

## **Item 1 Cover Page**

### **Firm Brochure**

(Part 2A of Form ADV)

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**October 02, 2013**

This brochure provides information about the qualifications and business practices of Callan Capital, LLC. If you have any questions about the contents of this brochure, please contact us at: 858-551-3800, or by email at: ryan@callancapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about the Adviser is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2 Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 858-551-3800 or by email at: [ryan@callancapital.com](mailto:ryan@callancapital.com).

## **Item 3 Table of Contents**

<b>Item 1 Cover Page.....</b>	<b>1</b>
<b>Item 2 Material Changes .....</b>	<b>2</b>
Annual Update .....	2
Material Changes since the Last Update.....	2
Full Brochure Available.....	2
<b>Item 3 Table of Contents .....</b>	<b>3</b>
<b>Item 4 Advisory Business .....</b>	<b>6</b>
Firm Description .....	6
Principal Owners.....	6
Types of Advisory Services and Engagements.....	6
Initial Public Offering Syndicate Strategy .....	6
Performance fee billing.....	7
Financial Planning .....	7
Hedge Funds .....	8
Assets Under Management .....	9
Agreements may not be assigned without client consent. Types of Agreements.....	9
Asset Management.....	9
<b>Item 5 Fees and Compensation.....</b>	<b>9</b>
Investment Management.....	9
Financial Planning .....	10
Hedgefund.....	11
<b>Item 6 Types of Clients .....</b>	<b>12</b>
Description.....	12
Account Minimums .....	12
<b>Item 7 Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>12</b>
Methods of Analysis .....	12
Investment Strategies .....	12
Market, Security and Regulatory Risks .....	12
Regulatory Risks:.....	19
Consulting Services .....	21

<b>Item 8 Disciplinary Information.....</b>	<b>20</b>
Legal and Disciplinary .....	20
<b>Item 9 Other Financial Industry Activities and Affiliations.....</b>	<b>20</b>
Affiliations .....	20
<b>Item 10 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>21</b>
Code of Ethics .....	21
Participation or Interest in Client Transactions .....	22
Personal Trading .....	22
<b>Item 11 Brokerage Practices .....</b>	<b>22</b>
Brokerage Selection and Soft Dollars .....	22
Order Aggregation/Block Trading.....	23
Block Trading .....	23
Directed Brokerage .....	24
<b>Item 12 Review of Accounts.....</b>	<b>25</b>
Periodic Reviews .....	25
Review Triggers.....	25
Regular Reports .....	25
<b>Item 13 Client Referrals and Other Compensation.....</b>	<b>25</b>
Advisory Referrals .....	25
<b>Item 14 Brokerage.....</b>	<b>28</b>
<b>Item 15 Custody .....</b>	<b>29</b>
Custody Policy .....	29
Account Statements .....	30
Performance Reports.....	30
<b>Item 16 Investment Discretion .....</b>	<b>30</b>
Discretionary Authority for Trading.....	30
<b>Item 17 Voting Client Securities.....</b>	<b>30</b>
Proxy Votes.....	30
<b>Item 18 Financial Information.....</b>	<b>31</b>
Financial Condition.....	31
<b>Business Continuity Plan.....</b>	<b>31</b>
General .....	31

Disasters .....	31
Alternate Offices .....	31
Summary of Business Continuity Plan .....	31
<b>Information Security Program .....</b>	<b>31</b>
Privacy Practices .....	31
<b>Brochure Supplement (Part 2B of Form ADV) .....</b>	<b>34</b>
Education and Business Standards.....	34
Professional Certifications .....	34
Ryan J. Callan .....	34
Trevor M. Callan.....	34
Tim S. Callan .....	35

## **Item 4 Advisory Business**

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### **Firm Description**

Callan Capital, LLC hereinafter (“the Adviser”) was founded in 2007 and is an SEC registered investment adviser. Callan Capital, LLC is an investment adviser providing financial planning, consulting, and investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. The Adviser, depending upon the engagement, offers its services on a fee basis which may include fixed fees as well as fees based upon assets under management. Alternatively, the Adviser’s Advisory Affiliate, Callan Capital Insurance Services, LLC may offer insurance products under a commission arrangement. Prior to engaging the Adviser to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with the Adviser setting forth the terms and conditions under which the Adviser shall render its services (collectively the “Agreement”).

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### **Principal Owners**

Trevor Callan is a 60% stockholder. Tim Callan is a 26% stockholder. Ryan Callan is a 14% stockholder.

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### **Types of Advisory Services and Engagements**

The Adviser provides investment supervisory services, also known as asset management services. On more than an occasional basis, the Adviser furnishes advice to clients on matters not involving securities.

#### **Asset Management**

In the event the client determines to engage the Adviser to provide investment management services, the Adviser may do so on a fee basis. The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. The agreement sets forth the services to be provided, the fees for the service and the agreement may be terminated by either party in writing at any time. If engaged, the Adviser shall charge an annual fee based upon a percentage of the market value of the assets being managed by the Adviser. The Adviser’s annual fee shall be prorated and charged quarterly, in arrears, based upon the average market value of the assets on the last day of the previous three months.

As part of the asset management service, all aspects of the client’s financial affairs are reviewed, including those of their children. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis. The Adviser periodically reviews a client’s financial situation and portfolio through regular contact with the client which often includes an annual meeting with the client.

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### **Initial Public Offering Syndicate Strategy**

The Advisor offers an IPO and Syndicate Strategy to clients whereby the advisor recommends that the clients involved in the strategy purchase select IPO and

Secondary Offerings. The advisor forwards prospectus' to the clients, the client reviews the prospectus and the clients respond with the amount of shares that they wish to purchase, if any. For this service, the Advisor charges a 20% performance-based fee on all realized and unrealized gains at the end of each calendar quarter.

Callan Capital will review each IPO and Syndicate Prospectus offered to our firm to determine if it is a deal that our clients should participate in. If we deem that our clients should participate, we will ask the clients involved in this strategy if they would like to participate and how many shares they would like to indicate for.

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### **Performance fee billing**

For clients who are charged performance fees, Callan Capital calculates the performance fees quarterly for both realized and unrealized gains. If Callan Capital bills on an unrealized gain that later turns into a realized loss AND the client terminates the relationship the following quarter before fees could be offset, Callan Capital would refund the client any amount owed

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### **Financial Planning**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, personal liability, budgeting, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax,

powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

- **CORPORATE PLANNING SERVICES:** We work with Corporations and their employees who engage us for financial planning services. The financial plan that the employee will receive encompasses all of the areas discussed above.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

We engage unaffiliated third-parties to assist us with the technical expertise, preparation and the delivery of our financial planning services. Clients who engage us to prepare a financial plan will be required to enter into a separate financial planning agreement. All necessary confidentiality precautions are taken when sharing personal information. Clients should carefully read our financial planning agreement and our privacy policy for additional details about how we limit the personal information that we share in connection with this and our other services.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are of a generic nature. We are not a law firm or an accounting firm and do not offer legal or tax advice.

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## **Hedge Funds**

Callan Capital, LLC (the "Adviser") a California limited liability company offers investment advisory services to Callan Capital Distressed Debt and Income Opportunity Fund I, L.P. (the "Fund") a Delaware limited partnership. Callan Capital Alternative Investment LLC, a Delaware limited liability company (the "General Partner"), serves as the general partner of the Fund.

The Adviser may make investments in the Fund available to clients meeting certain qualification standards. The Adviser does not intend to advise clients as to the appropriateness of investing in the Fund and the Adviser will not receive any compensation for doing so except to the extent that the Adviser receives advisory and other fees from the Fund or for selling interests in the Fund. However, because of the



relationship between the Adviser and the Fund, the Adviser could be considered to have recommended the investment should a person invest.

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**Assets Under Management**

As of December 31<sup>st</sup> 2012 the Adviser manages approximately \$411.163.685 in assets for approximately 90 clients on a discretionary basis.

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**Agreements may not be assigned without client consent. Types of Agreements**

The following agreements define the typical client relationships.

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**Asset Management**

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, exchange traded funds (ETFs), investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

In Addition, the Adviser may recommend that clients that 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 client’s investment objectives. When the Adviser recommends that the client invest in private placement securities, the Adviser shall receive no additional compensation but shall continue to receive applicable investment advisory fees on the client’s assets under management.

The Adviser may also provide advice about exchange traded funds (ETFs) and any type of investment held in a client’s portfolio at the beginning of the advisory relationship.

Stocks, bonds, ETFs and other securities may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for trades. The Adviser does not receive any compensation, in any form, from fund companies.

## **Item 5 Fees and Compensation**

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**Investment Management**

The Adviser bases its fees on a percentage of assets under management, fixed fees (not including subscription fees). Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client’s discretion.

**Asset Management**

The annual fee shall be on a tiered system based on the client’s assets under management.

<b>Annualized Investment Management Fees</b>
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Account Value From	Account Value To	Annual Percentage Fee
\$0	\$2,000,000	1.00%
\$2,000,001	\$ 5,000,000	.75%
\$5,000,001	\$10,000,000	.50%
\$10,000,001	\$20,000,000	.30%
\$20,000,001	\$50,000,000	.20%
Over \$50,000,000		<i>Negotiable</i>

### **Minimum fee of \$3,750.00/quarter**

It should be noted that the Adviser may have clients who were engaged prior to the incorporation of the fee schedule disclosed herein. These clients are considered “legacy” clients and may pay a fee that is higher or lower depending on the time at which the client engaged the Adviser to render investment management services

The Adviser, in its sole discretion, may negotiate to charge a lesser management fee, and / or the Adviser may waive the annual minimum 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 Adviser intends to primarily allocate its client’s investment management assets, on a discretionary and/or a non-discretionary basis among Independent Managers (as defined below), mutual funds, and exchange traded funds in accordance with the investment objectives of the client.

Clients may incur certain charges imposed by third parties such as fees charged by Independent Managers (as defined below), custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be 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 the Adviser’s fee. However, the Adviser shall not receive any portion of these commissions, fees, and costs

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### **Financial Planning**

The Adviser may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). The Adviser will charge a fixed fee for these services. The Adviser’s financial planning and consulting fees are negotiable, but generally range from \$500 to \$15,000 on a fixed fee basis depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Adviser for additional investment advisory services, the Adviser

may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The Adviser requires one-half of the financial planning / consulting fee payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates the Adviser's financial planning and/or consulting services, the balance of the Adviser's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services the client shall be entitled to a full refund.

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### **Hedgefund**

As previously disclosed above the Adviser a California limited liability company offers investment advisory services to Callan Capital Distressed Debt and Income Opportunity Fund I, L.P. (the "Fund") a Delaware limited partnership. Callan Capital Alternative Investment LLC, a Delaware limited liability company (the "General Partner"), serves as the general partner of the Fund. The Adviser charges the Fund a 1.0% annual management fee. Management fees are payable quarterly in arrears and are based on the market value of the Limited Partners' assets under management as of the last business day of the prior calendar quarter net of withdrawals as of such last business day plus subscriptions on the first business day of the calendar quarter. Fees are prorated for investments that are at times other than the start of a calendar quarter and the Adviser reserves the right to waive or reduce its management fee. The fees cover the normal operating expenses of the Adviser and the Fund will cover all other expenses.

Limited Partners should note that lower fees for comparable services may be available from other sources.

In addition, the Adviser may charge an annual performance fee of 10%. Limited Partners subject to an annual performance fee must be "qualified clients" under federal securities laws. All Limited Partners that will be charged performance fees must have at least \$750,000 invested with the Adviser or have a net worth of more than \$1,500,000 at the time of entering into an agreement. The performance fee is assessed at the end of the calendar year if there has been a net asset increase that is above any net asset decrease in the Limited Partner's account value in the current year, carried forward from prior years and prorated for any partial withdrawals. Investments other than the start of a calendar year and withdrawals other than the end of calendar year are prorated for the purpose of calculating the performance fee.

### **Item 6 Performance Based fees**

Performance fees may create an incentive for the Adviser to make investments that involve more risk and are more speculative than would be the case in the absence of a performance-based fee. Performance fees are calculated based on unrealized appreciation as well as realized gains in the clients' accounts so the Adviser may receive increased compensation based on this method of calculation.

The Adviser reserves the right to waive or reduce its performance fee.

## Item 7 Types of Clients

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### Description

The Adviser generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, and corporations or business entities. Client relationships vary in scope and length of service.

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### Account Minimums

The Adviser may assess a minimum annual fee to accounts receiving ongoing asset management services. However, the Advisor has discretion to waive the minimum annual fee or negotiate to charge a lesser minimum annual 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 dollar amount of the minimum annual fee is \$15,000.00.

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

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### Methods of Analysis

The Adviser may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Manager(s), based upon the stated investment objectives of the client. When recommending or selecting an Independent Manager for a client, the Registrant shall review information about the Independent Manager(s) such as its disclosure statement and/or material supplied by the Independent Manager(s) or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

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### Investment Strategies

Strategies may include long-term purchases, short-term purchases margin transactions, initial public offerings, secondary offerings and option writing. The Adviser strives to ensure portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

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### Market, Security and Regulatory Risks

Any investment with an Adviser involves significant risk, including a complete loss of capital and conflicts of interest. All investment programs have certain risks that are borne by the investor which are described below. In addition, any and all investors should refer to the firm's confidential private placement memorandum for a more

specific risks related to alternative investments such as the Callan Capital Distressed Debt and Income Opportunity Fund I, LP prior to making a decision to invest in the fund.

Market Risks:

- **Competition:** The securities industry and the varied strategies and techniques to be engaged in by the Adviser are extremely competitive and each involves a degree of risk. The Adviser will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.
- **Market Volatility:** The profitability of the Adviser substantially depends upon it correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Adviser cannot guarantee that it will be successful in accurately predicting price and interest rate movements.
- **Callan Capital, LLC's Investment Activities:** The Adviser's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Adviser. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Adviser to realize profits. Additionally, specific investments under the Adviser's strategy may require significant time to realize the expected return and may experience a pricing correction in a faster-than-expected time, subjecting the Adviser to reinvestment risk. Likewise, the investment strategy of the Adviser is partially dependent on its ability to correctly identify and assess technology's impact on a company's business. As a result of the nature of the Adviser's investing activities, it is possible that its financial performance may fluctuate substantially over time and from period to period.
- **Material Non-Public Information:** By reason of their responsibilities in connection with other activities of the Adviser and/or its affiliates, certain principals or employees of the Adviser and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Adviser will not be free to act upon any such information. Due to these restrictions, the Adviser may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

- **Accuracy of Public Information:** The Adviser selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.
- **Investments in Undervalued Securities:** The Adviser intends to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Adviser's investments may not adequately compensate for the business and financial risks assumed. The Adviser may make certain speculative investments in securities which it believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Adviser may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Adviser's funds would be committed to the investments made, thus possibly preventing the Adviser from investing in other opportunities.
- **Small Companies:** The Adviser may invest a portion of its assets in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Adviser may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

- **Volatility of Currency Prices:** The profitability of the Adviser's portfolios depends, in part, upon the Adviser correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Adviser cannot guarantee that it will be successful in accurately predicting currency price and interest rate movements.
- **Leverage:** When deemed appropriate by the Adviser and subject to applicable regulations, the Adviser may incur leverage in its investment program, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Adviser purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Adviser. If the interest expense on this leverage were to exceed the net return on the investments made with borrowed funds, the Adviser's use of leverage would result in a lower rate of return than if the Adviser were not leveraged.

If the amount of borrowings which the Adviser may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Adviser's portfolios will have disproportionately large effects in relation to the Adviser's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of the Adviser to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to the Adviser, the net asset value of the Adviser will generally decline faster than would otherwise be the case.

Certain of the Adviser's trading and investment activities may be subject to Federal Reserve Board ("**FRB**") margin requirements, which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the assets managed by the Adviser, the Adviser might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the Adviser's trading activities, the Adviser, and not the Limited Partners personally, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

- **Options and Other Derivative Instruments:** The Adviser may invest, from time to time, in options and other derivative instruments, including, but not limited to, the buying and selling of puts and calls on some of the securities held by the Adviser. The prices of many derivative instruments, including many options and swaps, are highly volatile. The values of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Adviser is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument or asset at the exercise price.

If a put or call option purchased by the Adviser were permitted to expire without being sold or exercised, the Adviser would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to the Adviser at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by the Adviser at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the



exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Adviser of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

- **Hedging Transactions:** Investments in financial instruments such as forward contracts, options, commodities and interest rate swaps, caps and floors, other derivatives, and other investment techniques are commonly utilized by investment funds to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates, interest rates and/or the equity markets or sectors thereof. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Adviser to hedge against a fluctuation at a price sufficient to protect the Adviser's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying instruments or assets. Accordingly, options on highly volatile instruments or assets may be more expensive than options on other instruments or assets and of limited utility in hedging against fluctuations in their prices.

The Adviser is not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedges are implemented, their success is somewhat dependent on the Adviser's ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

- **Market or Interest Rate Risk:** The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. If the Adviser holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Adviser's performance; however, if the Adviser has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Adviser.
- **Fixed Income Call Option Risk:** Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Adviser is exposed to reinvestment rate risk – the Adviser will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.
- **Maturity Risk:** In certain situations, the Adviser may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Adviser will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent

entirely on the parallel shift assumption for the yield curve.

- **Inflation Risk:** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Adviser purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, the Adviser is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.
- **Investments in Non-U.S. Investments:** From time to time, the Adviser may invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks may include:
  - Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
  - Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
  - Foreign securities and other assets often trade in currencies other than the U.S. dollar, and the Adviser may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the Adviser's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Adviser's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Adviser's foreign currency holdings. If the Adviser enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Adviser enters forward contracts for the purpose of increasing return, it may sustain losses.
  - Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

**Risk of Default or Bankruptcy of Third Parties:** The Adviser may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, the Adviser could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid.

In addition, the Adviser could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Adviser does business, or to which securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if the Adviser's prime broker and custodian were to become insolvent or file for bankruptcy, the Adviser could suffer significant losses with respect to any securities held by such firm.

#### Regulatory Risks:

- **Strategy Restrictions:** Certain institutions may be restricted from directly utilizing investment strategies of the type in which the Adviser may engage. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel and accountants to determine what restrictions may apply and whether an investment in the Adviser is appropriate.
- **Trading Limitations:** For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Adviser to loss. Also, such a suspension could render it impossible for the Adviser to liquidate positions and thereby expose the Adviser to potential losses.
- **Tax Risk:** The tax aspects of an investment in the Adviser are complicated and each investor should have them reviewed by professional advisers familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles as applicable.
- **Conflicts of Interest:** In the administration of client accounts, portfolios and financial reporting, the Adviser faces inherent conflicts of interest which are described in this brochure. Generally, the Adviser mitigates these conflicts through its Code of Ethics which provides that the client's interest is always held above that of the Firm and its associated persons.
- **Supervision of Trading Operations:** The Adviser, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the portfolio accounts to ensure compliance with firm and client objectives. Despite the Adviser's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in portfolio accounts.

Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

#### Security Specific Risks:

- **Liquidity:** Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.
- **Currency:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Limited Liquidity of Interests:** An investment in a partnership usually involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for these interests and no market should be expected to develop. Additionally, transfers are usually subject to the consent of the general partner at the general partner's sole discretion.
- **Lack of Registration:** Funds or LP interests have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions.
- **Withdrawal of Capital:** The ability to withdraw funds from the funds or LP interests is usually restricted in accordance with the withdrawal provisions contained in an Offering Memorandum. In addition, substantial withdrawals by investors within a short period of time could require a fund to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the fund's assets and/or disrupting the fund's investment strategy.

## Item 9 Disciplinary Information

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### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Item 10 Other Financial Industry Activities and Affiliations

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### Affiliations

The Adviser does not render real estate or mortgage services to its clients. However, the Adviser may act as solicitor and recommend certain of its clients to various licensed mortgage brokers. These mortgage brokers shall render these services independently of the Adviser. The Adviser shall be entitled to charge its clients a fee for these services.

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## Consulting Services

Callan Capital, LLC has been retained by Versus Capital Advisors LLC to provide certain advisor and consulting services to assist in brand recognition and marketing practices for Versus Capital.

**Services Provided By Callan Capital.** Callan Capital provides to Versus Capital the following services:

- a) Ongoing advice and consultation regarding development, management and costs associated with establishing the Versus Capital brand generally within the registered investment advisory market.
- b) Ongoing advice and consultation regarding new product formation including concept, structuring and distribution potential within the registered investment advisor channel providing market feedback from Callan Capital's registered investment advisor firm peers to Versus Capital.

**Services Compensation.** Versus Capital provided Callan Capital with warrants for consideration for the services provided. The warrants allow Callan Capital to acquire up to 5,000 Class B LLC Units in Versus Capital Advisors LLC (representing a 5% cash flow interest). The compensation is fixed and is not based on any transactions in any securities.

**Conflicts of interest.** This arrangement may create a conflict of interest by if Callan Capital recommends a mutual fund managed by Versus Capital Advisors, LLC. Callan Capital will mitigate these risks by continuing to recommend investments to clients which match their risk tolerance and offer portfolio diversification. We endeavor at all times to put the interests of our clients first as part of our fiduciary duty as a registered investment adviser. We address these conflicts of interest by disclosing all material conflicts of interests to clients and have adopted policies and procedures to mitigate all such conflicts between Callan and its advisory clients.

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

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### Code of Ethics

The Adviser has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Adviser and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code to any client or prospective client upon request.

The Code also requires that certain of the Adviser'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 the Code, none of the Adviser'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 the Adviser's clients.

When the Adviser 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 the Adviser 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.

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### **Participation or Interest in Client Transactions**

Under the Adviser's Code of Ethics, the Adviser and its managers, members, officers and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. If an issue is purchased or sold for clients and any of the Adviser, managers, members, officers and employees on the same day purchase or sell the same security, either the clients and the Adviser, managers, members, officers or employees shall receive or pay the same price or the clients shall receive a more favorable price.

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### **Personal Trading**

The Chief Compliance Officer of the Adviser is Ryan Callan. He reviews all employee trades each quarter (except for his own trading activity that is reviewed by another principal or officer of the Firm). The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## **Item 12 Brokerage Practices**

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### **Brokerage Selection and Soft Dollars**

The Adviser has the authority over the selection of the broker to be used and the commission rates to be paid without obtaining specific client consent. The Adviser may recommend brokerage firms as qualified custodians and for trade execution.

In selecting brokers or dealers to execute transactions, Advisor will seek to achieve the best execution possible but this does not require it to solicit competitive bids and

does not have an obligation to seek the lowest available commission cost. Advisor is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker which are included in the commission rate. It is the policy and practice of the Adviser to strive for the best price and execution for costs and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities Exchange Act of 1934, as amended. Nevertheless, it is understood that the Adviser may pay compensation on a transaction in excess of the amount of compensation that another broker or dealer may charge so long as it is in compliance with Section 28(e), and the Adviser makes no warranty or representation regarding compensation paid on transactions. In negotiating mark-ups or mark-downs, the Adviser will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although the client may not, in any particular instance, be the sole direct or indirect beneficiary of the research services provided. The Adviser has no obligation to deal with any broker or group of brokers in executing transactions in portfolio securities.

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### **Order Aggregation/Block Trading**

As a matter of policy, our procedures are designed to be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients. Callan Capital's policy prohibits any allocation of trades in a manner that Callan's proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts. Callan Capital has adopted a clear written policy for the fair and equitable allocation of transactions, (e.g., pro-rata allocation, rotational allocation, or other means.

Callan Capital may participate in an IPO in the event a portfolio manager deems it appropriate for eligible accounts, depending on client's needs and investment objectives. Desired allocations are submitted prior to the offering date, however, post execution allocations may vary. The Chief Compliance Officer or his designee reviews and approves all IPO allocations.

If an IPO indication of interest is filled in its entirety, securities purchased in the aggregate transaction will be allocated among accounts participating in the trade in accordance with the allocation statement. Account allocations are based on individual portfolio weightings and how the allocation will affect the balance of the portfolio. If the order is partially filled, the securities will be allocated pro rata based on the allocation statement. Where the full amount of a block execution is not executed, the partial amount actually executed will be allocated on a pro rata basis whenever possible.

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### **Block Trading**

Transactions for each client generally will be effected independently, unless the Adviser decides to purchase or sell the same securities for several clients at approximately the same time. The Adviser 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 the Adviser’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 the Adviser’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Adviser determines to aggregate client orders for the purchase or sale of securities, including securities in which the Adviser’s *Advisory Affiliate(s)* may invest, the Adviser shall generally do 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.

The Adviser shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Adviser 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, the Adviser 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.

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### **Directed Brokerage**

The Adviser may from time to time allow clients to direct brokerage but the Adviser does not require clients to direct brokerage. In the event that a client directs the Adviser to use a particular broker or dealer, the Adviser may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct the Adviser to use a particular broker or dealer and other clients who do not direct Advisor to use a particular broker or dealer which may result in higher trading expenses to the client who directs brokerage. The Adviser may place orders for transactions in certain securities initially only for those accounts which are held in custody at banks or at brokerage firms that permit the Adviser to place trades for accounts held in custody at that firm with other brokerage firms. Therefore, accounts held in custody at firms which do not permit the Adviser to place transactions with other brokerage firms



may not be able to participate in the initial transaction and may not be able to participate in the same gains or losses as other Clients whose accounts are not so restricted. In cases where trading or investment restrictions are placed on a Client's account, the Adviser may be precluded from aggregating that Client's transaction with other accounts which may result in less favorable security prices and/or higher transaction costs.

## **Item 13 Review of Accounts**

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### **Periodic Reviews**

For those clients to whom the Adviser provides investment management services, the Adviser monitors those portfolios as part of an ongoing process. For those clients to whom the Adviser provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of the Adviser’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Adviser and to keep the Adviser informed of any changes thereto. The Adviser shall contact ongoing investment advisory clients 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.

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### **Review Triggers**

Accounts are reviewed quarterly or more frequently when market conditions dictate. Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's financial or personal situation.

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### **Regular Reports**

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 the Adviser provides investment advisory services will also receive a report from the Adviser that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance from time to time.

Those clients to whom the Adviser provides financial planning and/or consulting services may receive reports from the Adviser summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by the Adviser.

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

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### **Advisory Referrals**

The Adviser may recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent

investment manager(s) either directly or through a wrap fee program (“Independent Manager(s)”), based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the Independent Manager(s) shall be set forth in separate written agreements between (1) the client and the Adviser and (2) the client and the designated Independent Manager(s) and/or wrap fee program sponsor. The Adviser shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which the Adviser shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager(s). Factors that the Adviser shall consider in recommending Independent Manager(s) include the client’s stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Manager(s), together with the fees charged by the wrap fee program sponsor and corresponding designated broker-dealer/custodian of the client’s assets, may be exclusive of, and in addition to, the Adviser’s investment advisory fee set forth above.

If the Adviser refers a client to certain Independent Manager(s) where the Adviser’s compensation is included in the advisory fee charged by such Independent Manager(s) and the client engages those Independent Manager(s), the Adviser shall be compensated for its services by receipt of a fee to be paid directly by the Independent Manager(s) to the Adviser in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid solely from the Independent Manager(s) investment management fee or the program fee of the wrap fee program (as appropriate), and shall not result in any additional charge to the client. This presents a potential conflict of interest. As part of its fiduciary responsibilities to clients, the Adviser will never base its referrals solely on any compensation that might be received. Any referral fees will be paid solely by the adviser s to which the clients are referred and will not result in any additional charges to clients.

The Adviser also may render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, the Adviser either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client’s retirement plan.

The client may make additions to and withdrawals from the account at any time, subject to the Adviser’s right to terminate an account. Clients may withdraw account assets on notice to the Adviser, subject to the usual and customary securities settlement procedures. However, the Adviser designs its portfolios as long-term investments and assets withdrawals may impair the achievement of a client’s investment objectives.

For the initial quarter of investment management services, the first quarter's fees shall be calculated on a pro rata basis. The Agreement between the Adviser and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. The Adviser's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Additions may be in cash or securities provided that the Adviser reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Adviser 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.

The Adviser's clients are advised to promptly notify the Adviser if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon the Adviser's management services.

A copy of the Adviser's privacy policy notice and a written disclosure statement that meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), shall be provided to each client prior to or contemporaneously with the execution of the Agreement. Any client who has not received a copy of the Adviser's written disclosure statement at least forty-eight (48) hours prior to executing the Agreement shall have five (5) business days subsequent to executing the agreement to terminate the Adviser's services without penalty.

#### **Solicitors who refer advisory clients**

Callan Capital, LLC receives referrals from solicitors who refer advisory clients to Callan Capital. Callan Capital reserves the right to compensate solicitors who refer clients. **The Solicitor's Fee is paid by Callan Capital and not by the client. Callan Capital has agreed not to charge clients referred through Solicitors fees or costs greater than the fees or costs Callan Capital charges clients with similar portfolios who were not referred through a solicitor.**

#### **Client Referral Relationship with Charles Schwab & Co., Inc.**

Callan Capital, LLC receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through Callan Capital's participation in Schwab Advisor Network<sup>®</sup> ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Callan Capital. Schwab does not supervise Advisor and has no responsibility for Callan Capital's management of clients' portfolios or Advisor's other advice or services. Callan Capital pays Schwab fees to receive client referrals through the Service. Callan Capital's participation in the Service may raise potential conflicts of interest described below.

Callan Capital pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid

by Callan Capital is a percentage of the fees the client owes to [Callan Capital or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Callan Capital pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Callan Capital quarterly and may increase, decrease or waived by Schwab from time to time. **The Participation Fee is paid by Callan Capital and not by the client. Callan Capital has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Callan Capital charges clients with similar portfolios who were not referred through the Service.**

Callan Capital generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, Callan Capital will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Callan Capital's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Callan Capital will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Callan Capital's fees directly from the accounts.

For accounts of Callan Capital's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Callan Capital's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Callan Capital may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Callan Capital nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Callan Capital's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## **Item 14 Brokerage**

Adviser may recommend that clients establish brokerage accounts with the Schwab Institutional 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. Adviser is independently owned and operated and not affiliated with Schwab. Schwab Institutional provides Adviser 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 Institutional services include brokerage, custody, research, 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 Adviser client accounts maintained in its custody, Schwab Institutional generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab Institutional or that settle into Schwab Institutional accounts.

Schwab Institutional also makes available to Adviser other products and services that benefit Adviser but may not benefit its clients' accounts. Some of these other products and services assist Adviser in managing and administering clients' accounts. These include software and other technology 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 Adviser fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Advisers accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to Adviser other services intended to help Adviser manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab Institutional may make available, arrange and/or pay for these types of services rendered to Adviser 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 Adviser. Schwab Institutional may offer advisor tickets to events that are hosted by Schwab Institutional and its employees. Schwab Institutional also may make occasional contributions to charitable organizations for which advisor, its employees or their families have a relationship. While as a fiduciary, Adviser endeavors to act in its clients' best interests, and Adviser recommendation that clients maintain their assets in accounts at Schwab Institutional may be based in part on the benefit to Adviser of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab Institutional, which may create a potential conflict of interest.

## **Item 15 Custody**

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### **Custody Policy**

The Adviser has obtained custody due to its affiliation with Callan Capital Distressed Debt and Income Opportunity Fund I, L.P. For further information regarding this affiliation please refer to the firm's confidential private placement memorandum.

The Adviser has adopted the appropriate policies and procedures to monitor and supervise this relationship. The Adviser has obtained a CPA registered with the PCAOB to do a GAAP audit on an annual basis per Rule 206(4)-2 of the 1940 Investment Advisers Act as amended.

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**Account Statements**

All assets are held at qualified custodians with exception to the Callan Capital Distressed Debt and Income Opportunity Fund I, L.P. as noted above. The custodians provide account statements not less than quarterly to clients at their address of record. Clients should carefully review such statements for any discrepancies or inaccuracies. It should be noted that assets of the Callan Capital Distressed Debt and Income Opportunity Fund I, L.P are invested directly into third party asset managers. The Adviser retains an accounting firm (as outlined above) who accounts for performance and sends quarterly statements in place of a traditional custodian.

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**Performance Reports**

Pursuant to recent amendments to Rule 206(4) under the Investment Advisers Act of 1940, the Securities and Exchange Commission now requires advisers to urge clients to compare the information set forth in their statement from the Adviser with the statements received directly from the custodian to ensure accuracy of all account transactions.

**Item 16 Investment Discretion**

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**Discretionary Authority for Trading**

The Adviser contracts for limited discretionary authority to transact portfolio securities accounts on behalf of clients. Discretionary authority is granted by the Adviser's investment management agreement. The Adviser has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The firm's discretionary authority regarding investments may however be subject to certain limitations. These limitations are recognized as the restrictions and prohibitions placed by the Client on transactions in certain types of business or industries. All such restrictions are to be agreed upon in writing at the account's inception.

The client authorizes the discretion to select the custodian to be used and the commission rates paid to the Adviser. The Adviser does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

**Item 17 Voting Client Securities**

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**Proxy Votes**

The Adviser will not vote nor advise clients how to vote proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. The Adviser does not give any advice or take any action with respect to the voting of these proxies. For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held

in plan accounts. The Adviser promptly passes along any proxy voting information to the clients or their representatives.

## **Item 18 Financial Information**

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### **Financial Condition**

The Adviser does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. The Adviser meets all net capital requirements that it is subject to and the Adviser has not been the subject of a bankruptcy petition in the last 10 years.

The Adviser is not required to provide a balance sheet as it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## **Business Continuity Plan**

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### **General**

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

### **Summary of Business Continuity Plan**

A summary of the business continuity plan is available upon request to Callan Capital, LLC's Chief Compliance Officer.

## **Information Security Program**

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### **Privacy Practices**

### **Privacy Policy**

Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is contained in your client advisory agreement and may be obtained by contacting the Compliance Officer of the Adviser.

Callan Capital, LLC:

- a) Collects non-public personal information about its clients from the following sources:
  - Information received from clients on applications or other forms;
  - Information about clients' transactions with the Adviser, its affiliates and others;
  - Information received from our correspondent clearing broker with respect to client accounts;
  - Medical information submitted as part of an insurance application for a traditional life or variable life policy; and
  - Information received from service bureaus or other third parties.
  
- b) The Adviser will not share such information with any affiliated or nonaffiliated third party except:
  - When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
  - When required to maintain or service a customer account;
  - To resolve customer disputes or inquiries;
  - With persons acting in a fiduciary or representative capacity on behalf of the customer;
  - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;
  - In connection with a sale or merger of The Adviser's business;
  - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;
  - To comply with federal, state or local laws, rules and other applicable legal requirements;
  - In connection with a written agreement to provide investment management or advisory and financial planning services when the information is released for the sole purpose of providing the products or services covered by the agreement;
  - In any circumstances with the customer's instruction or consent.



- c) Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.
- d) Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.

## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

Callan Capital, LLC requires that advisors have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning.

Examples of acceptable coursework may include: an MBA, a CFP, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

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### Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

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### Ryan J. Callan

Educational Background:

- **Ryan Callan** was born in 1974
- University of Nevada, Reno– 1997, BA, Geography

Business Experience:

- Callan Capital, LLC, Chief Operating Officer, 01/2007 – Present
- Merrill Lynch, Pierce, Fenner & Smith, Inc., Financial Advisor, 02/2002 – 01/2007
- WFP Securities, Registered Representative, 10/2001 – 01/2002

Other Business Activities: None

Additional Compensation: None

Supervision:

Ryan Callan is supervised by Trevor Callan, CEO. He reviews Ryan Callan's work through frequent office interactions.

Trevor Callan's contact information:

Phone: 858-551-3800 Email [trevor@callancapital.com](mailto:trevor@callancapital.com)

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

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### Trevor M. Callan

Educational Background:

- **Trevor Callan** was born in 1971
- San Diego State University – 1994, BS, Finance

Business Experience:

- Callan Capital, LLC, Chief Executive Officer, 01/2007 – Present
- Merrill Lynch, Pierce, Fenner & Smith, Inc., Private Wealth Advisor, 02/1994 – 01/2007

Other Business Activities: None

Additional Compensation: None

Supervision:

Trevor Callan is supervised by Ryan Callan, CCO. He reviews Trevor Callan's work through frequent office interactions.

Ryan Callan's contact information:

Phone: 858-551-3800 Email: [ryan@callancapital.com](mailto:ryan@callancapital.com)

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

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**Tim S. Callan**

Educational Background:

- **Tim Callan** was born in 1977
- University of Colorado – 1999, BS, Finance

Business Experience:

- Callan Capital, LLC, President, 01/2007 – Present
- Merrill Lynch, Pierce, Fenner & Smith, Inc., Private Wealth Advisor, 01/2000 – 01/2007

Other Business Activities: None

Additional Compensation: None

Supervision:

Tim Callan is supervised by Ryan Callan, CCO. He reviews Tim Callan's work through frequent office interactions.

Ryan Callan's contact information:

Phone: 858-551-3800 Email: [ryan@callancapital.com](mailto:ryan@callancapital.com)

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

