

# Wrap Fee Brochure

February 8, 2012

## **LineGuard Investments, LLC**

*a Registered Investment Adviser*

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This wrap fee brochure provides information about the qualifications and business practices of LineGuard Investments, LLC (hereinafter "LineGuard"). If you have any questions about the contents of this brochure, please contact please contact Jody Medford at (248) 687-1110. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about LineGuard Investments, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

LineGuard Investments, LLC is a state registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This section of the wrap fee brochure discusses only the material changes that have occurred since LineGuard's last annual update of the wrap fee brochure, there are no material changes to report.

## **Item 3. Table of Contents**

- Item 1. Cover Page
- Item 2. Material Changes
- Item 3. Table of Contents
- Item 4. Services, Fees, and Compensation
- Item 5. Account Requirements and Types of Clients
- Item 6. Portfolio Manager Selection and Evaluation
- Item 7. Client Information Provided to Portfolio Managers
- Item 8. Client Contact with Portfolio Managers
- Item 9. Additional Information
- Item 10. Requirements for State-Registered Advisers

## Item 4. Services, Fees, and Compensation

The LineGuard Wrap Fee Program (the “Program”) is an investment advisory program sponsored by LineGuard. The Program provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges.

To join the Program, a client must:

- (1) Complete an investor profile that describes the client’s financial needs, investment objectives, time horizon, and risk tolerance, as well as any other factors relevant to the client’s specific financial situation and any other supporting documentation the Program requires;
- (2) Complete the investment advisory wrap fee agreement (the “*Agreement*”) with LineGuard;
- (3) Complete a new account agreement with Charles Schwab & Co., Inc. (“*Schwab*”) or another broker dealer LineGuard may approve for participation in the Program (“*Financial Institution*”); and
- (4) Open a securities brokerage account with the *Financial Institution* and deposit those assets designated for participation in the Program into the account.

After the information is provided by the client to LineGuard, LineGuard assists the client in developing an appropriate investment strategy for the assets in their accounts. Thereafter, all clients are encouraged to discuss their needs, goals, and objectives with LineGuard and to keep LineGuard informed of any changes thereto. LineGuard contacts ongoing clients at least annually to review its previous services and/or recommendations and to determine whether changes should be made to their investment strategy.

### Management of Your Portfolio

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All clients in the Program grant LineGuard discretionary authority to buy, sell, and otherwise trade in the type of securities described in Item 6, below for their accounts and to liquidate previously-purchased securities that the client has transferred to their Accounts. Assets are managed by the firm’s principal owners.

LineGuard recommends that certain clients authorize the active discretionary management of a portion of the assets by and/or among one or more independent investment managers (hereafter “*Independent Managers*”) to implement a particular investment strategy.

The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between LineGuard or the client and the designated *Independent Managers*. LineGuard continues to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which LineGuard receives an annual advisory fee based upon a percentage of the market value of the assets managed by the designated *Independent Managers*. Factors that LineGuard considers in recommending *Independent Managers* include the client’s stated

## LineGuard Investments, LLC Wrap Fee Brochure

investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. In addition to LineGuard's written disclosure brochure and/or wrap fee brochure, the client receives the written disclosure brochure of the designated *Independent Managers*.

### Fees for the Program

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Clients in the Program pay a single annualized fee for participation in the Program (the "*Program Fee*"). The *Program Fee* is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by LineGuard under Program on the last day of the previous quarter. The *Program Fee* varies (between 0.75% and 1.50%) depending upon the market value of the assets under management, as follows:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
up to \$2,000,000	1.50%
\$2,000,001 - \$5,000,000	1.25%
\$5,000,001 - \$10,000,000	1.00%
above \$10,000,000	0.75%

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

The *Program* covers transaction costs associated with the purchase and sale of stocks, mutual funds and exchange-traded funds ("ETF"). The *Program Fee* does not include internal fees of mutual funds or ETFs (which are built in to each such security's performance), nor does it include spreads from any market makers on fixed income, ETFs or securities; however, potential fees are not limited to these fees and under certain aberrant circumstances the client may have to pay some certain fees. LineGuard is not a market maker nor does it receive any fees from mutual funds, ETFs, or individual issuer of a security. LineGuard does not sell or promote annuities but can manage the asset allocation within said product.

### Fee Comparison

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Under the Program, clients receive both investment advisory services and the execution of transactions for a single, combined annualized fee, the *Program Fee*. The *Program Fee* will also include the management and transaction fees charged by the *Independent Managers*. Participation in the Program may cost the client more or less than purchasing such services separately. The number of transactions made in the client's accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The *Program* may pose a conflict of interest to the extent that LineGuard may have a potential disincentive to trade securities. The *Program Fee* may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

# LineGuard Investments, LLC Wrap Fee Brochure

## Brokerage Services for the Program

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In connection with the *Program*, LineGuard may require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. LineGuard is independently owned and operated and not affiliated with Schwab. Schwab provides LineGuard with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For LineGuard's client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. As described throughout this document, these transaction costs are borne by LineGuard for Program participants.

Schwab also makes available to LineGuard other products and services that benefit LineGuard but may not benefit its clients' accounts. These benefits may include national, regional or LineGuard specific educational events organized and/or sponsored by Schwab Institutional. Other potential benefits may include occasional business entertainment of personnel of LineGuard by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist LineGuard in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of LineGuard's fees from its clients' accounts, and assist with back-office training and support functions, record keeping and client reporting. Many of these services generally may be used to service all or some substantial number of LineGuard accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to LineGuard other services intended to help LineGuard manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to LineGuard by independent third

parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to LineGuard. While, as a fiduciary, LineGuard endeavors to act in its clients' best interests, LineGuard recommendation or requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to LineGuard of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## Item 5. Account Requirements and Types of Clients

Participants in the Program generally include individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Portfolio Size and/or Fee

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LineGuard does not generally require a minimum portfolio size. However, as a condition for participating in the Program, LineGuard generally charges a minimum annual *Program Fee* of \$5,000. LineGuard, in its sole discretion, may waive its minimum annual *Program Fee* based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than LineGuard. In such instances, LineGuard may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 6. Portfolio Manager Selection and Evaluation

LineGuard acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities, which may involve additional conflicts of interest that the sponsor would be required to disclose in this section. LineGuard has no disclosures to make under this section.

### Financial Planning Services

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LineGuard may provide its clients with limited financial planning services at the outset of the investment management relationship, the cost of which is to be included in the advisory fee.

In performing these limited financial planning services, LineGuard is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is

## LineGuard Investments, LLC Wrap Fee Brochure

expressly authorized to rely on such information. Clients are advised that it remains their responsibility to promptly notify LineGuard if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising LineGuard's previous recommendations and/or services.

In performing these limited financial planning services, LineGuard is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Clients are advised that it remains their responsibility to promptly notify LineGuard if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising LineGuard's previous recommendations and/or services.

### **Investment Management Services**

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Clients can engage LineGuard to manage all or a portion of their assets on a discretionary basis.

LineGuard Investments primarily allocates clients' investment management assets among independent managers), mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities and/or options as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. LineGuard Investments also provides advice about any type of investment held in clients' portfolios. LineGuard Investments also may render non-discretionary investment management services to clients relative to variable life & annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, LineGuard Investments either directs or recommends the allocation of client assets among the various investment options that are available within the product. In those situations, client assets are maintained at the specific insurance company or custodian designated by the product.

LineGuard Investments tailors its advisory services to the individual needs of clients. LineGuard Investments consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. LineGuard Investments ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance. Clients are advised to promptly notify LineGuard Investments if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon LineGuard Investment's management services.

### **Use of Independent Managers**

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As mentioned above, LineGuard recommends that some clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written



## LineGuard Investments, LLC Wrap Fee Brochure

agreement between LineGuard or the client and the designated *Independent Managers*. LineGuard renders services to the client relative to the discretionary selection or recommendation of *Independent Managers*. LineGuard also monitors and reviews the account performance and the client's investment objectives. LineGuard receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

In addition to LineGuard's written disclosure statement, the client also receives the written disclosure statement of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than LineGuard. In such instances, LineGuard may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

### **Performance-Based Fees and Side-by-Side Management**

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

### **Methods of Analysis, Investment Strategies and Risk of Loss**

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LineGuard Investments recognizes that each of our clients is unique. Therefore, LineGuard will utilize the entire spectrum of investment opportunities to meet the needs of our clients. This could include any variation of money managers, mutual funds, individual stocks, bonds and ETF's. The appropriate mix will be based on an in-depth qualitative and quantitative process. LineGuard does this to obtain the most efficient, appropriate and cost effective portfolio available that is customized to each client's circumstances. Financial Advisers often cite that over 90% of your return comes from asset allocation. We do not believe this is viewpoint is true. The study cited (Brinson, Beebower and Hood, 1986) actually explains the variance of returns. Variance and performance are not the same! With careful planning, LineGuard seeks to achieve the optimal balance of returns for a client's level of risk.

Our disciplined *process* consists of the following steps: (i) financial objective questionnaire; (ii) inventory of assets; (iii) assessment of risk; (iv) comparative analysis; and (v) delivery of a customized recommendation together with a transition strategy.

Finally, with regular client discussions, LineGuard is able review and react according to any material changes on the above *process*. That said, the *monitoring* of the money managers, mutual funds, individual stocks, bonds and ETF's is done often but also as needed.

When recommending or selecting an *Independent Manager* for a client, LineGuard reviews information about the *Independent Manager* such as its disclosure statement and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that LineGuard considers in recommending an *Independent Manager* include the client's stated investment objectives,

## LineGuard Investments, LLC Wrap Fee Brochure

management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, LineGuard's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by LineGuard, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

LineGuard may recommend the use of *Independent Managers* for certain clients. LineGuard will continue to do ongoing due diligence of such managers, but the such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, LineGuard does not have the ability to supervise the *Independent Managers* on a day-to-day basis, if at all.

### Voting of Client Securities

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LineGuard is required to disclose if it accepts authority to vote client securities. LineGuard does not vote client securities on behalf of its clients.

## Item 7. Client Information Provided to Portfolio Managers

LineGuard acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities. In those circumstances, the sponsor is required to disclose how and what type of information about client that it provides to portfolio managers. LineGuard has no disclosures to make under this section.

## Item 8. Client Contact with Portfolio Managers

There are no restrictions on a clients' ability to contact and consult with LineGuard. Clients may contact *Independent Managers* through LineGuard by providing LineGuard with written request and identification of the questions or issues to be discussed with the *Independent Managers*. After receiving the client's written request LineGuard, at its sole discretion, contacts the *Independent Managers* for the client or arranges for the *Independent Managers* and the client to communicate directly.

## Item 9. Additional Information

### Disciplinary Information

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

### Other Financial Industry Activities and Affiliations

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LineGuard is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. LineGuard does not have any required disclosures to this Item.

### Code of Ethics

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

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

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

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

## LineGuard Investments, LLC Wrap Fee Brochure

agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

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

# LineGuard Investments, LLC Wrap Fee Brochure

## **Review of Accounts and General Reports**

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LineGuard monitors assets as part of an ongoing process while regular account reviews are conducted annually.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* for assets. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with LineGuard and to keep LineGuard informed of any changes thereto. LineGuard shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts.

## **Client Referrals and Other Compensation**

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LineGuard is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services and must also disclose any direct or indirect compensation that it provides for client referrals. LineGuard does pay any third parties for client referrals and, as such, has not disclosures to make to this Item.

## **Item 10. Requirements for State-Registered Advisers**

Neither LineGuard nor our management personnel have a relationship or arrangement with any issuer of securities.