hold and sell shares in various mutual funds; to liquidate any "in kind" assets that are transferred into the programs; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable.
- ☐ For UMA, MMA, and Manager Blends, Arque Capital and Envestnet generally will only use this grant of discretion to replace investment vehicles, including sub-managers, when it deems such a change is necessary; to rebalance a client's account as agreed between the client and Arque Capital; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable. Notwithstanding the foregoing, there may be situations in which Envestnet will fully utilize this grant of discretion, such as to liquidate a position.



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All client contact and communications regarding participation in the Programs will occur through Arque Capital. Arque Capital will forward the completed client applications and investment information to Envestnet and Envestnet will forward the applications and client account information, including any investment restrictions, to applicable Managers/Sub-Managers for processing. Upon written notification from the client, Arque Capital will promptly advise Envestnet of changes to a client's investment objectives and financial situation. Envestnet will promptly communicate any changes to the Managers/Sub-Managers. In certain circumstances, Arque Capital may ask Managers/Sub-Managers to attend meetings with Arque Capital and clients, however, Sub-Managers are under no obligation to attend any such meeting.

Clients participating in the Programs are required to authorize Arque Capital and Envestnet to designate NFS to provide trade execution, trade clearing and custodial services with respect to the Account assets.

In addition to Envestnet's proprietary investment models, Envestnet may retain other Managers for the purposes of creating asset allocation model portfolios ("Model Portfolios") for the Programs. Envestnet may, from time to time, replace existing Managers or hire others to create Model Portfolios for the Programs.

### **Research Methods**

Envestnet's research team has responsibility for two primary areas pertaining to investment advice: (i) asset allocation and portfolio construction and (ii) asset manager and investment vehicle evaluation.

With respect to asset allocation and portfolio construction, Envestnet uses demographic and financial information provided by the client and adviser to assess the client's risk profile and investment objectives in determining an appropriate plan for the client's assets. The research team uses proprietary analytical tools and commercially available optimization software applications to develop its asset allocation strategies. Factors used as inputs in the asset allocation process include historical rates of risk and return on various asset classes, correlation across asset classes, and risk premiums, among others.

### **Item 9: Disciplinary Information**

- a. n/a
- b. n/a
- c. n/a

### **Item 10: Other Financial Industry Activities and Affiliations**

Arque Capital has an agreement with NFS, a subsidiary of Fidelity Investments. NFS shares in a portion of the transaction fees paid by clients in Arque Capital's advisory accounts, but Arque Capital's Financial Advisors do not receive any portion of those transaction fees. A potential conflict of interest may exist in situations where Arque Capital, suggests or recommends to a client the use of NFS as the clearing broker and custodian.

Arque Capital may from time to time act as a principal in connection with sales of securities, primarily fixed income securities, to accounts of advisory clients. ACL will only execute "riskless" principal transactions on the following conditions. In a riskless principal transaction, ACL purchases a security, such as a corporate bond, based on a client order (including discretionary orders from a client's Financial Advisor), and resells the security to the client. Arque Capital will not typically charge a commission on the trade, but will receive compensation in the form of a mark-up from the price at which Arque Capital purchased the security or a mark-down from the price at which it sold the security. Mark-ups and mark-downs will not exceed 10 basis points for traditional fixed income products and will not exceed 25 basis points for structured products. Arque Capital will only execute such principal transactions for clients who have consented to principal transactions in the form of either a global "letter of authorization" or a one-time letter of authorization signed by the client prior to the transaction settling.

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Arque Capital may execute purchase and sale transaction between two clients (referred to as “agency cross transactions”), provided such transactions comply with these procedures and Rule 206(3)-2 under the Investment Advisers Act of 1940, as amended. Arque Capital may have a conflicting duty of loyalty to both of the clients for whom it conducts agency cross transactions. Therefore, Arque Capital has adopted agency cross transaction procedures that are designed to promote fairness among the client accounts managed by Arque Capital and to conform to applicable regulatory principles. Arque Capital will only conduct agency cross transactions if a client has consented in advance to the conduct of such transactions, either in the client’s account agreement or in a separate written consent. Each agency cross transaction shall be effected at the independent current market price of the security. Arque Capital will send to both clients participating in the agency cross transaction a written confirmation at or before the completion of each transaction containing: (i) a statement of the nature of such transaction; (ii) the date such transaction took place; (iii) an offer to furnish upon request, the time when such transaction took place; and (iv) the source and amount of any compensation or other remuneration received or to be received by Arque Capital. Arque Capital will also send an annual summary of all agency cross transactions. A client’s written consent authorizing Arque Capital to effect agency cross transactions on his or her behalf may be revoked at any time by the client by means of written notice.

**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

**A. ACL Code of Ethics**

Arque Capital’s code of ethics is based on the principle that Financial Advisors owe a fiduciary duty to its clients. This duty includes the obligation to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise to take unfair advantage of their relationship with clients. In furtherance of these goals, Arque Capital has adopted several policies and procedures governing personal securities transactions by persons who have knowledge of pending securities transactions for Arque Capital client accounts (“access persons”). These policies are designed to ensure that clients of Arque Capital are treated fairly and equitably, and that Arque Capital upholds its obligations to its clients. Each access person must receive prior approval for opening a personal securities account and report securities transactions to the firm on a monthly basis. Prior to making an equity securities trade, an access person generally must clear the trade with the firm. Certain securities trades made by access persons may not be made until after all pending Arque Capital client transactions in the same security have been completed. Access persons are required to direct broker-dealers where they maintain accounts to send duplicate confirmations and account statements to Arque Capital.

Arque Capital has also adopted procedures designed to prevent employees from committing prohibited insider trading. Employees in possession of material, nonpublic information may not trade in securities to which the **information** relates or tip such information to others. In certain instances, the firm will employ information blocking devices (e.g., “Chinese Walls”), watch lists, and restricted lists as a means of preventing illegal insider trading. Arque Capital will provide a copy of the code of ethics to any client or prospective client upon request.

**B. This practice is prohibited at ACL**

**C.** Employees of Arque Capital may invest in the same securities as clients of Arque Capital, including related securities such as options and derivatives. In addition, employees may have an interest or position in certain securities that may also be recommended to a client. Such positions present a conflict of interest between personnel of Arque Capital and clients. Arque Capital addresses this conflict through the procedures described above, which are designed to ensure that no client is disadvantaged in any way by trades of Arque Capital.

Arque Capital’s philosophy behind our code of ethics is to emphasize the importance of the firm’s reputation, as well as principals of honesty, integrity, and professionalism, which include our overarching fiduciary duty to clients and the obligation of firm personnel to uphold that fundamental duty.

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**D.** Arque Capital periodically reviews the trades of its Financial Advisors and takes other actions seeking to detect any violations of Arque Capital's code of ethics and insider trading policies and procedures. Employees who commit violations are subject to a variety of sanctions, including monetary penalties, suspension or termination.

**Item 12: Brokerage Practices**

**A. Selection and Recommendation of Investment Managers**

We do not receive research or other soft dollar benefits and therefore are not subject to the conflicts of interest they create. To evaluate a particular investment vehicle, Arque Capital relies on information gathered by Envestnet through their initial and ongoing research and due diligence process. Envestnet employs a rigorous multi-phase approach to researching and selecting Managers suitable for participation in its investment programs. Managers are evaluated using data and information from several sources, including the Manager itself as the primary sources of information and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed are the Manager's Form ADV Part II, as well as portfolio holdings reports that help demonstrate the Manager's securities selection process. Where possible and Envestnet attempts to verify the information provided by the Managers from publicly available databases and sources.

Before offering a Manager to a client, Arque Capital reviews Envestnet's evaluations of the Program Managers, and may request additional information from Envestnet or directly from the Managers. At least annually, Arque Capital will review any updates to Manager performance to assess whether or not a Manager is performing within its investment objectives.

The cost of investment advisory services provided through the Programs may be more or less than the cost of purchasing similar services separately. Factors impacting the relative cost of a Program to a particular client include, may not be limited to the following: size of the account, type of account (*i.e.*, equity or fixed income), size of the assets devoted to a particular strategy, portfolio turnover, and the managers selected.

From time to time, Envestnet may provide alerts on certain Managers through an automated system based on information available in third-party databases (the "Alerts"). Arque Capital will monitor and conduct monthly reviews of these Alerts to identify situations which may warrant the cessation of a Manager and recommendation of a replacement Manager.

In rare instances, Envestnet may terminate the contractual relationship with a Manager. In these cases Arque Capital will remove the Manager from client portfolios and cease to offer the Manager to new clients. This will typically occur with Managers who have encountered material regulatory or compliance related problems.

Through the Envestnet Platform, Arque Capital has the ability to recommend Managers over a wide spectrum of investment strategies and styles. After giving due consideration to the risk profile and financial situation of a particular client, Arque Capital may recommend as part of an overall asset allocation, that a portion of the client's assets be invested in investment strategies that are considered "high risk". Such strategies usually have the potential for substantial returns; however, there are correspondingly significant risks involved in the strategies. Such high-risk strategies are not intended for all clients. Clients who choose to follow high-risk strategies should be aware that there is the possibility of significant losses up to and including the possibility of the loss of all assets placed in the strategies. Arque Capital highly recommends that clients diversify their investments and that clients do not place all of their investments in high-risk investment strategies.

In addition to the Managers, Envestnet also makes available certain investment managers for which Envestnet has not performed due diligence ("Available Managers"). Envestnet makes no recommendations concerning Available Managers. Arque Capital is responsible for determining that it has sufficient information and has conducted due diligence on an Available Manager before recommending such Available Manager for a client Account.

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- B. We do not aggregate orders

**Item 13: Review of Accounts**

- A. Through their Financial Advisors, Arque Capital provides account reviews (either on an individual basis or in aggregate) for all Accounts participating in the Programs. Reviews are conducted to ensure conformity to investment policy guidelines, established asset allocation strategies and the stated needs of and objectives of the individual client.
- B. Client accounts are reviewed on a periodic basis.
- C. Arque Capital reviews custom managed accounts at least quarterly and reviews model portfolios in aggregate monthly. Arque Capital will review performance information provided by Managers for model portfolios but will not verify the accuracy of the information provided. Arque Capital utilizes the performance reporting services provided by the Envestnet Platform to monitor individual account performance for custom managed accounts and model portfolio performance for the Programs in aggregate. Performance reporting provided by Envestnet is calculated according to industry standards and is applied to each account or combination of several related accounts for a household's or family's assets or to groups of accounts in each asset allocation model for internal composite purposes. These are written reports.

**Item 14: N/A There is no compensation for client referrals**

**Item 15: Custody**

Accounts are custodied with National Financial Services, LLC Member NYSE, SIPC. NFS is the custody and clearing subsidiary of Fidelity Investments ("Fidelity"). Clients will receive from NFS, on a monthly basis, a statement, detailing an Accounts' holdings with month-end prices, account activity, and transaction confirmations from NFS. Clients will also receive a quarterly Account statement showing the allocation of the assets, quarterly and year to date performance, as well as transactions, including but not limited to cash additions and withdrawals during the previous quarter.

**Item 16: Investment Discretion**

Clients participating in the Programs are required to grant full discretionary investment authority to Arque Capital and Envestnet to invest, reinvest, sell, exchange and otherwise deal with Account assets in their discretion, including without limitation the authority to select, allocate and reallocate the Account assets in client's accounts to different sub-Managers and to delegate such discretion to such sub-Managers.

**Item 17: Voting Client Securities**

Arque Capital delegates proxy voting to the asset managers to whom it allocates client assets. Envestnet shall maintain copies of the asset managers' proxy voting procedures on file for so long as Arque Capital has clients whose assets are being managed by such asset managers.

Depending on the program selected, Envestnet or a sub-manager, as applicable, will vote proxies in accordance to their own proxy voting policies. It will be the responsibility of the client to vote any proxies relating to assets invested in the advisor directed model program. Client has the right at any time to vote proxies for any of the programs upon notice provided to the custodian. In the unlikely event that Envestnet becomes responsible for voting proxies relating to securities held by Arque Capital clients, Envestnet have developed appropriate principles, policies and procedures to ensure that such proxies are voted in the best interests of Arque Capital's clients. These principles, policies and procedures are relatively general in nature to allow Envestnet the flexibility

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and discretion to use its business judgment in making appropriate decisions with respect to client proxies.

Envestnet acknowledges and agrees that it has a fiduciary obligation to Arque Capital and its clients to ensure that any proxies for which it has voting authority are voted solely in the best interests and for the exclusive benefit of its clients. The policies are intended to guide Envestnet and its personnel in ensuring that proxies are voted in such manner without limiting the Envestnet or its personnel in specific situations to vote in a pre-determined manner. These policies are designed to assist Envestnet in identifying and resolving any conflicts of interest it may have in voting Arque Capital client proxies.

A copy of Envestnet's Client Proxy Voting Policies and Procedures can be obtained by contacting the following individual at Envestnet:

George L. Alvin  
Chief Compliance Officer  
35 E. Wacker Drive, Suite 1600  
Chicago, Illinois 60601  
(312) 827-3965

A copy of Arque Capital's Client Proxy Voting Policies and Procedures can be obtained by contacting the following individual at Arque Capital:

Timothy Scanlon  
Arque Capital, Ltd.  
7501 E McCormick Parkway  
Suite 111 North Court  
Scottsdale, Arizona 85258  
602-971-9000

**Item 18: Financial Information**

- A. We do not require prepayment of more than \$1,200 in fees per client, six months or more in advance
- B. There is no condition that is reasonably likely to impair our ability to meet contractual commitments to clients.
- C. We have not been the subject of a bankruptcy petition at any time during the past ten years.

**Item 19: Requirements for State Registered Advisers**

A. Principal Executive Officers

Mr. Michael C. Ning, President & CEO  
Ms. Audrey Kuwabara, Chief Risk Management Officer, General Counsel, CTO  
Mr. Timothy Scanlon, Senior Managing Director – Arizona  
Mr. Douglas Dingeman, Municipal Principal  
Mr. Mark Nixon, Senior Managing Director - Wealth Management  
Mr. James C. Sullivan, Director of Sales, Options Principal  
Mrs. Sheryl Leckliter, FINOP  
Ms. Carmel Courtright, Chief Compliance Officer