

# Disclosure Brochure

March 14, 2012

## **Ulrich Consulting Group, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Ulrich Consulting Group, LLC (hereinafter "UCG"). If you have any questions about the contents of this brochure, please contact John P. Ulrich at (505) 224-9100. 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 Ulrich Consulting Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Ulrich Consulting Group, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since UCG's last annual update. UCG does not have any material changes to disclose.

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### Supervised Person Brochure Supplements

## Item 4. Advisory Business

UCG provides investment management services to private clients, such as individuals, trusts and estates, as well as institutional clients, including retirement plan sponsors, charitable foundations, multi-employer benefit plans, sovereign governments, corporations and business entities. Prior to engaging UCG for investment management services, the client is required to enter into one or more written agreements with UCG setting forth the terms and conditions under which UCG renders its services (collectively the "Agreement").

UCG was formed in April 2007. John P. Ulrich and Lisa A. Ulrich are the principal owners of UCG. As of January 31, 2012, UCG had \$659,802,888 of assets under management, of which \$95,795,523 were managed on a discretionary basis and \$564,007,365 were managed on a non-discretionary basis.

This Disclosure Brochure describes the business of UCG. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of UCG's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on UCG's behalf and is subject to UCG's supervision or control.

### Investment Management and Consulting Services

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Clients can engage UCG to manage all or a portion of their assets on a discretionary or non-discretionary basis. As part of the investment management services, UCG may provide its clients with a broad range of comprehensive financial planning services including retirement, education, estate planning, insurance, and tax and cash flow needs of the client.

#### *Institutional Clients*

In providing advisory services to institutional clients, UCG acts as a fiduciary in providing investment advice to the plan, regardless of whether management services are provided on a discretionary or non-discretionary basis. The advisory services provided to institutional clients include a comprehensive review of the client's current position, as well as refinement of the investment policy statement and asset allocation strategy. UCG will also review custody, trust, and administrative services, provide expense analyses, vendor RFP and selection, as well as investment searches across all asset classes. In addition, UCG facilitates placement of assets with managers, including negotiation of favorable terms with respect to fees and account minimums, ongoing due diligence, and performance monitoring of investment managers. In conjunction with these services, UCG provides comprehensive investment reporting with timely recommendations, ongoing supervision of the investment program, including rebalancing and necessary policy updates, as well as educational training for plan fiduciaries.

UCG's process helps establish a "best practices approach" for fiduciaries and also seeks to minimize costs for the benefit of clients. For retirement plans, UCG acknowledges co-fiduciary status and assists clients in implementing investment management procedures in accordance with the standards of ERISA

and the Department of Labor. UCG identifies clients' specific custody and administration needs and help them to select the most appropriate vendors. UCG manages portfolios on both a discretionary and non-discretionary basis and clients in both structures may impose specific restrictions on securities or security types.

### *Private Clients*

UCG's advisory services assist private clients in achieving their financial goals with investment-related information and advice. UCG provides financial planning, asset allocation, investment selection and monitoring, performance reporting, and coordination with complex tax and estate plans and professionals. The portfolio planning process begins with a review of necessary documents and interviews to uncover a client's financial goals and requirements. Next, a comprehensive financial model is created so that the impact of future cash flows and market volatility may be analyzed. Finally investment guidelines are created and a portfolio is constructed with sensitivity to tax efficiency, cost, liquidity, and growth needs. UCG employs a proactive, "hands on" approach that focuses on a forward-looking view of the capital markets. UCG seeks to maximize returns while also reducing risk and costs. This process involves a dynamic and proactive view which seeks investment solutions that have sustainable strategies.

UCG primarily allocates clients' investment management assets among *Independent Managers* (as defined below), mutual funds, and exchange-traded funds ("ETFs"). In limited cases, for certain clients, individual securities may be utilized after a thorough review of their appropriateness given the client's needs and objectives. In addition, UCG may recommend that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. UCG also provides advice about any type of investment held in clients' portfolios.

UCG's team is augmented by a strategic relationship with Callan & Associates ("Callan"), an institutional investment consulting services and research provider. Callan consults with many of the largest and most sophisticated funds in the US. Callan is one of the largest private, employee owned investment research company in the US. UCG is one of a select group of independent consulting firms nationwide with access to Callan through the Independent Adviser Group program. This relationship allows UCG to conduct thorough due-diligence and provide quality, customized solutions available ranging from research and consulting to total portfolio oversight.

UCG 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, or other products that may not be held by the client's primary custodian. In so doing, UCG either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

UCG tailors its advisory services to the individual needs of clients. UCG 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. UCG seeks to ensure that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify UCG if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon UCG's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in UCG's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Use of Independent Managers**

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As mentioned above, UCG primarily recommends that 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 agreement between UCG or the client and the designated *Independent Managers*. UCG renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Managers*. UCG also monitors and reviews the account performance and the client's investment objectives. UCG 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*.

When recommending or selecting an *Independent Manager* for a client, UCG reviews information about the *Independent Manager* such as its disclosure brochure 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 UCG considers in recommending an *Independent Manager* include the client's stated investment objectives, 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, UCG's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by UCG, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

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

## Item 5. Fees and Compensation

UCG offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management. Prior to engaging UCG for advisory services, the client is required to enter into a written agreement with UCG setting forth the terms and conditions of the engagement.

### Investment Management and Consulting Fees

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UCG provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by UCG. UCG's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. UCG does not, however, receive any portion of these commissions, fees, and costs. Generally, UCG's annual fee is prorated and charged monthly, in arrears, based upon the market value of the assets being managed by UCG on the last day of the previous month. In limited circumstances, UCG's annual fee may be prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by UCG on the last day of the previous quarter. The annual fee varies between eight basis points (0.08%) and one hundred basis points (1.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

For certain larger clients, UCG may charge an annual fixed fee, prorated and charged monthly or quarterly, based on the scope of services to be provided to the client and/or the client's assets under management. The annual fixed fee generally ranges from \$15,000 to \$125,000.

UCG may also be engaged for special projects on an hourly fee basis. These fees are negotiable, but generally range from \$65 to \$250 per hour, depending on the level and scope of the services and the professional providing the services.

UCG, in its sole discretion, may negotiate to charge a lesser management 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.).

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), UCG generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts. However, UCG may also recommend the custodial services of Wells Fargo Investments, LLC, Bank of New York Mellon, and Bank of Oklahoma, as well as other service providers, depending on the needs and wishes of the client.

UCG may only implement its investment management recommendations after the client has arranged for and furnished UCG with all information and authorization regarding accounts with appropriate financial

institutions. Financial institutions include, but are not limited to, *Schwab*, Wells Fargo Investments, LLC, Bank of New York Mellon, Bank of Oklahoma, and any other broker-dealer recommended by UCG, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to UCG’s fee. UCG does not receive any portion of these commissions, fees, and costs.

UCG’s *Agreement* and the separate agreement with any *Financial Institutions* may authorize UCG or *Independent Managers* to debit the client’s account for the amount of UCG’s fee and to directly remit that management fee to UCG or the *Independent Managers*. Any *Financial Institutions* recommended by UCG have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to UCG. Alternatively, clients may elect to have UCG send an invoice for payment.

### **Fees for Management During Partial Quarters or Months of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between UCG and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. UCG’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to UCG’s right to terminate an account. Additions may be in cash or securities provided that UCG reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to UCG, subject to the usual and customary securities settlement procedures. However, UCG designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. UCG may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

UCG 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.

## Item 7. Types of Clients

UCG provides its services to individuals, sovereign governments, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimums Imposed By Independent Managers**

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UCG does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than UCG. In such instances, UCG may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Investment Strategies

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In creating diversified portfolios, UCG applies quantitative and qualitative research tools. UCG incorporates data from various sources, including, but not limited to, Callan Associates, Morningstar, and others. UCG augments its performance data analysis with qualitative research, which may include interviews with managers, review of investment documentation and other background investigation. Portfolio assets are allocated among various asset classes and rebalanced periodically to manage risk within a portfolio. Additionally, tactical shifts in allocation are used to adjust for changing capital market scenarios. UCG generally selects investment managers for client portfolios. These may include mutual funds, ETF's, indices, separate accounts, or various alternative investments. Each manager or investment vehicle employs a particular investment strategy, which, together with its risks, is described in the investment's prospectus, ADV, offering materials, or other disclosures, which the client receives.

There are risks that may impact the likelihood of meeting a client's expected long term goals. These risks include a change in a client's needs and goals, the use of incorrect assumptions in the planning process, implementing an ineffective strategy, and general market risks, including underperformance of individual investments, as well as the market as a whole. Clients are cautioned that all investments involve risk; past performance is no assurance of future performance, and achievement of a client's investment performance goals and preservation of principal are not guaranteed. UCG attempts to mitigate these risks by closely monitoring the current performance of asset classes and investments in client portfolios, as well as assessing changes in the global economy and financial markets.

### Risks of Loss

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#### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market

volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

The profitability of a significant portion of UCG's recommendations may depend to a great extent upon correctly assessing the future course of price movements of the market. There can be no assurance that UCG will be able to predict those price movements accurately.

### *Use of Independent Managers*

UCG may recommend the use of *Independent Managers* for certain clients. UCG will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, UCG does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Use of Private Collective Investment Vehicles*

UCG may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

UCG 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. UCG does not have any required disclosures to this Item.

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

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

### Item 11. Code of Ethics

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

UCG 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 UCG or any of its associated persons. The *Code of Ethics* also requires that certain of UCG'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 permitted in UCG's *Code of Ethics*, none of UCG'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 UCG's clients.

However, when UCG 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 UCG 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 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 UCG to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, UCG generally recommends that clients utilize the brokerage and clearing services of *Schwab*. For certain institutional clients, UCG may recommend Wells Fargo Investments, LLC, Bank of New York Mellon, Bank of Oklahoma or other service providers in place of *Schwab*. Factors which UCG considers in recommending any of these broker-dealers to clients include their respective financial strength, reputation, execution, pricing, research and service. In addition, these dealers allow UCG to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by these recommended broker-dealers may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by UCG's clients comply with UCG's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where UCG determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. UCG seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom UCG and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. UCG periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct UCG in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and UCG will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by UCG (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, UCG may decline a client's request to direct brokerage if, in UCG's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless UCG decides to purchase or sell the same securities for several clients at approximately the same time. UCG may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among UCG's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among UCG's

clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that UCG determines to aggregate client orders for the purchase or sale of securities, including securities in which UCG's *Supervised Persons* may invest, UCG generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. UCG does not receive any additional compensation or remuneration as a result of the aggregation. In the event that UCG determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, UCG may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist UCG in its investment decision-making process. Such research generally will be used to service all of UCG's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because UCG does not have to produce or pay for the products or services. UCG does not have any soft dollar arrangements and does not receive any soft dollar benefits.

### **Support Provided by Financial Institutions**

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*Schwab* has provided a loan to UCG to assist its business operations, and the loan is guaranteed by UCG's principals, John P. Ulrich and Lisa A. Ulrich. The terms of the loan require that management fees to UCG be paid to an account at *Schwab* for deduction of interest and principal payments on the loan before UCG may access such management fees. The loan agreement contains various representations and covenants by UCG, including, among other things, that UCG will maintain at least \$300 million in end client net assets held at *Schwab* ("Assets Under Management at *Schwab*"), and that UCG will comply with all applicable laws, regulations, and agreements, and obtain necessary licenses, consents and permits. Upon the occurrence and during the continuance of an event of default under the loan agreement,

*Schwab* may terminate and/or accelerate the loan, which may have a material adverse effect on UCG's ability to perform services to its clients.

In addition, UCG receives from *Schwab* computer software and related systems support, which allow UCG to better monitor client accounts and manage and develop our customer relationship management. UCG may receive the software and related support without cost, or at a discount, because UCG renders investment management services to clients that maintain assets at *Schwab*. These services are available to UCG at no charge, as long as UCG's clients collectively maintain a total of at least \$10 million of their assets in accounts at *Schwab*.

UCG may also receive the following benefits from *Schwab* through Schwab Advisor Services: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Advisor Services participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to an electronic communication network for client order entry and account information; educational conferences and events; consulting on technology, compliance, legal and business needs; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants and insurance providers.

Some of the products, services, and other benefits provided by *Schwab*, including the loan noted above, benefit UCG and may not benefit UCG's clients. UCG's recommendation or requirement that a client place assets in *Schwab's* custody may be based in part on benefits *Schwab* provides UCG, or UCG's agreement to maintain certain Assets Under Management at *Schwab*, and not solely on the nature, cost or quality of custody and execution services provided by *Schwab*. In fulfilling its duties to its clients, UCG endeavors at all times to put the interests of its clients first. Clients should be aware, however, that UCG's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence UCG's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

As mentioned above, UCG places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. UCG may use broker-dealers other than *Schwab* to execute trades for client accounts maintained at *Schwab*, but this practice may result in additional costs to clients so that UCG is more likely to place trades through *Schwab* rather than other broker-dealers. *Schwab's* execution quality may be different than other broker-dealers.

### **Item 13. Review of Accounts**

For those clients to whom UCG provides investment management services, UCG monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of UCG's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with UCG and to keep UCG informed of any changes thereto. UCG contacts 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. Those clients to whom UCG provides investment advisory services will also receive a report from UCG that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from UCG.

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

UCG is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, UCG is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to UCG by either an unaffiliated or an affiliated solicitor, UCG may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from UCG's investment management fee, and does not result in any additional charge to the client. If the client is introduced to UCG by an unaffiliated solicitor, the solicitor provides the client with a copy of UCG's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of UCG discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of UCG's written disclosure brochure at the time of the solicitation.

UCG may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

### Item 15. Custody

UCG's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize UCG through such *Financial Institution* to debit the client's account for the amount of UCG's fee and to directly remit that management fee to UCG in accordance with applicable custody rules.

The *Financial Institutions* recommended by UCG have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to UCG. In addition, as discussed in Item 13, UCG also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from UCG.

### Item 16. Investment Discretion

UCG may be given the authority to exercise discretion on behalf of clients. UCG is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. UCG is given this authority through a power-of-attorney included in the agreement between UCG and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). UCG takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The *Financial Institutions* to be utilized; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

UCG will vote client securities (proxies) on behalf of its clients; however, clients have the right to vote proxies themselves. Clients can exercise this right by instructing UCG in writing not to vote proxies. Generally, this is addressed in the *Agreement*.

UCG may vote proxies on behalf of its clients. The firm has engaged Broadridge Investor Communication Solutions, Inc. ("Broadridge") for its proxy voting service with Egan Jones voting recommendations. The service researches proxy proposals, provides recommendations and votes proxies on behalf of the firm. UCG has adopted Egan Jones' Proxy Voting Guidelines, which are hereby incorporated by reference.

UCG's Chief Compliance Officer ("CCO") is responsible for monitoring the proxy voting process. The CCO strives to ensure that Broadridge is making voting decisions in the best interest of clients and that proxy votes are submitted in a timely manner.

With respect to ERISA accounts, UCG will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. Clients may contact UCG to direct UCG to vote a proxy in a particular manner, request information about how Broadridge voted proxies for that client's securities, or to request a copy of Egan Jones' Proxy Voting Guidelines.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that UCG maintains with persons having an interest in the outcome of certain votes, UCG takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

UCG does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, UCG is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. UCG has no disclosures pursuant to this Item.

## **Ulrich Consulting Group, LLC**

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