



**Firm Brochure**  
(Part 2A of Form ADV)

**Consulting Services Group, LLC**

**6075 Poplar Avenue, Suite 700**

**Memphis, Tennessee 38119**

**901.761.8080**

**901.682.4090 Fax**

**[www.csqllc.com](http://www.csqllc.com)**

**July 19, 2012**

*This brochure provides information about the qualifications and business practices of Consulting Services Group, LLC. If you have any questions about the contents of this Brochure, please contact us at 901-761-8080 and/or [compliance@csgholdingsllc.com](mailto:compliance@csgholdingsllc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Consulting Services Group, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.*

*Additional information about Consulting Services Group, LLC also is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2 - Material Changes**

- Item 10. CSG Holdings sale of certain subsidiaries and their related conflicts of interest.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting our Compliance Department at 901-761-8080 or [compliance@csgholdingsllc.com](mailto:compliance@csgholdingsllc.com). Our Brochure may also be referenced through our website [www.csgllc.com](http://www.csgllc.com), also free of charge.

Additional information about Consulting Services Group, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Consulting Services Group, LLC who are registered, or are required to be registered, as investment adviser representatives of Consulting Services Group, LLC.

## Table of Contents

<b>Item 2 - Material Changes .....</b>	<b>ii</b>
<b>Item 4 - Advisory Business .....</b>	<b>1</b>
Firm Description and Principal Owners .....	1
Types of Advisory Services .....	1
Tailored Relationships .....	1
Wrap Fee Programs .....	1
Asset Management .....	1
<b>Item 5 - Fees and Compensation .....</b>	<b>2</b>
Description .....	2
Fee Billing .....	2
Other Fees .....	2
<b>Item 6 - Performance-Based Fees .....</b>	<b>3</b>
Description .....	3
<b>Item 7 - Types of Clients .....</b>	<b>3</b>
Description .....	3
<b>Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>3</b>
Methods of Analysis .....	3
Investment Strategies .....	4
Risk of Loss .....	5
<b>Item 9 - Disciplinary Information .....</b>	<b>6</b>
Legal and Disciplinary .....	6
<b>Item 10 - Other Financial Industry Activities and Affiliations .....</b>	<b>7</b>
Affiliations .....	7
<b>Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>10</b>
Description .....	10
<b>Item 12 - Brokerage Practices .....</b>	<b>11</b>
Selecting Brokerage Firms .....	11

<b>Item 13 - Review of Accounts.....</b>	<b>11</b>
Periodic Reviews .....	11
Review Triggers .....	12
Regular Reports.....	12
<b>Item 14 – Client Referrals and Other Compensation.....</b>	<b>12</b>
Referrals Out .....	12
Referrals In .....	13
<b>Item 15 - Custody .....</b>	<b>13</b>
Account Statements.....	13
<b>Item 16 - Investment Discretion .....</b>	<b>13</b>
Discretionary Authority for Trading.....	13
Limited Power of Attorney .....	13
<b>Item 17 - Voting Client Securities.....</b>	<b>14</b>
Proxy Votes .....	14
<b>Item 18 - Financial Information .....</b>	<b>14</b>
Financial Condition .....	14

## Item 4 - Advisory Business

---

### Firm Description and Principal Owners

Consulting Services Group, LLC (“CSG”) has been registered with the Securities & Exchange Commission since July, 1990. CSG is wholly owned by CSG Holdings, LLC which also owns Commerce Square Trading, LLC. CSG offers a comprehensive range of investment advisory | consulting services to institutional clients and other client types.

---

### Types of Advisory Services

CSG offers a comprehensive range of customized investment consulting services on a limited/non-discretionary basis and in certain circumstances with full discretion. CSG’s primary services include the following.

- *Policy Review/Strategy Design*
  - Develop/Review Investment Policy
  - Creation of Strategic Asset Allocation
  - Define Tactical parameters for asset classes and managers (e.g. min/max ranges)
  - Determine service level such as level of discretion, meeting requirements, role of the investment committee, etc.
- *Strategy Implementation*
  - Utilize CSG’s architecture to develop investment solutions for clients through which CSG’s Research, Technology and Service are custom tailored to meet investment and reporting needs
- *Monitor/Evaluate/Report*
  - Monitor compliance with policies
  - Evaluate effectiveness of strategy v. goals
  - On-going investment manager due diligence
  - Performance evaluation reporting
- *Tactical Recommendations/Actions*
  - Rebalancing
  - Overweight/Underweight managers and/or strategies

CSG also provides special project services, research services and performance measurement services. CSG provides its affiliated entities with certain services such as performance measurement services and research services.

---

### Tailored Relationships

Investment policy statements are developed to reflect the specific stated goals and objectives of clients. Clients may impose restrictions on investing in certain securities or types of securities.

---

### Wrap Fee Programs

CSG does not participate in wrap fee programs.

---

### Asset Management

As of December 31, 2011, CSG provides continuous and regular supervisory or management services to approximately \$22,511,000,000 on a non-discretionary

basis. CSG may provide services on a discretionary basis according to a client's election.

## **Item 5 - Fees and Compensation**

---

### **Description**

CSG's fees are negotiated with each client depending upon the level of service needed, the size of the account, the frequency of reports and meetings, the difficulty of obtaining the necessary information, and travel and time expected to deliver the services. Fees are generally billed quarterly and may be in arrears depending upon the particular client.

Fees may be fixed dollar amounts or may be expressed as a percentage of assets. CSG's standard fixed fees generally range from a minimum of \$50,000 per annum and up, but in some cases may be lower. Asset based fees generally range from .05% to .80% depending upon the particular client's portfolio size and specific service needs.

All fees are subject to negotiation.

Performance-based fees are used only with clients who satisfy the requirements of Rule 205-3 of the Investment Advisers Act of 1940 and who negotiate such fees.

For investment management services, the total Investment Management Fee is applied to each account on a pro-rata basis and is billed monthly or quarterly, depending on contractual agreement.

---

### **Fee Billing**

The specific manner in which fees are charged by CSG is established in a client's written agreement with CSG. CSG will generally bill its fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter depending upon the particular client and fee calculation. Clients are billed directly for fees. CSG does not directly debit fees from client accounts. Management or Advisement fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals).

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

---

### **Other Fees**

CSG's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to CSG's fee.

Item 12 further describes the factors that CSG considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions). Item 10 details potential conflicts of interests that may arise for clients of CSG participating in commission | fee recapture programs offered through Commerce Square Trading which may be used by clients to reduce the cost of CSG's services.

## **Item 6 - Performance-Based Fees**

---

### **Description**

In some cases, CSG has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. CSG will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, CSG shall include realized and unrealized capital gains and losses.

Performance based fee arrangements may create an incentive for CSG to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. CSG has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 - Types of Clients**

---

### **Description**

CSG generally provides investment advice to pension and profit sharing plans, other pooled investment vehicles, charitable organizations, corporations or business entities, state or municipal government entities, high net worth individuals.

Client relationships vary in scope and length of service.

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

---

### **Methods of Analysis**

CSG emphasizes diversification as well as risk when evaluating investment manager strategies for inclusion in a client investment portfolio. Investment

managers are evaluated upon relative performance such as peer group and market comparisons. CSG compiles specific client information from bank custodian and brokerage statements and utilizes this information as a component of client analysis in the preparation of charts and graphs to assist in the account review process with clients. Investing directly in securities or investment managers that invest in securities involves risk of loss that clients should be prepared to bear.

CSG relies on internally and externally generated research when making investment recommendations. Internal research may be driven by CSG's Research Advisory Board (RAB) process or by the client servicing team working in conjunction with the client. Not all of CSG's recommendations related to client investments are driven by the RAB process as CSG believes its clients should be able to tailor their investment portfolios to meet their needs.

CSG's principal sources of information include publicly available information as well as subscription databases regarding money managers; public filings of issuers and money managers with governmental authorities; annual reports; industry data; interactions with money managers via the telephone, web or face-to-face meetings. In addition, trade publications, charts and other statistical material are furnished by outside vendors. CSG may utilize third party sources such as financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that CSG may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, eVestment Alliance, Investor Force, PerTrac, Zephyr, Charles Schwab & Company's "SchwabLink" service, Advisor Intelligence, and the World Wide Web.

---

### **Investment Strategies**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations with the client. The client may change these objectives at any time. CSG assists the client in developing an Investment Policy Statement for each client that documents their objectives and their desired investment strategy.

CSG's focuses on strategic asset allocation and the selection of active investment managers. Portfolios are diversified to control the risk associated with traditional markets. CSG utilizes both actively managed strategies and index-based investments in the implementation of client portfolio strategies. CSG uses and recommends both traditional and alternative investments. In certain cases, the characteristics of these investments could be classified under multiple asset classes. In such cases, the client in consultation with CSG will determine the most appropriate classification for performance reporting purposes. In addition, CSG employs a variety of vehicles to gain access to the desired investment manager or strategy (e.g. separate accounts, institutional no-load mutual funds, commingled



trusts, limited partnerships, closed-end fund, other pooled investment vehicles, etc).

Underlying investment manager strategies may utilize long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

---

**Risk of Loss**

All investment programs have certain risks that are borne by the investor. CSG's investment approach constantly keeps the risk of loss in mind. Investors should review underlying disclosure information provided by investment managers such as the prospectus, private placement memorandum, etc. Investors should understand that certain asset classes, such as alternative investments, will inherently represent more risk to the investor. These investments may not have readily determinable market values, may not be transparent as to the underlying holdings and the ability to perform due diligence on these investments may be materially limited. Investors typically face the following investment risks, however, this list is not meant to be comprehensive or address all risks that may be present in an underlying investment manager's strategy:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Custody Risk:** The risk of loss of securities held in custody occasioned by the insolvency, negligence or fraudulent action of the custodian or sub-custodian. Even if an appropriate legal framework is in place, which eliminates the risk of loss of value of the securities held by the custodian in the event of its failure, the ability of participants to transfer the securities might be temporarily impaired.

## **Item 9 - Disciplinary Information**

---

### **Legal and Disciplinary**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CSG or the integrity of CSG's management.

#### **In the Matter of Consulting Services Group, LLC and Joe D. Meals**

CSG was censured and fined \$20,000. Mr. Meals was censured and fined \$10,000 and restricted from functioning as a Compliance Officer. In October of 2007, The Securities & Exchange Commission entered an order against CSG and its Compliance Officer, Joe Meals making findings and imposing sanctions. The SEC found that CSG willfully violated the Advisers Act by failing to timely adopt and accurately maintain accurate written acknowledgements by its supervised persons of their receipt of a copy of the firm's Code of Ethics. In addition the order found the firm willfully violated the Advisers Act by failing to adopt and implement written supervisory procedures reasonably designed to prevent the violations cited by the SEC. The order additionally found that Mr. Meals in his capacity as Chief Compliance Officer of the firm, willfully aided, abetted and caused the violations cited. The firm and Mr. Meals consented to the issuance of the order without admitting or denying any of the findings. CSG has made significant improvements in documenting its compliance process including procedures related to the acknowledgement of CSG' Code of Ethics.

#### **Informal Resolution of Department of Labor Investigation**

CSG remitted a payment penalty of \$27,780.28 under ERISA § 502(l). In February of 2009, CSG, CST and Consultant Joe D. Meals reached an informal resolution with the Department of Labor concerning several matters including coding errors with respect to a small number of ERISA accounts resulting in CST's erroneous receipt of commissions and fees from 2002 to 2006 on the accounts. The firm took remedial action by immediately returning, refunding or crediting \$277,802.78 of such fees and commissions. The settlement agreement acknowledged the remedial action taken by the firm. Several restrictions were placed on the activities of CSG's former compliance officer, Joe Meals. The Department of Labor did not find that CSG, CST, or Joe Meals had violated any provisions of ERISA due to the miscoding. The firm has made substantive improvements to its internal processes related to ERISA clients and matters designed to prevent recurrence of such errors.

#### **Settlement with ERISA Plan Client**

Pursuant to claims made in 2007 by an ERISA pension plan client, CSG and the client entered into a settlement agreement for \$235,000 in February of 2011 wherein the client dismissed all claims and CSG was absolved of liability or wrongdoing.

#### **Settlement with Private Client**

Pursuant to claims made by a client in 2007, CSG and the client entered into a settlement agreement for \$300,000 to resolve all claims, controversies and avoid further costs of litigation. CSG, by agreement, was absolved of all liability and/or any wrongful conduct.

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

---

#### **Affiliations**

CSG is in active negotiations to divest its affiliate Broker-Dealer, CST. On July 10, 2012, CSG Holdings sold 100% of its interest in InterSec Research, LLC and Commerce Holdings, LLC which include affiliates Commerce Advisors, LLC, Commerce Asset Management, LLC, Commerce Asset Partners, LLC and Quantitative Alternative Management, LLC.

CSG and Commerce Square Trading, LLC are each wholly-owned by CSG Holdings, LLC.

Commerce Square Trading, LLC is a related registered introducing broker-dealer. Two employees of CSG are registered representatives of and/or provide services Commerce Square Trading.

---

## Potential Conflicts of Interests

Because of CSG's affiliations noted above the potential for conflict of interests exists in providing services to its clients. A conflict of interest can result in the impairment of CSG's professional objectivity when servicing a client's account.

- **Potential Conflict** - Affiliation with Commerce Square Trading an introducing Broker-Dealer. Commerce Square Trading offers trade execution, commission | fee recapture and other services to CSG clients as well as money managers retained by clients that choose to utilize the services of Commerce Square Trading. Commerce Square Trading also receives compensation from certain hedge fund managers through selling agreements and 12b-1 distribution fees from mutual fund companies. Commerce Square Trading may collect other sources of revenues that could result in potential conflict for a client of CSG, such as insurance or fixed income related revenues. The chart below details specific potential conflicts of interest that exist. While the chart is comprehensive, it is not meant to cover every possible potential conflict of interest that may arise from CSG's affiliation with Commerce Square Trading.

Potential Conflict – Commerce Square Trading (CST)
<ul style="list-style-type: none"><li>• CSG may have an incentive to recommend managers or investment funds that trade through CST.</li></ul>
<ul style="list-style-type: none"><li>• CSG may have an incentive to recommend an investment fund with which CST has a selling agreement providing for a sharing of the manager's fee with CST.</li></ul>
<ul style="list-style-type: none"><li>• CSG may have an incentive to recommend money managers that trade through an ECN relationship introduced to the money manager by CST.</li></ul>
<ul style="list-style-type: none"><li>• CSG may have an incentive to recommend an active trading strategy or a money manager with an active trading strategy in order for more commissions to be generated through CST.</li></ul>
<ul style="list-style-type: none"><li>• CSG may have an incentive not to recommend the termination of a money manager that trades through CST or through an ECN relationship introduced by CST.</li></ul>
<ul style="list-style-type: none"><li>• CSG recognizes that money managers may direct trades to CST for clients with no relationship with CA as a means of gaining favor with CA. Other examples would include directing block trades or trades by pooled investment vehicles to CST.</li></ul>
<ul style="list-style-type: none"><li>• CSG may have an incentive not to recommend a commission recapture program offered by an unaffiliated broker.</li></ul>
<ul style="list-style-type: none"><li>• CSG may have an incentive not to recommend broker-dealers that could provide best execution on client transactions due to its financial interest in its related</li></ul>

broker-dealer, CST. The generation of commissions by CST (as a result of client referrals from CSG) provides compensation to CSG's and CST's common owner, CSG Holdings, LLC.
<ul style="list-style-type: none"> <li>CSG may have an incentive to recommend mutual fund companies that pay 12b-1 fees to CST on assets that CSG/CA clients invest in the applicable funds. (In addition to the fees a client pays CSG/CA for consultation services, with respect to a client's investments in mutual funds, a client pays an additional fee on those investments since the mutual funds also pay advisory fees to the various mutual fund investment advisers. Such fees are more fully described in the relevant prospectus that accompanies any mutual fund recommendation or that is available via the SEC's EDGAR system.)</li> </ul>

Commission | fee recapture agreements are not required of CSG clients and are only appropriate for certain CSG clients. Clients participating in commission | fee recapture services must enter into a Brokerage Recapture Services Agreement with Commerce Square Trading and will receive quarterly Brokerage Recapture Statements from Commerce Square Trading reflecting commissions and/or fees earned for the benefit of the client's account.

- Potential Conflict** – Affiliation with The AIM Charity, a not-for profit organization. The Aim Charity holds an annual educational conference including a golf tournament and barbecue event (annually in May) to which clients and various investment managers are invited to participate. Various investment managers pay sponsorship fees to participate and such managers do have access to CSG clients attending the events. The AIM Charity deducts the expenses of the various events from sponsorship funds collected and contributes the net proceeds to children's charities. A potential conflict of interest exists in that CSG, or its employees, may be more likely to recommend those investment managers that donate money to The AIM Charity. A list of investment manager sponsorship is available upon request and investment manager contributions are limited to reasonable amounts.

CSG's Compliance Manual and CSG Holdings Compliance (or Executive) Committee provide a means for review of related party transactions and conflicts of interest at an operational level through a review of material transactions including the placement of client assets. CSG monitors the dollar level of CSG client assets managed by investment managers that receive research services from InterSec Research or transact commissions through Commerce Square Trading. CSG consultants complete Client Supervision Reports that list client asset transfers which are reviewed and approved by

supervisors and compliance personnel. Further CSG Holdings makes available to clients and interested parties a comprehensive financial disclosure document that outlines the compliance review of potential conflicts of interest at the investment manager level.

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

---

### **Description**

CSG has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at CSG must acknowledge the terms of the Code of Ethics annually, or as amended.

CSG anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which CSG has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which CSG, its affiliates and/or clients, directly or indirectly, have a position of interest. CSG's employees and persons associated with CSG are required to follow CSG's Code of Ethics which serves to limit conflicts of interests in these cases through transaction monitoring. Subject to satisfying this policy and applicable laws, officers, directors and employees of CSG and its affiliates may have invested and may continue to invest, for their own accounts in securities or money managers which are recommended to and/or purchased for CSG; clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CSG will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of CSG's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between CSG and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with CSG's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs

equally and receive securities at a total average price. CSG will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

CSG's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm's Chief Compliance Officer at 901-761-8080 and/or [compliance@csgholdingsllc.com](mailto:compliance@csgholdingsllc.com).

It is CSG's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. CSG will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 - Brokerage Practices**

---

### **Selecting Brokerage Firms**

Specific custodian/brokerage recommendations are made to Clients based on their need for such services. CSG recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

CSG does not receive fees or commissions from third party custodians.

CSG's affiliated introducing broker dealer, Commerce Square Trading may serve as a broker for clients of CSG and may receive commissions or fees from recommended money managers of CSG. Commerce Square Trading provides investment manager transition management, fixed income, and recapture services to CSG clients. Commissions received by Commerce Square Trading may be part of a CSG's client's commission recapture arrangement with Commerce Square Trading. There is no requirement for a CSG client to use Commerce Square Trading for services.

## **Item 13 - Review of Accounts**

---

### **Periodic Reviews**

Client reviews are tailored to the desired frequency of the particular client and occur on either a monthly or quarterly basis by Brian Jones, president, and

designated CSG consultants as well as other designees. Account reviews are performed more frequently when market conditions or other factors dictate.

CSG depends on its clients or the investment managers | custodians of its clients to provide the information necessary to properly evaluate the client's account. Once CSG understands the client's specific needs and objectives, CSG develops a strategy to meet those goals. Advice is given on a "best efforts basis" and is communicated both verbally and in written format. Generally, client reviews entail a comparison of performance to market and peer group benchmarks as well as established goals and adherence to risk tolerance guidelines. Other factors subject to review may include investment manager allocation, securities overlap among investment managers, or investment style adherence.

---

### **Review Triggers**

Factors which may trigger a special review include, but are not limited to investment committee meeting dates, market conditions, internal events such as a merger or sale, or other changes in investment objectives.

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's situation.

---

### **Regular Reports**

Each client's custodian sends detailed monthly or quarterly reports directly to clients. These reports detail all transactions since the last report, indicate dividends and interest credited and show all positions held on the date of the report.

CSG prepares its own client reports no less often than quarterly. These reports show investments held at the date of the report. Client reports are custom designed to meet individual client needs and preferences. Special reports are produced on an as-requested basis under terms provided for in the relevant client contract.

Additionally, from time to time, CSG may also provide clients with reports such as market commentaries and economic outlooks.

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

---

### **Referrals Out**

CSG does not participate in referral fees or any form of remuneration from other professionals when a prospect or client is referred to them. However CSG's related introducing broker dealer, Commerce Square Trading, may receive fees related to establishing selling agreements for the placement of client assets in certain investments. These fees may be part of the client's commission | fee recapture program used to offset investment advisory fees paid by CSG clients.



---

**Referrals In**

CSG has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. CSG does not have arrangements in place to compensate referring parties for these referrals.

**Item 15 - Custody**

---

**Account Statements**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. CSG urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain investments.

**Item 16 - Investment Discretion**

---

**Discretionary Authority for Trading**

CSG can accept discretionary authority to manage investment manager accounts and/or securities on behalf of clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment guidelines and restrictions are provided to CSG in writing. CSG does not perform trade execution, but facilitates trade execution with the clients custodian or broker. Under discretionary arrangements, CSG has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, CSG consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The CSG client approves the custodian to be used as well as the commission rates paid to the custodian. CSG may receive a portion of the transaction fees or commissions paid by the client for transactions executed through Commerce Square Trading.

---

**Limited Power of Attorney**

A limited power of attorney is a trading authorization for discretionary authority. CSG clients may execute a limited power of attorney so that CSG may execute trades on behalf of its clients.

## **Item 17 - Voting Client Securities**

---

### **Proxy Votes**

As a matter of firm policy and practice, CSG lacks any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. CSG may provide advice to clients regarding the clients' voting of proxies.

## **Item 18 - Financial Information**

---

### **Financial Condition**

CSG lacks any financial impairment that will preclude the firm from meeting contractual commitments to clients. CSG has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

CSG does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.