

**Form ADV Part 2 Brochure –**  
**Dated December 13, 2012**

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**Financial Enhancement Group LLC**



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This Form ADV Part 2 (“Brochure”) provides information about the qualifications and business practices of Financial Enhancement Group LLC. If you have any questions about the contents of this Brochure, please contact us at (765) 640-1524. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any other state securities authority.

Addition information about Financial Enhancement Group LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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Financial Enhancement Group LLC is a registered Investment Advisor. However, please note that registration as an Investment Advisor does not imply any level of skill or training.

## **ITEM 2 - Material Changes**

This Brochure, dated December 13, 2012, is an updated document prepared subsequently to the original submitted with the firm's application for Investment Advisor registration, as well as an update prepared on March 5, 2012. Below is a summary of the changes and the affected sections of this Brochure.

On March 5, 2012 an update was filed to disclose the Advisor's participation in the TD Ameritrade Institutional Advisors Program. Financial Enhancement Group, LLC (Advisor) receives economic benefit from participating in this program; accordingly, a conflict of interest could exist. A full disclosure of the program can be found in items 12 and 14 of this brochure.

On October 23, 2012 an update was filed to disclose the Advisor's participation in the TD Ameritrade AdvisorDirect. Financial Enhancement Group, LLC (Advisor) benefits from participating by receiving client referrals from TD Ameritrade. Likewise, TD Ameritrade receives economic benefit as the Advisor pays an ongoing fee for client referrals. The Advisors participation in this program raises potential for conflicts of interest. A full disclosure of this program can be found in items 14 of this brochure.

On December 13, 2012 an update was filed to disclose a change of ownership of the Advisory Firm. Prior to this change, HT Financial (HT) were the owners of a 50% interest in the Firm. The Ownership of HT is comprised of Certified Public Accountants (CPA's). A change in the Standards of Practice for CPA's to have independence with regard to mutual clients of the CPA Firm and the Advisory Firm has necessitated a change in the ownership structure.

The interest of HT has been fully redeemed by the existing owner, Joe's Money Show, LLC as well as three key employees of the Firm. A disclosure

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of current ownership and affiliations can be found in Items 4 and 10 of this brochure.

### **ITEM 3 – Table of Contents**

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### **ITEM 4 – Advisory Business**

Financial Enhancement Group LLC is an SEC registered Investment Advisory firm, whose Principal Officer and Managing Member is Joseph Clark. The firm is majority owned by the Big Joe Money Show LLC, which is in turn owned by Joseph Clark. In addition, Adam Harter, Sarah Griffin, and Donald Hodson are minority owners of Financial Enhancement Group. While Sarah Griffin is an owner, she is not currently registered as an Investment Advisor. Her participation in Firm business is limited to operations; accordingly, she is not involved in any investment decisions of the Firm nor does she discuss such matters with clients or the public.

Financial Enhancement Group LLC provides Discretionary Asset Management services to firm clients utilizing the strategies described more fully in Item 8 of this Brochure. The firm also provides Financial Planning Services. Our advisory services are provided to individuals, families, retirement plans, trusts, estates, charitable organizations, or other business entities.

The list of advisory services on the next page can be tailored to each client. Therefore, if any client requires any restrictions on any types of stocks or market segments, the client needs to inform their Advisory Representative of the restrictions in writing. If, for any reason, the firm is not able to meet the client restrictions, the firm will notify the client of that fact so that the client can determine their individual requirements and needs.

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### **Discretionary Advisory Services:**

The Investment Advisory services provided consists of the purchase and sale of securities and management of accounts for clients pursuant to the general strategy described in Item 8. Services typically include:

1. Establishment and ongoing review/adjustment of Investment Objectives
2. Establishment and adjustment of overall asset allocation strategy
3. Selection, review and evaluation of investment portfolios
4. Performance analysis and evaluation
5. Portfolio rebalancing
6. Strategic risk management

Please note that the direct management fees paid to this firm are in addition to the indirect management and expense fees charged by mutual funds and variable contracts; therefore, clients whose assets are invested in shares of mutual funds and variable contracts will pay both a direct management fee to Financial Enhancement Group *and* an indirect management fee through the mutual fund and/or the variable provider.

For all accounts held with outside custodians, note that the client will be responsible for all transaction and other related costs along with other account fees as agreed to in such Custodial/Brokerage Agreements.

In addition to the above services provided to our retail customers, Financial Enhancement Group (FEG) participates in Separate and/or Unified Managed Account platforms under the name Retirement Body Guard (RBG), whereby we provide the sponsor with a model Portfolio, which is kept current. The

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sponsor pays a fee to FEG based upon the amount of the sponsor's client assets being managed utilizing FEG's model portfolio.

### **Financial Planning Services:**

Financial Enhancement Group also offers comprehensive financial planning services for our clients. Our Financial Planning services include data gathering and analysis, and creation of a financial plan with specific recommendations and implementation advice tailored to client needs. Specific areas of advice include investment planning, insurance needs assessment and advice, retirement planning, cash flow management, debt consolidation and reduction, capital needs assessments, educational planning, estate planning, and business planning.

All firm clients receive a one page 'Focus' Plan, included as part of all advisory services. More detailed Plans are also available on an as needed basis. For clients of our Discretionary Asset Management service (described above in this Item) who are charged more than \$2,250 per year in advisory fees, a more detailed Plan is included. Those whose advisory fees are less than \$2,250 per year get two free hours of Planning time, with additional hours billed at \$125 per hour. For those who are not clients of our Asset Management services, and desire a Plan without Management Services, the firm charges \$225 per hour.

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## **ITEM 5 – Fees and Compensation**

The firm's regular fee schedule for its managed account advisory services is as follows:

<b>Assets Under Management</b>	<b>Standard Annual Fee (billed quarterly)</b>
\$25,000 - \$250,000	2.00%
\$250,001 - \$1,000,000	1.50%
Over \$1,000,000	1.00%

All Advisory fees are negotiable. The account minimum is \$25,000 - however, lower amounts can be accepted at the firm's sole discretion. The Advisory Contract may be terminated by either party at any time in writing, and a pro-rated refund of fees will be provided to client. Fees are charged in advance of the quarter, based on the account value of the last day of the prior quarter.

### **Financial Planning Fees:**

For clients of our Discretionary Asset Management service (described Item 4 above) who are charged more than \$2,250 per year in advisory fees, a more detailed Financial Plan is included in the firm's standard management services. Those whose advisory fees are less than \$2,250 per year get two

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free hours of Planning time, with additional hours billed at \$125 per hour. For those who are not clients of our Asset Management services, and desire a Plan without Management Services, the firm charges \$225 per hour. Fees for Financial Planning are due upon presentation of the Plan.

### **Additional Fee Information and Disclosures:**

All Advisory fees are negotiable between the firm and clients. Client may choose to have fees deducted directly from their accounts, or clients can choose to be billed directly. The choice of direct billing or automatic

deduction of fees is made at the time of new account sign-up, as outlined in the Advisory Contract. A client can choose at any time to change the method of fee deduction/billing for their account.

In addition, as noted in Item 4 above, clients invested in mutual funds and/or variable annuities will pay an Advisory fee to this firm, and indirect management fees and expenses as charged by the mutual fund or variable contract. Therefore, clients whose assets are invested in shares of mutual funds and variable contracts are hereby made aware that they will pay both a direct management fee to Financial Enhancement Group and an indirect management fee through the mutual fund or variable annuity.

In addition, trading and custodial fees will be charged to the client by the individual brokerage firm that custodies client assets. Trading commissions and related fees are disclosed directly by the brokerage/custodian firm at the time of client account opening or thereafter.

Finally, many of the advisory representatives of this firm are registered representatives of an un-affiliated Broker/Dealer, and may receive commissions or other brokerage related fees or expenses, as disclosed and more fully detailed in Item 12 of this Brochure. This brokerage relationship presents a potential conflict of interest and gives our advisory personnel an incentive to recommend investment products based on the compensation received, rather than on a client's individual needs. This inherent conflict is



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hereby disclosed to all clients, and clients should use their own determination as to the nature of the conflict.

This firm takes numerous actions to address these conflicts of interest. As a Fiduciary, the firm, via its Management and Compliance Department, works to ensure that clients best interests are used when determining investment recommendations, including review of all advisory recommendations. Clients are always free to choose the investments made in their accounts, and may always choose their own brokerage firm or custodian. In addition, this firm maintains a Code of Ethics to help ensure that investment decisions are in the best interest of clients, as disclosed in Item 11 below.

### **ITEM 6 – Performance Based Fees and Side-By-Side Management**

Financial Enhancement Group does not charge any performance based fees of any kind (those fees that are based upon a share of capital gains or capital appreciation of client assets) or side-by-side management fees.

### **ITEM 7 – Types of Clients**

Financial Enhancement Group provides its Advisory Services to individuals, families, retirement plans, trusts, estates, charitable organizations, or other business entities. The firm's minimum account size is \$25,000. This minimum may be waived at the sole discretion of the firm.

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We provide account management services for Brokerage, Product (Annuities), and Individual 401K's.

In addition, Financial Enhancement Group (FEG) participates in Separate and/or Unified Managed Account platforms under the name, Retirement Body Guard (RBG), whereby we provide the sponsor with a model Portfolio.

## **ITEM 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**

Investing in securities of any kind involves risk, including loss of principal or loss of investment, that clients must be prepared to accept.

We monitor market conditions and make tactical adjustments to manage the risk/reward profile. We develop a global/macro view based on the work of our internal investment committee, but we also pair that view against what we believe to be reliable economists, forecasters and strategists. A four legged stool process is put in place to find the best individual investments that fit into that global/macro view of the current economic environment. The 4 legged stool refers to 4 levels of analysis we utilize when selecting investments.

### **The Retirement Bodyguard**

TactiCal Assignment-Hedged Appreciation is a tactical portfolio which seeks to achieve steady returns while limiting the effects of large market swings. Investments are in individual equities, exchange traded funds and money market funds. ETFs are used for sector, country and fixed income exposure, and inverse ETFs are used to carry out hedging strategies of the portfolio. Focused on the long term, the objective is to minimize the volatility on the downside, while still having the capability to capture upside returns. Four distinctly separate components are strategically combined to take advantage of current market conditions in a risk appropriate fashion. Those four components of the model are: Long/Short Equity, Managed Fixed Income, Alternatives and Trend Capturing. When used together these tools are designed to provide focused diversification and act as a volatility dampener. This model is built with the objective of having capital preservation

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characteristics during bear markets, while offering capital growth during bull markets. This is not a short-biased model, but does have the ability to become close to market neutral with the aim of protecting against adverse economic conditions.

Generally, the firm provides advice on the following types of securities: stocks (exchange listed, over-the-counter, and foreign issues); warrants; bonds (corporate debt); certificates of deposit; municipal securities; variable life insurance and variable annuities; mutual funds and exchange traded funds (ETFs); and US Government securities.

### **Brokerage Portfolios**

Our Brokerage Portfolios goals and strategies are as follows:

#### **CAPITAL PRESERVATION**

**Portfolio Goal:** The capital preservation portfolio is designed for the cautious investor. An investor with this profile will be 100% in fixed income vehicles. The main objective of this portfolio is to preserve the capital, in real terms, over a long period of time. Minor fluctuations are to be expected in portfolio values to adequately meet these goals.

**Strategy:**

This is not to be confused with a “buy and hold”, but rather some mix of traditional and non-traditional assets. Fixed Income related holdings will comprise the majority of the account, with cash holdings and currencies. The investment managers will actively adjust the allocation to these various asset classes as well as the composition of each. This is considered a managed fixed income account, as we attempt to control interest rate, and credit risk.

#### **BALANCED**

**Portfolio Goal:**

The balanced portfolio has the primary objective of providing a dependable income stream to the account owner. A secondary objective is to obtain a reasonable return while taking less risk than the overall market, with a focus on matching or beating inflation over a period of time.

**Strategy:**

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A balance of different assets will always be at work in this strategy. This is not to be confused with a “buy and hold”, but rather some mix of traditional and non-traditional assets. Fixed Income and Equity related holdings will comprise the vast majority of the account, with sufficient cash holdings and

alternative securities such as commodities, currencies, and real estate to expand diversification. The investment managers will actively adjust the allocation to these various asset classes as well as the composition of each.

## **GROWTH**

### **Portfolio Goal:**

The growth strategy has the primary objective of capturing longer term appreciation of capital.

### **Strategy:**

The growth portfolio seeks to obtain above average returns, while attempting to take less risk than the S&P 500 over market cycles. However, investors should expect frequent fluctuations in the portfolio value, which are common to growth portfolios. Tactical adjustments are made in the asset classes the investment manager believes represent the best probabilities of achieving this. The goal is to achieve results over time which is better than the investor would realize from a passive benchmark heavily invested in stock market indices. Investors with this portfolio are comfortable and have experience with portfolio volatility and have the time to withstand such movements.

## **ALL EQUITY**

### **Portfolio Goal:**

The portfolio seeks long term growth in excess of its benchmark, the S&P 500.

### **Strategy:**

To accomplish the goal, this portfolio remains fully invested in equities. The exception is a minimal cash position for account expenses and when a position is sold and a replacement has not been readily selected. Risk is managed through diversification of equity holdings of US and International Company's of various styles.

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## **HEDGED APPRECIATION**

### **Portfolio Goal:**

The goal of the Hedged Appreciation portfolio is to provide an experience or risk profile similar to that of a long/short hedge fund or fund of funds, which appropriately compensates the use of capital while protecting against intolerable losses. The benefits of this portfolio versus a hedge fund are that

Hedged Appreciation has no lock ups, performance fees, gates, liquidity issues, or high minimum account values.

### **Strategy:**

The Hedged Appreciation portfolio simultaneously has four underlying component strategies at work that come together to curb the effects of large downdrafts and capture incremental gains in portfolio value both from income and trading profits. It is unlikely this portfolio will capture large upside returns during bull markets, but the goal is to protect during downturns. This Model is provided for both Brokerage and SMA

## **Product Portfolios**

Our Product Portfolios goals and strategies are as follows:

## **CONSERVATIVE/PORTFOLIO I**

### **Portfolio Goal:**

The conservative portfolio is designed for the cautious investor. An investor with this profile will want to always have a balance in the portfolio, but weighted towards fixed income. The main objective of this portfolio is to preserve the capital, in real terms, over a long period of time. Minor fluctuations are to be expected in portfolio values to adequately meet these goals.

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**Strategy:**

This is not to be confused with a “buy and hold”, but rather some mix of traditional and non-traditional assets. Fixed Income related holdings will comprise the vast majority of the account, with sufficient equities, cash holdings, and alternative securities such as commodities, currencies, and real estate to expand diversification. The investment managers will actively adjust the allocation to these various asset classes as well as the composition of each.

**BALANCED/PORTFOLIO II****Portfolio Goal:**

The balanced portfolio has the primary objective of providing a dependable income stream to the account owner. A secondary objective is to obtain a reasonable return while taking less risk than the overall market, with a focus on matching or beating inflation over a period of time.

**Strategy:**

A balance of different assets will always be at work in this strategy. This is not to be confused with a “buy and hold”, but rather some mix of traditional and non-traditional assets. Fixed Income and Equity related holdings will comprise the vast majority of the account, with sufficient cash holdings and alternative securities such as commodities, currencies, and real estate to expand diversification. The investment managers will actively adjust the allocation to these various asset classes as well as the composition of each.

**GROWTH/PORTFOLIO III****Portfolio Goal:**

The growth strategy has the primary objective of capturing longer term appreciation of capital.

**Strategy:**

The growth portfolio seeks to obtain above average returns, while attempting to take less risk than the S&P 500 over market cycles. However, investors should expect frequent fluctuations in the portfolio value, which are common to growth portfolios. Tactical adjustments are made in the asset classes the investment manager believes represent the best probabilities of achieving this growth (sometimes with as much as 50% less or 20% more equity exposure

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than the benchmark). The goal is to achieve results over time which are better than the investor would realize from a passive benchmark heavily invested in stock market indices along with a smaller mix of bonds.

## **AGGRESSIVE GROWTH/PORTFOLIO IV**

### **Portfolio Goal:**

The aggressive growth strategy has the primary objective of capturing longer term appreciation of capital with more risk exposure than the growth portfolio.

### **Strategy:**

The aggressive growth portfolio seeks to obtain above average returns, while attempting to take risk equivalent to the S&P 500 over market cycles. However, investors should expect frequent fluctuations in the portfolio value, which are common to aggressive equity portfolios. Tactical adjustments are made in the asset classes the investment manager believes represent the best probabilities of achieving this growth. The goal is to achieve results over time which are better than the investor would realize from a passive benchmark heavily invested in stock market indices. Investors with this portfolio are comfortable and have experience with portfolio volatility and have the time and wherewithal to withstand such movements.

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## **ITEM 9 – Disciplinary Information**

Firms are required to report any legal or disciplinary events that are material to a client's evaluation of our advisory business and the integrity of our management. There are no legal or disciplinary events that are reportable under this Item for either FEG or any supervised person of FEG.

## **ITEM 10 – Other Financial Industry Activities and Affiliations**

In addition to being a registered Investment Advisor, most advisory personnel of FEG are also registered with an unaffiliated Broker/Dealer, World Equity Group, Inc. When transacting securities business, they will receive standard sales commission or transaction fees.

In addition, many related persons of FEG maintain individual Insurance licenses with various insurance companies, including life, health, and annuity. Those individuals will receive normal sales commissions or agent fees when transacting insurance sales on behalf of clients.

Because of these inherent conflicts of interests, and the fact that advisory personnel have a financial incentive when transacting business via these brokerage or insurance firms with which they are licensed, clients are always free to execute brokerage or insurance transactions via any firm of their own choosing. In addition, in an effort to mitigate against these conflicts, while all Portfolio trade decisions are made by Mr. Joseph Clark alone, a separate firm Principal reviews all trading activity in order to detect and prevent unsuitable transactions or churning.

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## **ITEM 11 – Code of Ethics, Participation or Interest**

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## **in Client Transactions, and Personal Trading**

### **Code of Ethics:**

Financial Enhancement Group maintains a Code of Ethics that requires every aspect of our business to be conducted in a fair, lawful and professional manner. Strict compliance with all laws and regulations governing the securities industry is paramount. It is our obligation to respect and protect the right to privacy of all our clients. Confidential or proprietary information, obtained in the course of doing business, will not be used for personal gain or shared with others for their personal benefit. All efforts are made to avoid actual or potential conflicts of interest, and to ensure disclosure of any actual or potential conflict of interest. In addition, the Code requires that certain transactions by firm personnel be pre-approved, and that firm personnel report all reportable holdings and transactions to firm management on a regular basis. A copy of our Code of Ethics is available to existing and prospective clients upon request – just call our main office in Anderson, or request a copy from your Advisory Representative, who will ensure that a copy is mailed out to you.

### **Participation or Interest in Client Transactions and Personal Trading:**

Principals and/or officers of FEG may manage his/her own accounts in the same manner FEG uses to manage client assets. As such, firm personnel may own the same securities or other investments that client accounts contain. Client transactions are executed either prior to or simultaneously with those of the firm personnel. All employee transactions are reviewed by the Compliance Department to ensure that any conflicts can be identified and addressed.

FEG does not conduct ‘Principal’ transactions, does not engage in Cross-Trades between advisory clients, and does not participate in Agency Cross Transactions (wherein an advisory client buys or sells to or from a FEG brokerage client).

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### Trade Rotation Policy:

FEG's policy is to provide a fair and equitable method of trade rotation in placing trades for client's accounts. To meet this objective, FEG has established a written trade rotation procedure.

Generally, FEG utilizes a trade rotation log, which lists the trade rotation schedule for certain client accounts. The log is designed as an internal control to help FEG ensure that it does not treat client accounts unfairly to the extent reasonably practicable and that no client account (or group of accounts) receives placement priority over any other participating accounts.

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## **ITEM 12 – Brokerage Practices**

FEG may recommend that advisory clients establish brokerage account(s) with TD Ameritrade, a FINRA-registered Broker-Dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although FEG may recommend that clients establish accounts at TD Ameritrade, it is the client's decision to custody assets with TD Ameritrade, and clients are free to choose any Broker/Dealer or account Custodian that they desire.

The firm considers the following factors before suggesting a particular brokerage firm to clients: the products offered, the level of service, the quality of trade execution, the record keeping and reporting capabilities, software and related technological capabilities, the trading platforms offered, and the ability to meet client needs. In assessing the reasonableness of their commissions, the firm compares various brokerage firm rates. In considering all these parameters, this firm recommends that clients use TD Ameritrade.

The firm remains flexible in the use of other brokerage firms upon client request or where otherwise appropriate. Clients may be able to receive lower overall commission rates, enhanced execution, or other services at another broker/dealer. Each client must evaluate each broker/dealer carefully to insure that the broker selected provides them with the best blend of cost, clearance and settlement, and other services.

However, clients who direct their brokerage accounts to broker/dealers of their own independent choosing may not receive best execution on their trades. For example, such clients usually cannot participate in block orders with other firm clients and the lower transaction costs such trades afford. In such transactions, share prices are averaged across client accounts participating in the block transaction (although clients may still be subject to a minimum commission charge).

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In addition, as stated in Item 10 of this Brochure, advisory personnel may be individually registered and licensed with a FINRA registered Broker/Dealer, World Equity Group, Inc., and when executing brokerage transactions via World Equity Group will receive their standard commission. Because of this relationship, FEG has a potential conflict of interest between its fiduciary duty to obtain best price and execution on client trades, and its profit motivation when Representatives act as Registered Representatives via World Equity Group.

Each client must evaluate each Broker/Dealer carefully to insure that the firm they select provides them with the best blend of cost, clearance and settlement, and other services.

FEG participates in the TD Ameritrade Institutional advisor program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (“TD Ameritrade”) member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent Investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure below and under Item 14 below.)

TD Ameritrade provides the firm with the Orion Software package, which provides numerous reporting, portfolio evaluation, and trading capabilities for use with client accounts. FEG utilizes the Orion Software for all client accounts, not just client accounts custodied at TD Ameritrade, and TD Ameritrade does not require any minimum dollar amount or minimum order flow in return for providing FEG with the Orion Software, and there are no commission markups or markdowns charged in return for the Orion Software. However, FEG hereby discloses that TD Ameritrade does provide it with this Software, as it may be viewed as a potential conflict of interest or soft dollar benefit.

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## **ITEM 13 – Review of Accounts**

Joseph Clark and/or Adam Harter, Chief Investment Strategist and/or Nathan Carmany and/or Donald Hodson, Compliance Director, review client accounts on an ongoing basis as part of the Portfolio management process. Such reviews are conducted at least quarterly.

Each month, clients receive a statement detailing asset holdings and transactions directly from the broker/dealer, bank, or other qualified custodian that holds and maintains client's investment assets. Each quarter, clients receive written statements prepared by FEG detailing holdings and investment performance versus the benchmark S&P 500 Index, and the MSCI EAFE Index. Performance is calculated for the current period, year-to-date, and Since Inception of the account.

FEG also produces weekly video commentary discussing our outlook on the economy, the state of the financial markets, and our investment strategy. Clients are contacted by phone frequently to discuss FEG's investment performance, our outlook for the financial markets and any other topic clients would like to explore. In addition, all clients are invited to three group events each year where discuss FEG's investment performance, our outlook for the financial markets and any other topic clients would like to explore.

We are pleased to discuss any topic of interest to a client at the client's convenience, and clients are free to contact their Representative or any other member of our management team at any time with questions, comments, or concerns.

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

As disclosed under Item 12 above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise.

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The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Advisor may receive succession planning, practice valuation and Equity management services from third - party vendors through Advisor's participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, Advisor may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker - dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between TD Ameritrade and Advisor. TD Ameritrade has established the TD Ameritrade Institutional Equity Management program as a means of assisting independent unaffiliated Advisors to grow and maintain their respective investment advisory business. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services to clients.

Advisor's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. Advisor may encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Advisor's participation in the TD Ameritrade Institutional Equity Management Program does not

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relieve the Advisor of the duty to seek best execution of trades for client accounts.

Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade.



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In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

### **ITEM 15 – Custody**

FEG does not maintain Custody of client funds or securities. All funds are held by the Brokerage firm or Custodian firm of the client's choosing. The Brokerage firm or Custodian firm send monthly or quarterly statements directly to clients on a regular basis. These statements must be carefully and thoroughly reviewed by clients. FEG encourages all clients to carefully compare quarterly or other reports provided by this firm to custodial or brokerage statements issued by the applicable brokerage or custodial firms, and should immediately bring any discrepancies or questions to the attention of their Advisory Representative.

### **ITEM 16 – Investment Discretion**

Financial Enhancement Group does maintain Discretionary authority in client accounts, and clients must authorize the use of Discretion when opening their account when signing the Investment Advisory Contract/Agreement. Discretion is limited discretion, allowing this firm to execute trades, rebalance accounts, and buy and sell investments within client accounts, in accordance with the Advisory Agreement and client investment objectives.

As noted in Item 4 of this Brochure, firm advisory services can be tailored to each client – as such, if a client requires any restrictions on any types of investments, stocks, or market segments, the client needs to inform their Advisory Representative of the restrictions in writing. If, for any reason, the firm is not able to meet the client restrictions, the firm will notify the client of that fact so that the client can determine their requirements and needs.

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### **ITEM 17 – Voting Client Securities**

Financial Enhancement Group does not, and will not, vote client proxies. Clients retain the authority to vote proxies and will be responsible for ensuring that all proxy materials are sent directly to them.

### **ITEM 18 – Financial Information**

FEG does not require prepayment of more than \$1,200 in fees per client six months or more in advance – as such, a Balance Sheet is not required and therefore not attached. There is also no known financial condition that is reasonably likely to impair this firm's ability to meet contractual commitments to clients, and the firm has not been the subject of a bankruptcy proceeding.

### **ITEM 19 – State Registered Advisors**

As FEG is an Advisor registered with the Securities Exchange Commission.