



**Questar Asset Management  
5701 Golden Hills Drive  
Minneapolis MN 55416-1297**

**888.446.5872  
questarcapital.com  
December 14, 2012**

***WRAP Fee Program Brochure***

**QUESTAR PORTFOLIO DESIGNS  
QUESTAR ASSET DESIGNS  
ADVISORFLEX**

*This Brochure provides information about the qualifications and business practices of Questar Asset Management (QAM). If you have any questions about the contents of this Brochure, please contact us at **888.446.5872**. 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.*

*Questar Asset Management 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 Questar Asset Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2 – Material Changes**

The United State Securities and Exchange Commission (“SEC”) adopted “Amendments to Form ADV” in July 2010. This WRAP Fee Program Brochure (“Brochure”) is prepared according to the SEC’s new requirements and rules. This Brochure, dated December 14, 2012, contains the following material changes made to the QAM Brochure dated April 30, 2012:

- Item 9 reflects new information regarding a regulatory review conducted jointly by various state insurance departments, including the District of Columbia, and an affiliated company, which Questar Asset Management is obligated to disclose in this Brochure.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. 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 Thad Ingersoll, Chief Compliance Officer at 888.446.5872. Additional information about Questar Asset Management is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with QAM who are registered, or are required to be registered, as investment adviser representatives of QAM.

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#### **Item 4 – Service, Fees and Compensation**

QAM is the sponsor of Questar Portfolio Designs (“Portfolio Designs”) and Questar Asset Designs (“QAD”), Lockwood Advisors AdvisorFlex (“AFP”) wrap fee investment programs (collectively referred to as the “Programs”). A “wrap-fee” program provides a client with investment advisory and brokerage execution services for an all-inclusive fee. Clients in the Programs are not charged separate fees for the respective components of the total service. As the sponsor, QAM actively solicits advisory clients for the Programs and is also responsible for the marketing of the Programs.

Advisory fees are subject to negotiation and typically fall within a range of 0.5%-2.00% annually. The specific manner in which fees are charged by QAM is established in a client’s written agreement with QAM. QAM will generally bill its fees on a quarterly basis in advance of each calendar quarter. Some programs may bill after the quarter is complete. Management 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.

QAM’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 QAM’s fee, and QAM shall not receive any portion of these commissions, fees, and costs.

##### **1) PORTFOLIO DESIGNS**

Portfolio Designs accounts are opened by clients who wish to have a portfolio of securities managed on a nondiscretionary basis by QAM’s investment adviser representatives (IARs). To establish a Portfolio Designs account, a client must consult with an IAR and complete a risk-based questionnaire. The risk-based questionnaire is used to help determine the client’s risk tolerance, time horizon and investment objectives. The client’s risk tolerance, time horizon and investment objectives are used to help match a client’s portfolio allocation with an asset allocation strategy. Although QAM has developed “model portfolios” designed to help a client match their investment objectives with an asset allocation strategy, the firm may deviate from the model portfolio based on each individual client’s needs. Any deviation from the “model recommendation” is authorized by the client in advance.

##### **2) QUESTAR ASSET DESIGNS**

QAD accounts are opened by clients who wish to have a portfolio of mutual funds, exchange-traded funds (“ETFs”), or variable annuity sub account portfolios managed by QAM. QAM will assist the client in reviewing the client’s income and expenditures, investment objectives, risk tolerance, liquidity requirements, investment restrictions, and other relevant factors and will help the client select an appropriate investment strategy and portfolio. QAM utilizes portfolio recommendations made by third-party firms which may or

may not be investment advisers. A portion of the investment management fee paid by the client is passed onto these third parties as payment for portfolio recommendations.

Clients should be aware that an active management strategy, often referred to as *tactical asset allocation*, is employed within this program. A tactical asset allocation strategy attempts to create extra value by taking advantage of potential market pricing anomalies or market sectors that are perceived to be strong. This means that certain sectors within a tactical asset allocation strategy may be over-weighted or under-weighted at certain times and that a tactical asset allocation strategy may employ more risk than a traditional *buy-and-hold* strategy

### 3) **ADVISORFLEX PORTFOLIO ACCOUNTS**

AdvisorFlex portfolios offer clients a series of objectives-based strategies, managed by Lockwood, that provide investors with access to professionally managed, discretionary accounts. The AdvisorFlex product includes three (3), objectives-based strategies, Appreciation, Income and Preservation (the “Strategies”), with multiple models within each strategy, as described below. AFP consists of sixteen (16) models/asset allocation strategies (“Models”). The three strategies are described in brief below and in detail in Exhibit C hereto.

The Appreciation Strategy is designed to provide the long-term level of returns associated with equity and fixed income asset classes, while seeking above average risk-adjusted levels of appreciation. The Appreciation Strategy models, representing various levels of expected risk and return, are:

- Appreciation Model I
- Appreciation Model II
- Appreciation Model III
- Appreciation Model IV
- Appreciation Model V
- Appreciation Model VI

Model I is the most conservative model and Model VI is the most aggressive. The underlying Appreciation Strategy models seek to achieve their objectives through tilts toward asset classes with above-average cumulative return potential, as well as asset classes that pay a premium to investors with a long-term time horizon.

The Preservation Strategy is designed to provide the long-term level of returns typically associated with equity and fixed income asset classes, while seeking downside protection and a lower level of long-term volatility, relative to respective standard capitalization-weighted indices. The six Preservation Strategy Models, representing various levels of expected risk and return are:

- Preservation Model I
- Preservation Model II
- Preservation Model III
- Preservation Model IV
- Preservation Model V

Model I is the most conservative and Model V is the most aggressive. The underlying Preservation Strategy models seek to achieve their objectives through tilts toward non-cyclical economic sectors, higher quality securities, and alternative strategies that may alter the risk characteristics of the portfolio.

The Income Strategy is designed to provide an above-average level of yield while maintaining a diversified portfolio. The Income Strategy models, representing various levels of expected risk and return, are:

- Income Model I
- Income Model II
- Income Model III
- Income Model IV
- Income Model V

Model I is the most conservative and Model V is the most aggressive. The underlying Income Strategy models seek to achieve their objectives through the use of numerous asset classes which may include high dividend-yielding stocks, real estate investment trusts, master limited partnerships, closed-end funds, fixed income, and preferred securities.

Lockwood makes available through the program sponsor all 16 Models and over 100 investment options to Consultants and his/her Client. For each investment selection within a Model, Lockwood identifies several options from which the Client and his/her Consultant may choose. Within each Model, there will be primary investment selections ("Primary Selections") and alternate investment selections ("Alternate Selections") from which the Client and his/her Consultant may choose.

At any time and in Lockwood's sole discretion, Lockwood may reclassify a Primary Selection as an Alternate Selection. In such a case, existing Accounts holding the Primary Selection may retain the Selection or affirmatively change to the new Primary Selection. In each instance, Lockwood will issue an "alert" to identify the new Primary Selection. In the event that a Primary Selection is eliminated from a Model altogether, all Accounts in the Model holding the current Primary Selection will default to the new Primary Selection. In the event that Lockwood removes one of the Alternate Selections, affected Accounts will default to either the Primary Selection or another, available Alternate Selection, as determined by Lockwood.

In certain instances when a Client selects both Primary Selections and Alternate Selections to complete a Model, the mixture of Primary Selections and Alternate Selections may result in changes to the weightings within an asset allocation.

Certain asset classes may contain only Primary Selections; Alternate Selections will not be made available in those cases, in Lockwood's sole discretion. Lockwood, in its sole discretion, may rebalance a Client Account in such instances as are in the Client's best interests. Lockwood reviews each Account's drift from the selected Model on a regular basis and rebalances a Client Account as the circumstances warrant. Lockwood monitors the asset allocations and oversees the investment selections to ensure the AFP models and investments are performing as expected. Multiple factors are considered any time a change is recommended. The Client grants limited discretion to his/her Consultant to make changes

to Primary Selections and Alternate Selections in Client's AdvisorFlex account and to make other decisions relating to the AFP Account on the Client's behalf.

All fees for the programs described in this brochure are subject to negotiation. The specific manner in which fees are charged by QAM is established in a client's written agreement with QAM. QAM will generally bill its fees on a quarterly basis in advance of each calendar quarter. Management 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.

QAM'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 managers 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 QAM's fee, and QAM shall not receive any portion of these commissions, fees, and costs. Item 9 further describes the factors that QAM considers in selecting or recommending broker/dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

#### **Item 5 – Account Requirements & Types of Clients**

QAM provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and trust programs. The minimum account size varies by program but is typically \$30,000 for Portfolio Designs and Asset Designs accounts. QAM may consider aggregated assets of a household to meet this requirement. Occasionally, QAM may consider amounts less than \$30,000 for the establishment of a management account.

The minimum size for AFP accounts is \$50,000.00, with minimum, subsequent contributions of \$1,000.00. Lockwood, in its sole discretion, may waive the minimum account size. Accounts may be funded with cash equivalents or shares of investment selections included within a given Model.

#### **Item 6 – Portfolio Manager Selection and Evaluation**

Client portfolios may include the following types of securities: individual equities, mutual funds, exchange-traded funds, options contracts, futures contracts, fixed income securities, and variable annuities. Investing in securities involves risk of loss that clients should be prepared to bear. QAM, and investment adviser representatives affiliated with QAM, may use a variety of analysis and research sources to identify securities to purchase and sell in the various investment programs available through QAM, in an effort to help clients meet their investment objectives. These types of analysis and research may include:

- I. **Fundamental Analysis:** this type of analysis typically focuses on both qualitative and quantitative criteria, such as earnings, growth and value in the market, of specific companies.

2. **Technical Analysis:** this type of analysis typically focuses on statistics generated by market activity, such as price movement and volume of specific securities, to identify trading patterns that can suggest future activity.

Various independent research sources may be used to aid in decisions related to security selection for the investment programs available through QAM. These sources may include, but are not limited to:

1. **Argus Analyst Reports:** Argus employs a fundamental, top-down system that analyzes industry, growth, financial strength, management assessment, risk analysis and valuation of specific equities. Argus uses three ratings for stocks: Buy, Hold, and Sell.
2. **S & P Analyst Report:** Analysts rank stocks according to their individual forecasts of a stocks' future potential versus the expected total return of a relevant benchmark. S&P has 5 different ratings from 5-Stars (Strong Buy) to 1-Star (Strong Sell).
3. **Morningstar:** Morningstar offers a wide variety of products to help analyze individual stocks, bonds, mutual funds and exchange traded funds, among other types of securities. Morningstar Portfolio Builder can help illustrate how strategic asset allocation and an optimized asset mix can help clients achieve their investment goals.

QAM, and the investment managers available through QAM, may employ various investment strategies to help clients meet their investment objectives and goals including, but not limited to:

1. **Tactical Asset Allocation or Management:** Clients should be aware that an active management strategy, often referred to as tactical asset allocation, attempts to create extra value by taking advantage of potential market pricing anomalies or market sectors that are perceived to be strong. This means that certain sectors within a tactical asset allocation strategy may be over-weighted or under-weighted at certain times and that a tactical asset allocation strategy may involve more risk than a traditional "buy-and-hold" strategy. These managers may utilize technical market indicators to aid buy and sell decisions within the portfolios they manage.
2. **Strategic Asset Allocation or Management:** managers that employ a strategic approach to asset management typically believe that the capital markets are efficient and that the best way to maximize returns, while minimizing potential risk, is to diversify a portfolio among many different asset classes. Modern Portfolio Theory (MPT), recognized as one of the most influential economic theories of finance, is based upon the idea that diversification can produce superior returns for less risk, as measured by the standard deviation. MPT is a mathematical formulation of the concept of diversification in investing, with the aim of selecting a collection of investment assets that has collectively lower risk than any individual asset. A strategic asset allocation manager may utilize fundamental analysis and historical asset class statistics to select individual portfolio holdings.

## **Item 7 – Client Information Provided to Portfolio Managers**

QAM acts as portfolio manager in the investment programs described in this brochure provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal. Through personal discussions with the client in which the client's goals and objectives are established, QAM's IARs will assist the client in determining which model portfolio is suitable to the client's circumstances. In the QAD



program, once the appropriate model portfolio has been determined, the portfolio will typically be managed based on the portfolio's goal, rather than on each client's individual needs. In the Portfolio Designs program, once the appropriate model has been determined, the portfolio will typically be managed on the each client's individual needs. Clients, nevertheless, will have the opportunity to place reasonable restrictions on the types of investments to be held in the client's account and account supervision will be guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income). Clients will retain individual ownership of all securities.

In order to ensure that the initial determination of an appropriate portfolio continues to be suitable and that the client's account continues to be managed in a manner suitable to the client's financial circumstances, QAM will maintain client suitability information in the client's file. On an annual basis, QAM will notify Program clients in writing to request updated information regarding the client's financial situation and investment objectives and to determine whether the client wishes to impose or modify existing investment restrictions. In addition, QAM will contact clients at least annually to determine whether there have been any changes in the client's financial situation and whether the client wishes to impose investment restrictions or modify existing restrictions.

QAM will monitor Questar Asset Designs accounts at least quarterly and will rebalance as appropriate. If QAM believes that a particular model portfolio or investment is performing inadequately, or if QAM believes that a different model portfolio or investment is more suitable for the portfolio's goal, then QAM will recommend a different model portfolio and/or investment and reinvest the client's assets accordingly. For Program accounts managed on a non-discretionary basis, QAM will contact the client before making any such change.

#### **Item 8 – Client Contact with Portfolio Managers**

QAM does not place restrictions on a client's ability to consult or contact their portfolio manager.

#### **Item 9 – Additional Information**

- I) **Disciplinary Information:** Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of QAM or the integrity of QAM's management. The following events are responsive to this item:
  - a) QAM is part of a large holding company with several affiliates in the securities and insurance business. The affiliate to which the following orders relate, Allianz Life Insurance Company of North America, is not registered in any jurisdiction as a broker dealer or investment adviser.
    - i) A stipulation and consent order with the California Department of Insurance was agreed to by the affiliate on January 27, 2005. The order pertained to a state inquiry that resulted in allegations that certain long-term care policy forms were not in compliance with state requirements. The affiliate agreed to pay a fine of \$425,000.
    - ii) A stipulation and consent order with the California Department of Insurance was agreed to by the affiliate on February 13, 2008. The order pertained to a state inquiry that resulted in allegations the affiliate failed to comply with sections of the California Insurance Code pertaining to the sale of fixed annuities. The affiliate agreed to pay a total monetary amount of \$10,050,000, revise and clarify forms,

- create a process for enhancement of suitability review and offer to rescind annuities purchased by certain policy holders.
- iii) An order with the State of Colorado Division of Insurance was agreed to by the affiliate on December 20, 2006. The order pertained to a state inquiry that resulted in allegations that the affiliate was not in compliance with Colorado insurance laws regarding advertising and issuance of replacement notices. The affiliate agreed to pay a fine of \$34,800.
  - iv) A stipulation and consent order with the State of Minnesota was agreed to by the affiliate on October 8, 2007. The order pertained to a state inquiry that resulted in allegations that the affiliate and its agents sold deferred annuities to senior citizens that were not suitable for the seniors' particular circumstances, and/or misrepresented the terms and conditions of the deferred annuity products. The affiliate agreed to revise procedures for determining whether a deferred annuity is suitable and agreed to offer a claims review process to Minnesota policyholders aged 65 and older.
  - v) A consent order with the State of Nevada Division of Insurance was agreed to by the affiliate on January 10, 2008. The order pertained to the affiliate's failure to file with the State of Nevada Division of Insurance the annual quality of health care report, annual complaint report and annual certification of advertisement report for 2006. The affiliate agreed to pay a fine of \$2,500 and submitted the required documents.
  - vi) A consent order with the State of Utah Insurance Department was agreed to by the affiliate on May 16, 2011. The order pertained to allegations related to annuities being sold to Utah residents using forms that were not appropriately filed with the State of Utah prior to these sales. The affiliate agreed to pay fine of \$50,000.
  - vii) As a result of a regulatory review conducted jointly by the insurance departments of 44 states and the District of Columbia, on August 24, 2012, the advisory affiliate agreed to pay a total monetary penalty of \$10,000,000, to be divided among the jurisdictions, and to undertake certain remedial actions in regard to the sale of its fixed annuities. No allegations of wrongdoing were made.
- b) QAM is part of a large holding company with several affiliates in the securities and insurance business. The affiliate to which the following orders relate, Questar Capital Corporation, is registered as a broker dealer. Additional information about Questar Capital Corporation can be found at [FINRA.org](http://FINRA.org).
- i) A censure and monetary fine of \$12,500 was levied by FINRA against the affiliate on June 19, 2007. This censure relates to failure on the part of the affiliate to report transactions in TRACE-eligible securities within the required time frame. TRACE stands for Trade Reporting Compliance Engine and FINRA member firms have an obligation to report corporate bonds to TRACE under an SEC approved set of rules.
  - ii) A settlement agreement and order was agreed to by the affiliate and the Commonwealth of Kentucky, Department of Financial Institutions on April 28, 2009. This order relates to allegations that the affiliate did not adequately supervise the activities of a registered representative. The affiliate agreed to pay an aggregate fine of \$60,918 to settle this matter.
  - iii) A settlement offer was agreed to by the affiliate and the Commonwealth of Pennsylvania Securities Commission on January 21, 2010. This settlement offer relates to allegations that the affiliate violated certain provisions of the Pennsylvania

Securities Act of 1972 in connection with the sale of securities. The affiliate agreed to pay a fine and legal fees totaling \$235,000 and agreed to comply with the Pennsylvania Securities Act to settle this matter.

2) **Other Financial Industry Activities and Affiliations**

QAM is an investment adviser registered with the SEC and is an affiliate of Allianz SE, a large, multi-national financial services provider. Allianz SE, through its subsidiaries, is the sole owner of QAM. Through Allianz SE, QAM is under common control and ownership with many other investment advisers, broker/dealers, insurance companies, and other financial services firms worldwide. QAM does not have a material business relationship with most of these related firms. However, QAM does have such a relationship with the following related subsidiaries of Allianz SE: Questar Capital Corporation ("Questar Capital"), a FINRA member broker• dealer that sells stocks, bonds, options, mutual funds, variable annuities and some limited partnerships to retail clients throughout the United States; Questar Agency, Inc. ("Questar Agency"), an insurance agency licensed to sell insurance throughout the United States; and Allianz Life Insurance Company of North America ("Allianz Life"), an insurance company that provides fixed and variable annuities, life insurance policies, and long term care insurance products in the United States. QAM will recommend the brokerage and insurance services of Questar Capital, Questar Agency, and Allianz Life to its advisory clients.

The officers and directors of QAM are also officers and directors of Questar Capital and Questar Agency. In addition, the officers, directors, and Representatives of QAM may also be separately licensed as registered representatives of Questar Capital and as insurance agents for Questar Agency, Allianz Life, and other related and unrelated insurance companies. As such, these individuals, in their separate capacities as registered representatives and/or insurance agents, will be able to effect securities transactions and/or purchase insurance and insurance-related investment products for clients, for which they will receive separate and customary compensation. These individuals, in their separate capacities as registered representatives and/or insurance agents, may spend up to 90 percent or more of their time on these activities. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. QAM may also recommend that its clients invest in mutual funds from the PIMCO and Allianz families of funds. Some of these mutual funds are managed by the following SEC-registered investment advisers that are related to QAM through its parent company, Allianz SE:

- i) **Pacific Investment Management Company LLC**
- ii) **NFJ Investment Group LLC**
- iii) **RCM Capital Management LLC**
- iv) **Nicholas-Applegate Capital Management LLC**
- v) **Oppenheimer Capital LLC**
- vi) **Allianz Global Investors Solutions**

QAM clients who invest in a mutual fund(s) from the PIMCO and/or Allianz families of funds will be charged an asset-based management fee by both QAM and by the mutual fund. As a result, QAM has a conflict of interest in recommending these funds. While QAM and its associated persons endeavor at all times to put the interest of the clients first as part of QAM's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when

making recommendations. QAM is an affiliate of Allianz Life and Allianz SE. Prospective and existing clients should be aware that QAM affiliated representatives may recommend securities offered by companies affiliated with QAM. If a security offered by an affiliated company of QAM is purchased within a managed account held by QAM, the overall compensation to QAM and affiliated companies may be greater than if a security offered by a non-affiliated company is purchased within the account.

### 3) **Code of Ethics**

QAM's code of ethics is based on the principle that access persons, affiliated representatives and employees of QAM owe a fiduciary duty to its clients. This duty includes the obligation to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise to take unfair advantage of their relationship with clients. In furtherance of these goals, QAM has adopted policies and procedures governing personal securities transactions by persons who have knowledge of securities transactions for QAM client accounts ("Access Persons"). These policies are designed to ensure that clients of QAM are treated fairly and equitably, and that QAM upholds its obligations to its clients. Each Access Person must receive prior approval for opening a personal securities account and report securities transactions to the firm on a quarterly basis. Access Persons are required to direct broker/dealers where they maintain accounts to send duplicate confirmations and account statements to QAM.

QAM periodically reviews the trades of Access Persons to detect any violations of QAM's code of ethics and insider trading policies and procedures. Access Persons who commit violations are subject to disciplinary actions, including monetary penalties, suspension or termination. Access Persons of QAM may invest in the same securities as clients of QAM, including options and derivatives. In addition, Access Persons may have an interest or position in certain securities that may also be recommended to clients. Such positions present a conflict of interest between personnel of QAM and clients. QAM addresses this conflict through the procedures described above, which are designed to ensure that no client is disadvantaged in any way by trades of QAM. QAM's code of ethics emphasizes the importance of the firm's reputation, as well as principles of honesty, integrity, and professionalism, which include the firm's overarching obligation to fulfill its fiduciary duty to clients.

### 4) **Brokerage Practices**

QAM will usually recommend that Clients establish custodial accounts with Questar Capital, other broker/dealers or with a mutual fund family or variable annuity issuer. However neither QAM nor its representatives exercise discretion to secure any broker. As mentioned above, these firms carry Client accounts on their records, process transactions ordered by QAM Representatives, provide computer access to QAM for Client positions and provide quotes and data needed by QAM for its reports to Clients. Although a Client is not obligated to utilize the services of these firms, QAM believes that the use of them is a convenient means for obtaining efficient transaction executions, and account reference and reporting services for mutual fund and other positions. However, receipt of such services by QAM also creates an inducement and conflict of interest for QAM since referring Clients to any other firm may result in higher reporting and overhead costs to QAM.

When exercising discretion, QAM may combine orders for more than one Client's account to form a "block" order for the purpose of obtaining a better price and execution. When a

block order is executed, the broker/dealer executing the order typically allocates an average execution price to each customer's position within the block on a pro rata basis.

Clients should be aware that although QAM may place a block order, the executing broker may unbundle the order and execute each order for a client's account on an individual basis resulting in different execution prices to each client. Also, an exact average price may not occur as a result of the brokerage firm applying varying commission discounts to client accounts. Clients should be aware that designation of a single broker/dealer, including Questar Capital, for execution of securities transactions may not allow QAM to receive research from other broker/dealers in return for commission business, to combine transaction orders with those of other Clients for volume commission discounts, or to allow QAM to exercise discretion to evaluate the quality of execution services and commissions of other broker/dealers. Thus, designating a single broker/dealer, including Questar Capital, may not result in best price or execution of Client transactions. QAM and its Representatives do not have authority to withdraw funds or take custody of Client funds or securities, except for payment of advisory fees due QAM.

#### 5) **Review of Accounts**

All managed accounts are reviewed by the Chief Compliance Officer of the firm, or designee, prior to account inception. After account inception, affiliated representatives that manage the account are responsible for reviewing accounts on a periodic basis, no less than annually. In connection with its financial planning services, QAM analyzes a wide variety of information regarding the Client's present and anticipated financial situation, financial needs/objectives, tax status, and cash flow, among other things. Clients receiving managed account services receive monthly or quarterly reports of assets holdings, valuation, and activity and, depending on the manager, may receive other reports as well. Reports are usually prepared by the account custodian.

#### 6) **Client Referrals and Other Compensation**

Some vendors may provide funds to help defray the expenses incurred by Questar Capital Corporation (a broker/dealer) for meetings held periodically throughout the year. These payments may or may not be related to specific securities business. In 2011 Questar Capital Corporation received the following payments from the following vendors for this purpose:

<b>Firm Name</b>	<b>Amount</b>	<b>Firm Name</b>	<b>Amount</b>
<b>Advisors Asset Management</b>	\$15,000.00	<b>Hines</b>	\$31,250.19
<b>Allianz Life Financial Services</b>	\$,64,279.91	<b>Inland (INL)</b>	\$40,992.95
<b>Allianz Global Investors</b>	\$11,360.00	<b>Invesco AIM</b>	\$1,250.00
<b>American Realty Capital</b>	\$88,277.35	<b>Jackson National Life</b>	\$103,543.50
<b>COLE Real Estate Investments</b>	\$104,858.8	<b>Prudential</b>	\$74,154.14
<b>Cypress Capital Corporation</b>	\$47,109.56	<b>US Energy</b>	\$99,160.00
<b>Healthcare Trust of America</b>	\$36,835.57	<b>Wells Real Estate</b>	\$31,047.26

QAM receives from certain broker/dealers, trust companies, mutual funds, variable annuities, and other investment advisers, computer software and services related to account management which permits QAM to electronically transmit trading instructions and to

receive account information, including trade confirmations and account inventories. Occasionally, these entities will provide financial assistance to advisers for conferences, sales or employee training programs, travel and lodging expenses for meetings and seminars held at various locations and gifts of nominal value as permitted under applicable regulations. The services received by QAM are not related to the amount of transaction fees paid by clients and therefore clients are not charged increased transaction fees by such persons by reason of the services provided by them to QAM. QAM may also suggest that clients use a custodian other than a broker/dealer, such as a bank or trust company. All such custodians are unaffiliated with QAM. Any such custodian is under separate contracts with clients.

## **7) Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. QAM 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 securities.

## **8) Investment Discretion**

When discretionary contracts are used, QAM is granted authority from a Client to exercise discretion in the selection of securities, the amount of securities to buy and sell and when to buy and sell them. QAM Representatives will therefore place orders for client accounts without contacting the client on a trade-by-trade basis for permission to enter a transaction order. QAM will also exercise discretion to liquidate securities in amounts sufficient to cover its expenses. For clients granting QAM discretionary authority to determine (1) the securities to be bought or sold and (2) the amounts of the securities that are to be bought or sold for the client's account(s), QAM requests that such authority be granted in writing. Should the client wish to impose reasonable limitations on this discretionary authority, such limitations shall be included in this written authority statement. Clients may change/amend these limitations as desired. Such amendments shall be submitted in writing. Advisory clients who elect not to grant such discretionary authority to QAM are advised that trades in their accounts will typically be executed subsequent to trades affected in discretionary accounts due to the time involved in obtaining the requisite client approval. Consequently, these clients may not participate in blocked trades and there may be a difference in the price paid per share of a given security and the commission rates paid by these clients as compared to other clients. QAM and its Representatives suggest brokers to Clients, thus do not exercise discretion to secure any broker. QAM will usually recommend that Clients establish custodial accounts with Questar Capital, other broker/dealers or with a mutual fund family or variable annuity issuer.

These firms carry Client accounts on their records, process transactions ordered by QAM Representatives, provide computer access to QAM for Client positions and provide quotes and data needed by QAM for its reports to Clients. Although a Client is not obligated to utilize the services of these firms, QAM believes that the use of them is a convenient means for obtaining efficient transaction executions, and account reference and reporting services for mutual fund and other positions. However, receipt of such services by QAM also creates an inducement and conflict of interest for QAM since referring Clients to any other firm may result in higher reporting and overhead costs to QAM. When exercising discretion, QAM may combine orders for more than one Client's account to form a "block" order for the purpose of obtaining a better price and execution. When a block order is executed, the

broker/dealer executing the order typically allocates an average execution price to each customer's position within the block on a pro rata basis. Clients should be aware that although QAM may place a block order, the executing broker may unbundle the order and execute each order for a client's account on an individual basis resulting in different execution prices to each client. Also, an exact average price may not occur as a result of the brokerage firm applying varying commission discounts to client accounts. Clients should be aware that designation of a single broker/dealer, including Questar Capital, for execution of securities transactions may not allow QAM to receive research from other broker/dealers in return for commission business, to combine transaction orders with those of other Clients for volume commission discounts, or to allow QAM to exercise discretion to evaluate the quality of execution services and commissions of other broker/dealers. Thus, designating a single broker/dealer, including Questar Capital, may not result in best price or execution of Client transactions. QAM and its Representatives do not have authority to withdraw funds or take custody of Client funds or securities, except for payment of advisory fees due QAM.

**9) Voting Client Securities**

As a matter of firm policy and practice, QAM does not have 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. QAM may provide advice to clients regarding the clients' voting of proxies.

**10) Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about QAM's financial condition. QAM 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.