

# DISCLOSURE BROCHURE

COVER PAGE  
THE INVESTMENT ADVISORS ACT OF 1940 RULE 204-3  
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**Portfolio Design Services, LLC**  
REGISTERED INVESTMENT ADVISOR

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## ITEM 1

This Disclosure Brochure provides information about the qualifications and business practices of Portfolio Design Services, LLC, which should be considered before becoming a client. You are welcome to contact us should you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Portfolio Design Services, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.

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BROCHURE  
DATED  
**1**  
**JANUARY**  
**2011**



## MATERIAL CHANGES

ITEM 2

There have been no material changes made to this document since the last revision date indicated on the cover of this Disclosure Brochure.



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## ADVISORY BUSINESS

### Who We Are

Portfolio Design Services, LLC (hereinafter referred to as “the Company”, “we”, “us” and “our”) is a full-service registered investment advisor<sup>1</sup> organized in June of 2004. We offer a wide range of financial management services designed to assist you, our client<sup>2</sup>, in achieving your financial goals.

#### Owners

The Company is controlled by the following person:

Name	Title	CRD#
Bruce D. Swanson	Managing Member & Chief Compliance Officer	1113446

#### Assets Under Management

As of January 1, 2011, our assets under management totaled:

Client Discretionary Managed Accounts..... \$42,135,361.00

We do not offer non-discretionary investment management services.

### Our Mission

Our mission is to provide personal, caring, and knowledgeable advice to help you clarify goals and realize dreams. We will come along side and assist with navigating the maze of financial alternatives you will encounter so that intelligent, informed economic decisions can be made.

### Services We Offer

#### Portfolio Management

We manage diversified portfolios of primarily equity (“stock”) positions, fixed income (“bond”) instruments, Exchange Traded Funds (“ETFs”), and some investment company (“mutual fund”) products to achieve the best return on your investment capital relative to your investment parameters. Investment parameters are defined as your personal benchmarks and tolerance to risk.

You will find further description of our management style under Item 8 below, “Methods of Analysis, Investment Strategies & Risk of Loss.”

<sup>1</sup> The term “registered investment advisor” is not intended to imply that Portfolio Design Services, LLC has attained a certain level of skill or training. It is used strictly to reference the fact that we are “Registered” as an “Investment Advisor” with the United States Securities & Exchange Commission - and “Notice Filed” with such other State Regulatory Agencies that may have limited regulatory jurisdiction over our business practices.

<sup>2</sup> A client could be an individual and their family members, a family office, a charitable organization, an affluent business owner, an entrepreneur, a trust, a guardianship, an estate, another fiduciary, a retirement plan, or any other type of entity to which we choose to give investment advice.



## Financial Planning

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Financial planning is one of the most important services that successful people use to create an extraordinary personal life and business career. However it requires a lifetime commitment, not only from us, the Financial Planner, but from you as well.

The financial planning process helps to identify and/or clarify purpose, values, needs, and priorities and align your financial decisions with your lifestyle choices (e.g., intellectual, spiritual, family, financial, and philanthropic) so the goals and plans we design reflect how *you* define true wealth not us. It is our conviction that success, achievement, and contentment in life have little correlation to material wealth but are instead related to wise lifestyle choices. These lifestyle choices are your unique fundamental core values. As a result, at times the advice we offer may have little to do with your financial assets but rather what is best for you and your family.

### What is a Financial Plan?

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Financial planning is an evaluation of the investment and financial options available to you based upon your defined lifestyle choices. Planning includes: (i) attempting to make optimal decisions; (ii) projecting the consequences of these decisions for you in the form of a financial plan - a working blueprint; and, (iii) implementing the protocol to achieve the objectives of the plan. Once complete, the plan is then used to compare future performance against the working blueprint.

### Financial Planning Composition

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A financial plan can be coordinated - a mutually defined review of your personal financial life needs; or, segmented - a review, analysis and evaluation of a core area of financial need. In general, our financial planning may encompass one or more of the following areas of financial need as communicated by you:

- ❖ **Personal** - Family records, budgeting, personal liability, estate information and financial goals.
- ❖ **Education** - Education IRAs, financial aid, and state savings plans including 529 plans, grants and general assistance in preparing to meet dependents continuing educational needs through development of an education plan.
- ❖ **Taxes & Cash Flow** - Understanding the impact of various investments on your current income tax and future tax liability.
- ❖ **Death & Disability** - Cash needs at death, income needs of surviving dependents, estate planning and income analysis.
- ❖ **Estate** - Reviewing estate planning documents, including wills and trusts, to determine if you should seek the assistance of an estate planning attorney. Reviewing powers of attorney, nursing home and assisted living agreements, living trusts, and Medicare/Medicaid benefits.
- ❖ **Retirement** - Analysis of current strategies and investment plans to help you achieve your retirement goals.
- ❖ **Investments** - Analysis of investment alternatives and their effect on your investment portfolio(s), including a risk and return analysis. Assessment of your risk tolerance profile.
- ❖ **Insurance** - Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.



### Methodology

Our financial planning methodology follows the six (6) steps specified in the Financial Planning Practice Standards established by the CFP Board.

1. Establishing and defining the client-planner relationship.
2. Gathering client data identifying both financial and personal goals and objectives.
3. Analyzing and evaluating the client's financial status.
4. Developing and presenting financial planning recommendations and/or alternatives.
5. Implementing the financial planning recommendations.
6. Monitoring the financial planning recommendations.

These standards build on serving your complete financial need by implementing specific measures to solve problems and establish financial objectives that are in your best interest.

### Preparing the Financial Plan

We will prepare the financial plan in three (3) stages. These stages are defined as follows:

#### *Stage I - Evaluate* ———

Through the detailed evaluation process, the Company learns about you and what you want to achieve. This is accomplished through personal interviews and profile questionnaires<sup>3</sup>, which are designed to address all of the financial planning disciplines discussed above. You will have the opportunity to prioritize your objectives and to remove from the process any areas that are not applicable to your circumstances.

The time we invest in this evaluation process to listen and cater to your desires is critical for developing a strong financial planning foundation. Such time helps to:

- ❖ Define and narrow objectives and investment options;
- ❖ Stimulate creative thinking;
- ❖ Identify areas of greatest concern;
- ❖ Cultivate piece of mind;
- ❖ Create a unique picture of your overall financial personality; and,
- ❖ Provide an effective and efficient way for us to address your unique financial needs and objectives.

After the interview process, we will prepare an agenda and conduct a meeting with you to begin formally documenting your goals and objectives. From this meeting, we will draft a report documenting the financial planning process disciplines that you wish to address, detailing the specific objectives under each discipline. Redrafting and meetings can be repeated until you are completely satisfied with the report. Depending upon the engagement, different levels of financial reporting will be undertaken. At a minimum, a statement of financial position, designed for financial planning use only, will be prepared.

<sup>3</sup> The profile questionnaire we use is an important tool in gathering information about your investment methodology, risk tolerance, income/tax bracket, liquidity, time horizons, etc. If you elect not to answer the questionnaire or choose to respond with limited input, it is possible that we could operate in a handicapped capacity contrary to your investment needs. Therefore, if you desire the most effective and accurate recommendations regarding your managed account(s), you should make every effort to provide us with your detailed personal needs and objectives, along with detailed financial and tax information.



### *Stage II - Integrate* -----

We define the financial plan as a road map designed to take you from where you currently are financially, to where you want to be financially. This is the creative portion of the process. There are usually many different ways to accomplish a given goal. The objective, however, is to formulate a plan that you will be comfortable executing. In some cases, the drafting of the plan reveals the need for us to help you reconcile the gap between your expectations and your financial realities. Once a viable plan has been drafted, it is presented to you and reviewed. The draft and review process may be repeated until you are satisfied with the financial plan.

### *Stage III - Formulate* -----

A financial plan is of limited value if it is not put into action. Accordingly, we place a premium on implementing<sup>4</sup> and monitoring the plan. The implementation schedule provides you with a list of tasks and deadlines designed to ensure that the plan is put into action. The following are some examples of implementation: (i) drafting of appropriate estate documents (performed by an estate attorney); (ii) purchase of various insurance policies; (iii) investment advisory services, including preparation of a Investment Policy Statement and Client Profile and asset allocation strategy (performed by us, or another investment adviser/broker-dealer of your choice); (iv) adopting and monitoring of a personal budget; and, (v) ongoing income tax planning. We strongly suggest that the overall financial plan be reviewed on not less than an annual basis. Investment advisory services are performed in accordance with the disclosures contained under Item 5 below, "Fees & Compensation" under Portfolio Management.

## Retirement Planning

We assist employer-sponsored retirement and savings plans in the design of the fiduciary governance structure and in the development and execution of an investment management program. Depending on the desire of the employer-sponsored plan we can provide the following services under ERISA:

- ❖ **Limited-Scope 3(21) Fiduciary** - As a Limited-Scope 3(21) advisor, we acknowledge we have a fiduciary role but do not take discretion. We provide investment advice to the plan sponsors and/or Named Fiduciary who are ultimately responsible to make the investment decisions.
- ❖ **3(38) Advisor** - As a 3(38) advisor, we have full discretion for investment selection, monitoring, and replacing investment options with authority to buy and sell securities. Under this arrangement, the Full-Scope ERISA 3(21) advisor is outsourcing all investment management decisions to us.
- ❖ **Full-Scope 3(21) Fiduciary** - As a Full-Scope 3(21) Fiduciary, we will be the plan sponsor or other Named Fiduciary. A Full-Scope 3(21) Fiduciary is a fiduciary that has complete discretion authority to make all investment management decisions, full responsibility to manage operations of the plan, and to hire/fire other Limited-Scope 3(21) advisors and/or 3(38) Advisors.

### Designing a Retirement Plan

In working with plan sponsors and fiduciaries that has already created, or with the committee looking to create, an employer-sponsored retirement plan, we will adhere to the standards of care required by ERISA professional practice standards in advising on the

<sup>4</sup> Implementing the recommendations made in a financial plan often requires consultation or coordination with one or more outside professionals (e.g.: attorneys, CPAs, insurance and securities representatives). All information provided by and received from you will be kept entirely confidential, not only by us, but by the outside professionals as well. Such information will be disclosed to third parties only with mutual consent or as may be permitted or required by law.



existing retirement plan or in the creation of a new retirement savings plans. Our services generally follow these five steps:

### *Step 1: Review Current Investment Architecture -----*

If the employer has an existing retirement plan, we will conduct a fiduciary review of the retirement plan's current investment activities. This includes reviewing existing trust documents and the plan's current Investment Policy Statement. Money manager and/or mutual fund structures and fees (including transaction costs) will be scrutinized. We will also examine recordkeeping and administration expenses, and will confirm bonding requirements are currently being satisfied. In addition, we will review and evaluate strategic investment strategies and policies, and all existing contracts.

As a Limited-Scope 3(21) Fiduciary, this step is intended to help the sponsor and/or the plan's Named Fiduciaries (Full-Scope 3(21) Fiduciaries) identify, confirm, and measure objectives, concerns, and performance in managing the plan. We will take steps to educate fiduciaries about their responsibilities and duties. Moreover, we will use this education process as a convenient forum for eliciting feedback and input from existing plan fiduciaries so that the findings in this first step will also reflect the knowledge and experience and insights of the existing fiduciary team.

### *Step 2: Design the Optimum Portfolio/Menu -----*

Identify diversification and optimization approaches for the plan to effectively control individual asset allocation decisions. The asset classes and various asset class combinations that will be made available to the plan need to be identified. The identification of the asset classes to be made available requires a consideration of anticipated returns and risk measures, as well as the historical correlation coefficients between asset classes. This work will result in setting the foundation for the management approach to appropriately diversify and optimize the investments that will be included in the investment menu and reflected in the investment policy.

### *Step 3: Formalize the Investment Policy -----*

We will draft, or amend, a written investment policy that will address specific plan and investment objectives, the various asset classes and alternative asset class combination funds to be included, as well as the investment guidelines and procedures for selecting and monitoring money managers.

### *Step 4: Implement Investment Policy -----*

We will propose a number alternative money manager options for the fiduciary or trustee consideration. The proposal will include a review of active and passive alternatives. We will consider the individual management styles and disciplines that each fund or manager is expected to bring to the total portfolio.

If we have been appointed as a Limited-Scope 3(21) Fiduciary, the Company is willing to take on the role of an "investment manager" as defined in ERISA 3(38). In this capacity, we will have discretion over constructing the investment menu, and will select and monitor Portfolio Managers and mutual funds. With us serving in this role, the plan's named fiduciaries will be able to actively participate in reviewing the professional recommendations of their investment manager while avoiding what too often turns out to be a dysfunctional bifurcation of authority and expertise.

### *Step 5: Monitor the Investment Program -----*

Most importantly, we will provide ongoing supervision of the investment program, and will submit and present quarterly performance reports comparing the returns of each



investment in the portfolio/menu against stated investment objectives, and the policy benchmarks.

On a regular basis, we will assess the qualitative and organizational structures affecting each of the plan's investments. Generally, we will keep the fiduciaries/trustees apprised of the overall costs of the plan, and material changes in any investments that are being utilized. Evolving economic, financial and competitive developments will be included as part of the Company's ongoing monitoring. We will also monitor the revenue paid to any provider of the plan.

## FEES & COMPENSATION

ITEM 5

### Financial Planning

How we charge to develop a financial plan depends on the size, complexity, and nature of your personal and financial situation and the amount of time it will take to analyze and summarize the plan and perform the services you desire.

#### Planning Fees

##### Coordinated

All coordinated financial planning services are offered on a fixed fee basis and will not exceed \$20,000.00 for the initial engagement. Such fee will be fully disclosed up-front in a Financial Planning Contract ("Agreement"), which will include the cost<sup>5</sup> to review your financial information and prepare the coordinated financial plan. We maintain the option to: (i) require full payment up-front; or, (ii) require one-half the fee be paid at the time the Agreement is signed, with the remaining balance due upon completion of the financial plan<sup>6</sup>; or, (iii) require one-half the fee be paid at the time the Agreement is signed, with the remaining balance billed monthly on a progress basis as the work is completed.

##### Targeted

If you desire only targeted financial planning - review, analysis and evaluation of a core area of financial need - the fee will be billed at a rate not to exceed \$250 per hour<sup>7</sup>. All fees will be completely itemized in a billing statement to you, or as otherwise predetermined in a proposal, engagement letter and/or by retainer.

#### Annual Retainer Fee

It is important to note that any planning is kinetic (always in motion) and alive. A financial plan is a roadmap that is only as good as how well it reflects your current economic position to then guide you on a clear path to a future financial destination. However you can veer off course, intentionally or unintentionally, as circumstances in your life take you down another

<sup>5</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.

<sup>6</sup> The recommendations made in a financial plan are generally completed within 30 to 45 days from you signing the Agreement. However, implementing the plan using outside professionals (i.e., attorneys, CPAs, etc...) may require additional time that is out of our control. Therefore when we refer to the completion of the financial plan, we are referring to us (you and the Company) finalizing your financial benchmarks/objectives before approaching any outside professional.

<sup>7</sup> For a Targeted Financial Plan, the Company requires a minimum of four hours consultation to address any personal and financial needs of the client.



path. Our annual financial plan review is designed to systematically address these unexpected diversions and continually keep you on the right road headed to your future financial destination.

Therefore, we strongly suggest that the overall financial plan be reviewed not less than on an annual basis. If you elect an Annual Retainer Agreement, we will notify you of the annual cost to perform the desired work at the beginning of each year. Such retainer fee will be equal to one-half of the coordinated financial planning fee we original charged and billed on a quarterly basis.

### Termination of Financial Planning Services

You can terminate the Agreement at any time prior the presentation of the any financial planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed to in the Agreement. If you have prepaid any fees, such fees will be returned on a pro-rata basis. After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.

Targeted financial planning can be terminated at any time. We will bill you for any services rendered from the date of the last bill up to the date of termination at the agreed upon hourly rate.

### Portfolio Management

Portfolio management is provided on an asset-based fee arrangement. Our management fee is calculated based on the aggregate market value of your account on the first business day of the new calendar quarter multiplied by one-fourth of the corresponding annual percentage rate (i.e.,  $2.00\% \div 4 = 0.50\%$ ).

We retain discretion to negotiate the management fee under 2.00% on a client-to-client basis depending on the size, complexity, and nature of the portfolio managed. Generally, fee breaks will occur as assets in your portfolio increase past the following tiers:

Account Balance	Annual Fee Rates
\$100,000 to \$1,000,000 .....	2.00%
\$1,000,001 to \$2,000,000 .....	1.50%
\$2,000,001 to \$2,000,000 .....	1.00%
Over \$5,000,000.....	Negotiable

We have the option to require a minimum initial investment of \$100,000 to open any managed account. In addition, regardless of the minimum initial investment we may require, every account is subject to a minimum annual fee charge of \$240 (\$60 billed quarterly). Therefore, managed accounts with assets less than \$12,000, can experience higher annual percentage fees (e.g., a managed account of \$10,000 with a minimum annual fee charge of \$240, will translate into an annual fee rate of 2.40%). Consequently if your account is less the \$12,000, you might be able to contract with another investment advisor for equivalent service at lower costs.

The portfolio management fee will be fully disclosed to you in an Investment Advisory Agreement prior to conducting any investment management services.



## Protocols for Portfolio Management

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The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawals in/from your account(s); (iv) other fees charged to your account(s); and, (iv) termination.

### Discretion

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We will establish discretionary trading authority on all management accounts to execute securities transactions at anytime without your prior consent or advice.

### Billing

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Your account will be billed quarterly in advance based on the aggregate fair market portfolio value of the assets in your account on the first day of the new calendar quarter. For the first billing quarter, if the management account was not opened at the beginning/end of the quarter, the fee will be based upon a pro-rata calculation of the fair market value of your assets that were managed for the period.

Advisory fees will be taken first from free credit balances or from any money market funds or balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

### Account Set-up Fee

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If you are a new client, we will assess a one-time set-up fee not to exceed 1% of your assets to be managed. This set-up fee covers: (i) the time expensed in preparation of internal records for portfolio management and data preparation based on your Investment Policy Statement and Profile; (ii) the administrative services involved in the transfer of your asset management accounts to our custodial; and, (iii) general telephone consultations and research to finalize the account set-up process. The set-up fee is non-refundable should you wish to terminate the Investment Advisory Agreement due to time we expensed to create the management accounts.

The exact amount of the set-up fee you will be charged will be fully disclosed in the Investment Advisory Agreement.

### Deposits and Withdrawals

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Assets you deposit into your management accounts between billing cycles may result in additional management fees being billed to your account. Such deposits, in most cases, will require modifications and adjustments to your investment allocation. Therefore, a pro-rata fee based upon the number of days remaining in the current quarterly period may be assessed for deposits.

For assets you may withdrawal during the quarter, we do not make partial refunds of our portfolio management fee. Just as with deposits, withdrawals may require modifications and adjustments to be made in the portfolio to correct the allocation of assets.

### Fee Exclusions

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The above fees for all our management services are exclusive of any charges imposed by the custodial firm, such as: (i) any Exchange/SEC fees; (ii) service or account charges,



including debit balances or postage/handling fees; and/or, (iii) transaction fees earned by the custodial firm for securities transactions.

In addition, all fees paid to us for management services are separate from any fees and expenses charged to shareholders of mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: 12b-1 fees, redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

### Termination of Portfolio Management Services

To terminate investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received at least 30 days prior to the date of termination. Such notification should include the date the termination will go into affect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the first/last day of a calendar quarter, you shall be entitled to a pro-rated refund of the prepaid quarterly management fee based upon the number of days remaining in the quarter after the termination notice goes into affect. Once the termination of investment advisory services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

### Retirement Planning

Retirement planning services are provided on an asset-based fee arrangement. Our management fee is calculated based on the aggregate market value of assets in the plan on the last business day of the previous calendar quarter multiplied by one-fourth of the corresponding annual percentage rate (i.e.,  $1.40\% \div 4 = 0.35\%$ ).

We retain discretion to negotiate the management fee under 1.40% on a client-to-client basis depending on the size, complexity, and type of retirement planning desired. Generally, fee breaks will occur as assets in the retirement plan increase past the following tiers:

Pension Plan Account Balance	Annual Fee Rates for...		
	ERISA 3(21) Limited-Scope Advisor	ERISA 3(38) Advisor	ERISA 3(21) Full-Scope Advisor
First \$2,500,000 .....	1.00%	1.20%	1.40%
Next \$2,500,000 (Up to and including \$5,000,000) ...	0.80%	1.00%	1.20%
Next \$2,000,000 (Up to and including \$7,000,000) ...	0.70%	0.90%	1.10%
Next \$3,000,000 (Up to and including \$10,000,000) ...	0.60%	0.80%	1.00%
Over \$10,000,000 .....	0.50%	0.70%	0.90%

The retirement planning fee will be fully disclosed to you in a retirement plan Investment Advisory and Management Agreement prior to conducting any retirement planning services.



## Protocols for Retirement Planning Services

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The following protocols establish how we handle our retirement and savings planning accounts and what the plan fiduciaries and trustees should expect when it comes to: (i) managing the retirement plan (i) our bill for retirement planning services; (ii) other fees charged to the retirement plan; and, (iii) termination.

### Managing the Retirement Program

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The investment allocation models we put together for the retirement plan are based on the investment disciplines that most closely resemble the retirement plan's investment objectives and risk tolerance as outlined in the Investment Policy Statement. We will offer:

- ❖ Customized mutual fund allocation models with each model consisting of varying target asset allocations.
- ❖ Customized open architecture platform of leading third-party portfolio managers ("Portfolio Manager").
- ❖ Construction tools to implement effective investment portfolios.
- ❖ Provide plan sponsors and Named Fiduciaries - if we are not the Full-Scope 3(21) Fiduciary - with online reporting and account access.

Once the retirement plan account has been established, depending on the level of engagement we will perform one of the following (These are summary descriptions of service - full description will be made in the Investment Advisory and Management Agreement.):

#### *Limited-Scope 3(21) Fiduciary - Non-Discretionary Monitoring Services -----*

As a Limited-Scope 3(21) Fiduciary, we are a fiduciary but **do not** have discretion of the retirement plan. We will continuously monitor the performance of each allocation model and/or Portfolio Manager to be sure the investment objectives are being met and notify the plan sponsor and/or Named Fiduciaries of our recommendations on rebalancing and whether the Portfolio Manager(s) is meeting the investment objectives as outlined in the Investment Policy Statement.

#### *3(38) Advisor - Discretion -----*

As a 3(38) Advisory, the Full-Scope 3(21) Advisory has outsourced all investment management decisions to us. We will establish discretionary trading authority on the retirement plan to select, monitor, and rebalance each mutual fund allocation model when necessary, including adding or removing various mutual funds or mutual fund families. In addition, where applicable, we will review the performance of the Portfolio Manager(s), and hire/fire Portfolio Manager(s) based on the investment objectives as outlined in the Investment Policy Statement.

#### *Full-Scope 3(21) Fiduciary - Discretionary Monitoring Services -----*

As a Full-Scope 3(21) Fiduciary, we will provide operational oversight of the day-to-day activities of the plan. We will establish discretionary trading authority on the retirement plan to select, monitor, and rebalance each mutual fund allocation model when necessary, including adding or removing various mutual funds or mutual fund families. In addition, where applicable, we will review the performance of the Portfolio Manager(s), and hire/fire Portfolio Manager(s) based on the investment objectives as outlined in the Investment Policy Statement.



### Billing

The retirement plan will be billed quarterly in arrears based on the aggregate fair market value the assets within each tier of the above fee schedule on the last day of the closing calendar quarter. For the first billing quarter, if the retirement plan Investment Advisory and Management Agreement was not opened at the beginning/end of the quarter, the fee will be based upon a pro-rata calculation of the fair market value of your assets managed for the period.

Advisory fees will be taken first from free credit balances of plan assets. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

### Fee Exclusions

The above fees for our retirement planning services are exclusive of any charges imposed by the custodial firm, such as: (i) any Exchange/SEC fees; (ii) service or account charges, including, debit balances or postage/handling fees; and/or, (iii) transaction fees earned by the custodial firm for securities transactions.

In addition, all fees paid to us for retirement planning services are separate from any fees and expenses charged to shareholders of mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: 12b-1 fees. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus.

### Termination of Retirement Planning Services

To terminate retirement planning services, either party (the plan sponsor or Named Fiduciaries or us) by written notification to the other party, may terminate the retirement plan Investment Advisory and Management Agreement at any time, provided such written notification is received at least 60 days prior to the date of termination. Such notification should include the date the termination will go into affect along with any final instructions on the plan service.

In the event termination does not fall on the last/first day of a calendar quarter, we will be entitled to bill the retirement plan a pro-rated quarterly management fee based upon the number of days in the quarter that the retirement plan was managed before the termination notice went into affect. Once the termination of retirement planning services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and the plan sponsor and Named Fiduciaries become responsible for making investment decisions.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.



## TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Item 4, the “Advisory Business” section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management” in Item 5 above in the, “Fees & Compensation” section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

### For Clients Other Than Retirement Plans

Our portfolio management approach incorporates your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using equities (stocks) and debt instruments (bonds), and a mix of investment company products (mutual funds) and Exchange Traded Funds (ETFs), and other assets to design your unique investment strategy.

In addition, depending on your risk tolerance, we may also recommend using the following investment vehicles to achieve your desired investment objective: leveraged index funds, closed-end funds, REITs, hedge funds, derivatives, private placements and other publicly traded securities. However, these investment vehicles bring on a whole different risk dynamic. If we recommend investment in one of these securities, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

### Limited-Scope 3(21) Fiduciary

As a Limited-Scope 3(21) Fiduciary, our retirement planning services are limited to monitor the performance of each allocation model and/or Portfolio Manager from our platform for the plan sponsor and Named Fiduciaries to choose based on the retirement plan’s Investment Policy Statement; as well as, establishing the investment guidelines and procedures for selecting and monitoring the asset allocation models and/or Portfolio Managers.

Any mutual fund allocation models we design for use by the plan sponsor and Named Fiduciaries will generally follow the asset allocation models below under “Investment Strategy”. In addition, we will assist with evaluating the various asset classes and alternative asset class allocations to be included in the retirement plan.

Regarding the Portfolio Managers, methods of analysis and investment strategies are left to their discretion. However, we do review the Portfolio Managers objectives to then assist the plan sponsor and Named Fiduciaries in determining which Portfolio Manager(s) will provide the most effective financial growth.



## Methods of Analysis (All Clients Including Retirement Plans)

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In analyzing stocks, bonds, mutual funds, and ETFs we will use fundamental, technical, and cyclical approaches to gathering information and to guide us in our allocation decisions.

### Fundamental Analysis

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Fundamental analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

### Technical Analysis

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Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

### Cyclical Analysis

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Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit timing strategies. Coupling cyclical analysis with technical analysis helps to ensure the most favorable buy/sell signal.

Fundamental analysis provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while technical analysis is short-term focusing on the statistics generated by market activity. Cyclical analysis provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

## Investment Strategy (All Clients Including Retirement Plans)

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We are not bound to a specific investment strategy or ideology for the management of your investment portfolio except for how such strategy might affect the risk tolerance levels we pre-defined for you during the getting-to-know-you process as well as in your Investment Policy Statement. However, our investment strategies generally incorporate these methodologies:

### Modern Portfolio Theory

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Modern Portfolio Theory ("MPT")<sup>8</sup> is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk then construct a portfolio that maximizes your expected return for that given level of risk. Our investment methodology follows five (5) basic premises, each of which is derived from MPT.

1. You, as with all clients, are inherently risk-averse.
2. The markets are basically efficient.

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<sup>8</sup> Modern Portfolio Theory was developed and introduced by Harry M. Markowitz in his paper "Portfolio Selection" published in 1952 by the *Journal of Finance*.



3. The focus of attention is shifted away from individual securities analysis to consideration of portfolios as a whole, predicated on explicit risk-reward parameters.
4. For any level of risk that you are willing to accept, there is a rate of return that should be targeted.
5. Portfolio diversification is not so much a function of how many issues are involved, but more a function of the relationships and proportions of each asset to its correlating asset.

## Asset Allocation

Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive Asset Allocation derivatives that we may use.

We have developed five model portfolio structures that are used as Asset Allocation guideline models in designing investment portfolios. Each model consists of a different "target" Asset Allocation comprised of different asset classes<sup>9</sup> - spreading money among a variety of investments as opposed to investing in just one - creating a more prudent approach to managing risk. The investment mix is uniquely designed to achieve the desired investment return. The selected stocks, bonds, and other investment vehicles in your investment portfolio are diversified to reflect their risk profile. Typical composition mix classifications:

Asset Allocation Model	Percentage of		
	Stocks	Bonds	Cash
Aggressive	90% - 100%	0%	0%
Growth	70% - 80%	10% - 20%	0% - 10%
Balanced	40% - 60%	20% - 40%	0% - 10%
Conservative	30% - 50%	20% - 40%	10% - 20%
Income	10% - 30%	30% - 50%	10% - 20%

Such allocation guidelines are a representation of a typical account composition but should not be construed as absolute. Ultimately, the exact composition makeup and allocation of securities are determined by the client's investment parameters, which can compose a more detailed and/or complex structure.

## Dollar-Cost Averaging

Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.

<sup>9</sup> The different asset classes are: Large-Cap U.S. Value Stocks; Large-Cap U.S. Growth Stocks; Mid-Cap U.S. Value Stocks; Mid-Cap U.S. Growth Stocks; Small-Cap U.S. Value Stocks; Small-Cap U.S. Growth Stocks; International Stocks; Commodity Funds; Fixed Income, Partnerships, REITS, and Cash.



## DISCIPLINARY INFORMATION

ITEM 9

There are no legal or disciplinary events to report at this time that are material to your evaluation of our advisory business.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

We are a fee-only registered investment advisor; none of our supervised persons are licensed, or are related to, another financial industry participant and therefore no disclosure is necessary for this item.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

#### Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Mr.



Bruce D. Swanson, and such investment is not in violation of any SEC and/or State rules and regulations.

### Trading Allocation

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Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

### Personal Trading

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Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee’s account. In these situations we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative (RA), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Mr. Swanson reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See “Trading Allocation” above) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Mr. Swanson to ensure that such activities do not impact upon your security or create conflicts of interest.



## Class Action Policy

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The Company, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

## Insider Trading

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The Company is in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and has set-up internal controls to guard your personal information.

## BROKERAGE PRACTICES

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ITEM 12

### Custodial Services

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The Company has established custodial relationships with the following financial institutions:

- ❖ **Charles Schwab & Company, Inc.** - Schwab is a licensed broker/dealer (member FINRA/SIPC). Custodial arrangements are provided through Schwab Institutional.
- ❖ **TD Ameritrade, Inc.** - Ameritrade is a licensed broker/dealer (member FINRA/SIPC). Custodial arrangements are provided through TD Ameritrade Institutional.
- ❖ **Trust Company of America** - Trust Company is a commercial bank regulated by the Colorado State Banking Commission (member FDIC).

Each of these financial institutions provides on-line services for account administrative and operational support, including: electronic trading, block-trading authorization, and software to access client data, back-office support, recordkeeping, client reporting, and other relevant technology tools. The cost to access Schwab's SchwabLink™, Ameritrade's Apex™, and Trust Company's TCAdvisor II and TCAccess II, are waived based on total client assets under management. In addition, one or more of these institutions may offer from time to time subscriptions to various research services (i.e.; Barron's, Morningstar®, etc...) at no cost also based on total client assets under management.

Services offered to us that have been discounted or waived are defined as "soft dollar" services. However, access to technology platforms, dedicated trading desks and service groups, real-time order matching systems and electronic interface, desktop software, and any research services provided or arranged by these financial institutions will be used to service all client accounts and will not be limited to only those particular accounts that may have generated commissions/transaction fees.

We are not a subsidiary of, or affiliated with, Schwab, Ameritrade, or Trust Company in any manner. We are solely responsible for investment advice rendered, and advisory services are provided separately and independently of these financial institutions.



### Direction of Transactions & Commission Rates (Best Execution)

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We do not have discretionary authority to determine the financial institution to be used or the commission rates to be paid. The choice of financial institution to act as the custodian over your account will always be approved by you. If you should ask, we will suggest Schwab, Ameritrade, or Trust Company; however, it should be understood that we do not have the authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, since we do not negotiate the commissions charged by Schwab, Ameritrade, or Trust Company, such commissions can vary from client to client.

There will be no attempt by us to recommend Schwab, Ameritrade or Trust Company to be the custodial firm based solely on the lowest commission rates available. Trading capabilities, investment inventory, your investment needs, financial strength, general reputation, and personal knowledge of each of these financial institutions may be considered, among other items, in making the suggestion to use one institution over another.

### Selection of Portfolio Managers for Retirement Plans

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While we have exercised our best efforts evaluating the investment performance and cost of service offered by the Portfolio Managers we recommend to the plan sponsor and Named Fiduciaries, we make no representation that the Portfolio Manager has the best investment performance or has the lowest portfolio management costs. In addition, the selection of such Portfolio Managers will be limited to those available on our platform. Therefore, it is possible that you might be able to contract for similar services elsewhere or separately, with equivalent performance at lower cost.

## REVIEW OF ACCOUNTS

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ITEM 13

### Financial Planning & Portfolio Management Services

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Each account is reviewed on an ongoing basis to ensure that your needs and objectives are being met. All accounts are reviewed in the context of your stated investment objectives and guidelines. Any adjustments made to your predefined guidelines are dictated by your Investment Policy Statement. Cash needs will be adjusted as necessary.

Clients will receive at least quarterly statements from the brokerage firm where their accounts are custodied. Each statement will summarize the specific investments currently held the value of the client's portfolio and account transactions.

It is highly recommended that we review your account with you at least annually. Material changes in your personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, it is your responsibility to communicate these changes to us so that the appropriate adjustments can be made.



## Retirement Planning

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### Performance Reports

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On a periodic basis, we will provide the plan sponsor and Named Fiduciary with a performance evaluation of the investment(s) (herein called the Performance Report). The Performance Report reviews the performance of the retirement plan expressed by various modern portfolio statistics that compare the performance of the investment funds to the guidelines called for by the Investment Policy Statement. The Performance Report provides historical and comparative information, and may not be relied upon as predictive of future performance.

### Portfolio Manager Reports

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We will review fund data for all the Portfolio Managers on at least an annual basis, with respect to their overall performance in achieving the desired objectives of the plan sponsor's Investment Policy Statement.

The review is directed to whether the Portfolio Managers' performance and discipline is consistent with the intent and objectives of the Investment Policy Statement. We will provide information to facilitate comparisons of the Portfolio Managers' overall performance benchmarks described in the Plan's Investment Policy Statement.

The Named fiduciary is responsible for reviewing and understanding the information and analysis we provide and assessing the adequacy of any particular Portfolio Managers' overall performance. We will assist the fiduciary in fulfilling this responsibility.

## CLIENT REFERRALS & OTHER COMPENSATION

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ITEM 14

### Referral Compensation

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We do not receive any economic benefit from an independent party for managing any of our clients' accounts. However, we may directly compensate persons for client referrals, provided that those persons are qualified and have entered a solicitation or sub-advisory agreement

### Solicitor Arrangements

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Pursuant to Rule 206(4)-3 of the Investment Advisor Act of 1940, as amended, if you were referred to us by a solicitor, the solicitor will provide you complete information on our relationship - the relationship between the solicitor and us - and the compensation the solicitor will receive should you choose to open an account. This compensation will be paid solely from our fee and will not result in any additional charge to you.

The solicitor is required to provide each prospective client with our Disclosure Brochure prior to, or at the time of, signing of our Investment Advisory Agreement and acknowledge receipt of such documents. You, if referred to us under this arrangement, may rescind your Investment Advisory Agreement within five business days of its execution without incurring advisory fees, custodial fees, or account closure costs. However, any investment activity and related market fluctuation in your account prior to receipt of the rescission notice will be at your sole risk.



Under this arrangement, the solicitor is not licensed to give you any investment advice and therefore can not advise you on the management of your account. A solicitor, simply introduces a prospective client to us and steps away. He/she is compensated only if the prospective client opens a management account with us.

### Sub-Advisor Arrangements

If you were referred to us by another independently registered investment advisor (“sub-advisor”) to manage your investment portfolio, the sub-advisor will perform any qualifying analysis and independent consultations with you prior to the referral. In addition, the sub-advisor agrees to: (i) use their best efforts to determine if your investment objectives have changed - this should be done quarterly, and (ii) be available during business hours for consultation with you or us regarding your financial condition and the continuing suitability of our investment management services.

You are welcome to consult with us at any time; however, the sub-advisor will perform all professional, administrative and clerical duties prior to opening your managed account. We will have little to no direct contact with you under this arrangement, relying instead on the pre-qualifications performed by the sub-advisor. In addition, the sub-advisors are not involved in the management of any of our portfolio management services. The sub-advisors’ responsibilities lie in monitoring and advising you as to the performance of your managed account(s).

Just as with the solicitor, the sub-advisor is required to provide each prospective client with our Disclosure Brochure prior to, or at the time of, signing of our Investment Advisory Agreement and acknowledge receipt of such documents. You, if referred to us under this arrangement, may rescind your Investment Advisory Agreement within five business days of its execution without incurring advisory fees, custodial fees, or account closure costs. However, any investment activity and related market fluctuation in your account prior to receipt of the rescission notice will be at your sole risk.

### Sub-Advisor Concessions

Portfolio management services for sub-advisor clients have been discounted from our fee schedule listed under “Portfolio Management” in Item 5 above in the, “Fees & Compensation” section of this Brochure. Therefore because our management fees have been discounted, those clients referred to us by a sub-advisor may be paying higher or lower fees based on the sub-advisor agreements we have entered into with the sub-advisors. Regardless, the client will be provided full disclosure of the compensation paid to both parties and whether such arrangements will result in higher management fees as compared with like managed portfolios independent of the sub-advisor relationship.

## Financial Planning Compensation

There are also potential conflicts of interest when an RA suggests the need for outside consultations and professional services (i.e., attorneys, accountants, insurance agents, stockbrokers, etc.) to implement certain aspects of an estate or financial plan. Even though we do not share in any fees earned by the outside professionals when implementing an estate or financial plan, or receive any commission in recommending insurance products or brokerage services, it does create an incentive on our part to refer your business to only those professionals that in turn refer potential clients to us. This can eliminate the possibility for you to be referred to someone who may provide equivalent professional services, and possibly at a lower cost.



Therefore, to ensure you understand the full relationship of our RAs to any related persons and outside parties that they may refer business, as well as the choices and risks you have in receiving investment and financial planning services, the following disclosures are provided:

- ❖ You do not have to accept our recommendation to use any of our preferred custodians. However we may not be able to provide you complete institutional services if you elect to use another broker-dealer.
- ❖ Investments involve risk and some investment decisions will result in losses. You understand that we cannot guarantee that your investment objectives will be achieved by working with us.
- ❖ You are under no obligation to have any related parties that we recommend prepare planning documents (i.e.; financial, estate, tax, etc...). You are free to choose those outside professionals to implement the recommendations made in the financial or estate plan.
- ❖ Certain aspects of a financial plan require the assistance of a Registered Representative of a broker-dealer and/or licensed insurance agent of insurance company to execute the transaction. Regardless of who performs the transaction(s), such person will be entitled to earn a commission.
- ❖ The Company does not receive any economic benefit from referring you to another professional with out first notifying you of such possibilities.

Notwithstanding such potential conflicts of interest, our RAs strive to serve your best interest; as well as, ensuring such disclosure is being properly made to you in compliance with the Investment Advisor Act of 1940, Rule 275.206.

## CUSTODY

ITEM 15

We do not take possession of or maintain custody of your funds or securities, but will simply monitor the holdings within in your portfolio and trade your account based on stated investment objectives and guidelines. Possession and custody of your funds and/or securities shall be maintained with Schwab, Ameritrade, or Trust Company as indicated above under Item 12, "Brokerage Practices".

Each of these custodians will send, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. You are encouraged to verify the transaction activities disclosed to you in your brokerage statement with our report we send you each quarter showing the performance of your account and how are management fee is calculated.

## INVESTMENT DISCRETION

ITEM 16

### Securities and Amount Bought or Sold - Portfolio Management

We execute an Investment Advisory Agreement with you, which set forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.



## Securities and Amount Bought or Sold - 3(38) Advisor

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As a 3(38) Advisor as defined under the Employee Retirement Security Act of 1974, as amended (ERISA), we will have the plan sponsor or Named Fiduciary execute a retirement plan Investment Advisory and Management Agreement, which set forth our authority to select, construct, monitor and provide access to model portfolios comprised of asset-class specific open-end mutual funds and exchange-traded funds.

## VOTING CLIENT SECURITIES

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ITEM 17

We are hereby expressly precluded from voting proxies. You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy solicitations received by the custodian will be immediately forwarded to you for your evaluation and decision.

## FINANCIAL INFORMATION

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ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

**END OF DISCLOSURE BROCHURE**