

**Form ADV Part 2A – Firm Brochure  
Item 1 – Cover Page**

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Date of Brochure: June 2013

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This brochure provides information about the qualifications and business practices of The Advocate Group, LLC. If you have any questions about the contents of this brochure, please contact Shannon O'Leary at 952.693.2630 or [soleary@TheAdvocateGroup.com](mailto:soleary@TheAdvocateGroup.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 Advocate Group, LLC is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view The Advocate Group, LLC's information on this website by searching for The Advocate Group, LLC. You may search for information by using The Advocate Group, LLC's name or by using The Advocate Group, LLC's CRD number. The CRD number for The Advocate Group, LLC is 155270.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since our last brochure update was filed in March 2013, the following changes have occurred:

Shannon O'Leary, Director of Investment Management, assumed the role of Chief Compliance Officer from Phillip Barnhill, effective June 1, 2013. The change in the CCO role at The Advocate Group, LLC, was made to allow Mr. Barnhill to focus on additional growth opportunities in our business model. Shannon O'Leary previously acted as Mr. Barnhill's Qualified Designee in the supervision and administration of The Advocate Group, LLC's compliance programs.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Advisory Business**

The Advocate Group, LLC is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”). The Advocate Group, LLC has been registered with the SEC as an investment advisor since April 2011.

### **Brief History**

The Advocate Group, LLC’s sister company, TAG Financial Services, Inc. (formerly known as The Advocate Group, Inc.) was founded in 2001 by Phillip and Michele Barnhill and Rick Lueck. After development of an analytical tool to explain and project the complex equity compensation structure of General Mills, we initiated an exclusive focus on serving the needs and interests of senior officers of General Mills. The practice grew rapidly by the efforts of the founders and referrals from existing clients. After a two year focus on exclusively working with Vice Presidents and above, the firm also began working with Director-level employees at General Mills. Over the years, the firm has expanded its service offering to senior officers of several other large Minnesota companies and today, our clientele are dispersed across the country.

The Advocate Group, LLC is a Minnesota limited liability company. The controlling members are listed below.

- Philip W. Barnhill, Member, Chief Executive Officer
- Ricky L. Lueck, Member & President
- Michele A. Perry-Barnhill, Member, Secretary, & Operations Manager
- F. Echo Huang, Member
- David B. Van Benschoten, Member, Treasurer & Chief Investment Officer

### **General Description of Primary Advisory Services**

#### ***Investment Philosophy***

The firm’s core belief is that it is a comprehensive financial plan that should drive investment and asset allocation decisions, not exclusively the client’s personal risk tolerance. Most of the firm’s clients hold a personal risk tolerance which may be higher than the required risk necessary to achieve sufficient returns for a successful investment and life outcome. Detailed discussion of this span between required risk and tolerated risk leads to a very interesting and clarifying discovery of each client’s desired risk. It is this desired risk, not tolerance for risk, which becomes foundational to each client’s individually designed asset allocation.

Helping a client establish sufficient liquid reserves to remain steady in the face of market volatility is another important element of the firm's investment philosophy. Most human investment behavior is oriented toward buying at the exuberant market highs and selling at the distressing market lows. Proper liquidity and reserves can create an environment which allows a client to overcome this behavioral tendency to do the exact opposite of what is necessary to be a successful investor.

Allowing The Advocate Group to act in the capacity of investment advisor for the client, by using its discretion in portfolio management, also enhances the professional investment experience because delegation of discretion can relieve stress without a loss of client control. Full discretion is not required by the firm, but it is desired.

The Advocate Group's Investment Philosophy is also impacted by the unique circumstances of its client base. Virtually all clients of the firm hold a concentrated wealth position in the securities of the company for whom they work. Proper management of this concentrated wealth position, within the context of the entire investment portfolio and financial plan, are key elements of the firm's overall value proposition. Successful investment management at The Advocate Group is not about achievement of a certain performance above a predefined benchmark. Our idea of a proper investment management experience is about achieving sufficient return at each client's desired level of risk to achieve successful fulfillment of their individual financial objectives.

The following are brief descriptions of The Advocate Group's primary services. A detailed description of The Advocate Group's services is provided in Item 5 – Fees and Compensation so that clients and prospective clients can review the services and description of fees in a side-by-side manner.

**Financial Planning** - The Advocate Group provides advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focus on a client's overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through topics including, but not limited to, investment management, tax planning, retirement/cash flow modeling, transition planning, estate design, risk management and philanthropic planning. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

**Investment Management** - The Advocate Group provides advisory services in the form of investment management services. Investment management services involve providing clients with on-going supervision over client accounts. This means that the Advocate Group will monitor a client's account and make trades in client accounts when necessary. The Advocate Group primarily provides this service through The Advocate Group Managed Account Program at LPL Financial. The Advocate Group also offers The Advocate Group Managed Account Program at US Bank and Charles Schwab.

**Use of Third Party Money Managers** - The Advocate Group provides advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary. The Advocate Group provides this service through the Optimum Market Portfolios program and Model Wealth Portfolio program at LPL Financial.

**Specialization** - The Advocate Group considers itself to specialize in the following areas:

- Financial planning services provided based on the individual needs of each client.

- Investment management services using the following forms of analysis: charting, fundamental, technical and cyclical.
- Investment management services that are provided on an individualized basis. This means services are provided specific to each client's different needs and objectives. Depending on the each client's individual needs, strategies will focus on long-term strategies, short-term strategies, short-selling techniques, methods requiring margin accounts and option writing.

***Limits Advice to Certain Types of Investments.*** The Advocate Group provides investment advice on the following types of investments.

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Exchange Traded Notes (ETNs)
- Unit Investment Trusts (UITs)
- Managed futures funds
- 529 Education Plans
- Foreign issues
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities
- Options contracts on securities
- Futures contracts on tangibles and intangibles
- Interests in partnerships investing in real estate, oil and gas interests
- The Advocate Group may provide advice to a client regarding hedge funds, managed futures, structured products and other private placement investments. These types of investments are often illiquid, which means that the investments can be difficult to trade and consequently can limit a client's ability to sell the investments in a timely manner and at an advantageous price. Additionally, some investments may not be registered pursuant to the Securities Act of 1933, and therefore the client will need to complete a subscription agreement showing the client is an "accredited" investor (as defined by applicable law and rules and regulations) and acknowledge that he or she has read and understands the private placement memorandum and is aware of the various risk factors associated with such an investment.

### **Participation in Wrap Fee Programs**

The Advocate Group offer services through both wrap-fee programs and non-wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Whenever a fee charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), The Advocate Group will receive all or a portion of the fee charged.

### **Tailor The Advocate Group Services to Individual Needs of Clients**

The Advocate Group's services are always provided based on the individual needs of each client. Clients are given the ability to impose restrictions on their accounts including specific investment selections and sectors.

### **Client Assets Managed by The Advocate Group**

As of December 31, 2012, our assets under management are \$306,609,983, with \$303,080,237 managed on a discretionary basis and \$3,529,746 managed on a non-discretionary basis. Please refer to Item 16 – Investment Discretion for more information.

## **Item 5 – Fees and Compensation**

In addition to the information provided in Item 4 – Advisory Business, this section provides more details about The Advocate Group's services. The section also includes descriptions of each service's fees and compensation arrangements so that you can read about our services and fee arrangements in a side-by-side manner.

The Advocate Group provides investment advisory services utilizing asset allocation strategies designed to meet each client's objectives. It is the Advocate Group's policy to meet with clients on a regular basis, or as otherwise agreed to by you, to review the accounts managed or supervised by The Advocate Group. The Advocate Group will, when needed, suggest changes in the selection of investment options to more effectively address each client's goals.

### **Financial Planning and Consulting Services**

#### ***1. Initial Base Plan Services***

For clients selecting this service, The Advocate Group provides holistic financial planning services using The Advocate Platform and will deliver a written financial plan detailing its recommendations and analysis. Clients will also have online access to their plans through the Advocate platform. Clients can access the system on a daily basis to see account updates and financial planning strategies. Clients are also able to consult with the Advocate Group's team for ongoing advice.

Financial planning topics can include both securities and non-securities related matters. To begin the financial planning process, The Advocate Group will meet with the client to determine the scope of services and financial planning topics to be covered. Once defined and agreed upon, the client and The Advocate Group will enter into a Financial Planning Client Agreement.

The Advocate Group will then meet with the client to identify and clarify their financial goals and current financial position. The Advocate Group will gather data and secure other information so that The Advocate Group may understand the client's current financial situation and planning considerations. Depending on the scope of the engagement, topics covered in a financial plan can include, but are not necessarily limited to the following areas:

- Retirement planning
- Cash flow modeling
- Portfolio analysis
- Asset Allocation
- Tax and income implications of retirement elections
- Tax planning
- Executive stock option strategies

- Concentrated wealth positions
- Real estate purchase decisions
- Estate plan review
- Estate settlement services
- Education planning
- Major purchase planning
- Life insurance needs
- Disability insurance needs
- Long-Term care needs
- Transition planning
  - Alternative employment analysis & negotiation
  - Parenting parents & managing sibling interaction
- Philanthropic planning
  - Helping clients define charitable intent
  - Developing written philanthropic philosophy
  - Estate tax minimization through philanthropy
  - Planned giving strategies

Financial planning services are provided for a one-year period commencing upon the execution of the Financial Planning Client Agreement and ending one year later. By entering into a one-year retainer agreement, the client will have continuous access to The Advocate Platform. The Advocate Group will consult with the client to make changes to financial plans due to significant changes to client circumstances and The Advocate Group will also review the plan due to significant changes to external circumstances related to taxation, markets and the overall economy.

#### Initial Financial Planning Fees

- The Advocate Group charges an annual flat fee retainer for its initial financial planning services.
- The annual fee typically ranges between \$4,000 and \$25,000.
- The annual fee will be divided equally and billed semi-annually, in advance. If the annual fee is \$2,395 or lower, the entire fee will be billed one time, in advance.
- Clients must pay fees upon receipt of the billing invoice sent from The Advocate Group.

The exact fee will be quoted to the client in advance of commencing any services. Fees are negotiable and will be determined by The Advocate Group based on factors such as the client's financial situation, complexity of services covered and the total number of topics covered in a plan.

The term of the initial Financial Planning Client Agreement shall be one year. However, clients have the right to terminate financial planning services without penalty (i.e. no fees due and/or a complete refund of any fees paid in advance) within five (5) business days after executing the Financial Planning Agreement. After the initial five day period, a client may invoke early termination by providing notice to The Advocate Group and termination shall be effective upon The Advocate Group's receipt of termination. After the initial five (5) business days, a pro-rated refund will be made to client, based upon the number of months remaining in the contract year.

If clients choose to implement investment advice through The Advocate Group, clients must select one of the other advisory programs detailed in this brochure. Clients must pay additional investment advisory fees to The Advocate Group for participation in the other advisory programs detailed in this brochure. Clients may also work with one of The Advocate Group's associated persons in their separate capacities as independent insurance agents and/or registered representatives of a broker/dealer. When doing so,



The Advocate Group's associated person will earn commissions in addition to the financial planning fees charged by The Advocate Group.

## **2. On-going Planning Services**

While not required to do so, clients may choose to engage The Advocate Group for on-going financial planning services provided after the initial year. Clients may contact The Advocate Group throughout the year to discuss changes in their financial planning situation or ask questions concerning the plan. The Advocate Group will contact client at least annually to ensure all information and client assumptions are accurate.

### Ongoing Financial Planning Fees

- Similar to initial base plan services, The Advocate Group charges an annual flat fee retainer for on-going financial planning services. However, annual fees for on-going planning services are typically lower than fees charged for the first year of service.
- The ongoing annual fee will typically range between \$2,000 and \$15,000.
- The annual fee will be divided equally and billed semi-annually, in advance. If the annual fee is \$2,395 or lower, the entire fee will be billed one time, in advance.
- Clients must pay fees upon receipt of the billing invoice sent from The Advocate Group.

The exact fee will be quoted to the client in advance of commencing any services. Fees are negotiable and will be determined by The Advocate Group based on factors such as the client's financial situation, complexity of services covered and the total number of topics covered in a plan.

The Financial Planning Agreement for on-going services shall remain in effect until terminated by either party. Clients may terminate the agreement upon notice to The Advocate Group and termination shall be effective upon The Advocate Group's receipt of termination. The Advocate Group may terminate the agreement upon written notice to the client with termination effective five (5) days after the written termination notice was sent to client. If services are terminated within five (5) business days of executing the agreement, services will be terminated without penalty (no fees due and/or a complete refund of any fees paid in advance). After the initial five (5) business days, a pro-rated refund will be made to client, based upon the number of months remaining in the contract year.

If clients choose to implement investment advice through The Advocate Group, clients must select one of the other advisory programs detailed in this brochure. Clients must pay additional investment advisory fees to The Advocate Group for participation in the other advisory programs detailed in this brochure. Clients may also work with one of The Advocate Group's associated persons in their separate capacities as independent insurance agents and/or registered representatives of a broker/dealer. When doing so, The Advocate Group's associated person will earn commissions in addition to the financial planning fees charged by The Advocate Group.

### **Disclosure of Other Fees**

When implementing The Advocate Group's investment recommendation, clients need to be aware that standard commissions, custodial fees, and transaction fees may be charged to the client. Clients may incur certain charges imposed by third parties, other than The Advocate Group, in connection with investments made through an investment account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, account closing fees, IRA and qualified retirement plan fees. However, The Advocate Group does not get paid mutual fund sales loads, 12b-1 fees and surrender

charges in fee-based advisory accounts as clients pay annual advisory fees based on account balances. Although clients are still charged those fees, the client's broker/dealer will retain all fees and The Advocate Group or its advisor representatives (even in their separate capacities as registered representatives of LPL Financial) do not share or receive such fees. If the client opens a commission-based brokerage account through an Advocate Group advisor representative in his/her separate capacity as an LPL Financial registered representative, the registered representative will retain and share in commissions, 12b-1 fees, and mutual fund loads (i.e. commissions).

## **Investment Management Services**

### ***1. The Advocate Group Managed Account Program***

#### **Description of Services**

The Advocate Group is the sponsor of The Advocate Group Managed Account Program, a wrap-fee program developed through an arrangement using LPL Financial's Strategic Wealth Management platform and referred to as "Program" throughout this section. Through the Program, The Advocate Group provides investment management services which are defined as providing continuous investment advice to a client and making investments for the client based on the individual needs of the client. Through this service, The Advocate Group offers a customized and individualized investment program for clients. .

The Advocate Group will manage each client's individual account(s) based on the individual needs of the client. Pursuant to each client's specific investment objectives, securities held in Program accounts will generally include no-load and load-waived mutual funds, unit investment trusts (UITs), closed-end and Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), stocks, bonds, certificates of deposit, hedge funds, managed futures, structured products, and options.

Program accounts are established at LPL Financial (referred to as "LPL Financial" or "LPL" throughout this brochure in its capacity as a registered broker/dealer, member Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC). LPL Financial is also an investment advisor registered with the SEC, but does not serve as an investment advisor for The Advocate Group's clients through the Program. Clearing, custody and other brokerage services are provided by LPL Financial for accounts established through the Program. Therefore, clients will be required to establish a brokerage account(s) through LPL Financial's Strategic Wealth Management platform. Separate accounts are maintained for each client. Each client retains all rights of ownership of their accounts (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

During any month that there is activity in the Program account, the client receives a monthly account statement, from LPL Financial, showing account activity as well as positions held in the account at month end. Additionally, the client receives a confirmation of each transaction that occurs within the Program account unless the transaction is the result of a systematic purchase, redemption or exchange. The client will also receive a detailed quarterly report showing performance, positions, and activity. All account data and statements are also available on-line through the account view portal through LPL Financial.

#### **Description of Fees**

The annual investment advisory fee charged shall vary between 0.50% and 1.50% of the assets held in the account and is determined based upon the market value of the account. At The Advocate Group's discretion, The Advocate Group may reduce its standard fee. Each client's specific fee arrangement is negotiable and will be determined based on factors such as, but not limited to, the total assets under management, the number of accounts managed, the client's financial situation, and the client's relationship with The Advocate Group.

The annual fee shall be divided and payable quarterly in advance through a direct debit in the client account. LPL Financial is responsible for calculating and debiting all fees from client accounts. Clients must provide LPL Financial written authorization to debit advisory fees from their accounts and pay such fees to The Advocate Group. Fees are based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of a quarter will be prorated based on the number of days remaining in the initial quarter. The minimum account size allowed is \$25,000. At The Advocate Group's discretion, The Advocate Group may waive the minimum account size requirement for participation in the Program.

Prior to engaging The Advocate Group to provide investment management services, the client will be required to enter into a formal investment advisory agreement with The Advocate Group setting forth the terms and conditions, including the amount of investment advisory fees, under which The Advocate Group shall manage the client's assets, and a separate custodial/clearing agreement with LPL Financial.

Clients will open a Program I or Program II account. In a Program I account, in addition to the investment advisory fee, the client will pay certain transaction charges to defray the costs associated with trade execution. These costs are set out in the LPL Strategic Wealth Management platform brokerage account and application agreement. In the Program II account, the client does not pay transaction charges associated with trade execution. However, The Advocate Group charges a higher fee for Program II accounts to cover the transactions initiated in Program II accounts.

Clients may incur certain charges imposed by third parties other than The Advocate Group in connection with investments made through the account, including but not limited to, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by The Advocate Group (which include transaction and execution fees charged by LPL Financial for Program II accounts) are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus. However, The Advocate Group does not get paid mutual fund sales loads, 12b-1 fees and surrender charges in fee-based advisory. Although clients may be charged 12b-1 fees, LPL Financial will retain all fees and The Advocate Group or its advisor representatives (even in their separate capacities as registered representatives of LPL Financial) do not share or receive such fees. Clients are not charged front end sales loads because the front end sales loads for mutual funds are waived in fee-based advisory programs. When institutional class is available and minimum amount is met, The Advocate Group uses institutional class mutual funds that generally have lower expenses than non-institutional class.

Program I / Program II may cost the client more or less than if the assets were held in a traditional brokerage account. In a brokerage account, the client is charged commissions for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold investment strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than a Program I or Program II account.

Either party may terminate the agreement for services at any time. If services are terminated within five (5) business days of executing the agreement, services will be terminated without penalty and a full refund of all fees paid in advance will be provided. If services are terminated after the initial five day period, The Advocate Group shall provide the client with a pro-rated refund of fees paid in advance. The refund will be based on the number of days service was actually provided during the final billing period. Termination shall be effective from the time the other party receives written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final refund of advisory fees. There will be no penalty charge upon termination.

This section is intended to be a summary of the Program. All clients contracting for Program services will be provided a copy of the Program's Wrap-Fee Program Brochure.

## **2. Investment Management Services through Charles Schwab & Company, Inc. (Charles Schwab).**

### Description of Services

In addition to our Advocate Group Managed Account Program which is described above, we also offer management services for client accounts held at Charles Schwab. Depending on your unique situation and service needs, we may recommend or require you to open one or more accounts through Charles Schwab. For example, Charles Schwab permits our firm to manage certain retirement accounts such as 401(k) plans in a more efficient and direct manner. Another common situation where Charles Schwab may be preferred over the Advocate Group Management Account Program is for clients seeking a higher concentration of fixed income securities (e.g. bonds) held in their account. Charles Schwab will provide a method of acquiring Fixed Income securities which may be brought into client custody via a Delivery Versus Payment (DVP) method.

Clients that open managed accounts through Charles Schwab must understand that The Advocate Group may not be able to obtain the same prices and execution capabilities for Charles Schwab account transactions compared to transactions through LPL Financial, the broker/dealer and custodian used for The Advocate Group Managed Account Program accounts. Clients who use Charles Schwab may receive different brokerage and transaction prices (higher or lower) than would be the case if clients had chosen to use LPL Financial. Further, clients with Charles Schwab accounts will not be able to participate in aggregate trades (i.e. block trades) implemented through LPL Financial nor will clients with LPL Financial accounts be able to participate in block trades implemented through Charles Schwab. Charles Schwab account trades may be placed by The Advocate Group after effecting The Advocate Group Managed Account Program account trades; or vice versa.

The types of advice and investment strategies provided by The Advocate Group through this service are essentially the same as the investment management services provided through The Advocate Group Managed Account Program. The Advocate Group provides investment management services defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client. The Advocate Group provides customized and individualized investment recommendations to clients.

The Advocate Group will manage each client's individual account(s) based on the individual needs of the client. Pursuant to each client's specific investment objectives, securities held in Program accounts will generally include no-load and load-waived mutual funds, fixed income securities such as bonds, unit investment trusts (UITs), closed-end and Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), stocks, certificates of deposit, hedge funds, managed futures, structured products, and options.

Through this service, The Advocate Group will be granted trading authorization on the client's account. Trading authority allows The Advocate Group the ability to make trades in the client's account. Such authorization may be provided on a discretionary or non-discretionary basis depending on the individual needs and request of each client. Discretionary authority allows The Advocate Group the ability to make trades in the client's account without contacting the client prior to each trade. When non-discretionary trading authorization is granted, The Advocate Group must get the client's approval prior to making any changes in the client's account.

*Recommendation of Unaffiliated Sub-Advisers:* As part of our Investment Management Services through Charles Schwab, we may recommend the use of unaffiliated, third-party investment advisers serving as "Sub-Advisers" to manage all or a portion of your assets. Any Sub-Adviser recommended by us will be registered or exempt from registration in your home state. The

recommendation of a Sub-Adviser will be made on a non-discretionary basis. The decision to use a Sub-Adviser is always based on each client's individual needs. You will enter into an agreement directly with the unaffiliated Sub-Adviser(s). A complete description of the third-party investment advisor's services acting as Sub-Adviser, fee schedules and account minimums will be disclosed in the third-party investment advisor's Form ADV Disclosure Brochure which will be provided to clients at the time an agreement for services is executed and account is established with the Sub-Adviser.

We are always available to answer questions you may have regarding the portion of your account managed by the Sub-Adviser and act as the communication conduit between you and the Sub-Adviser. Sub-Advisers will generally take discretionary authority to determine the securities to be purchased and sold for your accounts.

#### Description of Fees

The annual investment advisory fee charged for this service shall vary between 0.45% and 1.50% of the assets held in the account and is determined based upon the market value of the account as of the last business day of the prior calendar quarter. The annual fee shall be divided and payable quarterly in advance through a direct debit in the client account. Fees for accounts opened at any time other than the beginning of a quarter will be prorated based on the number of days remaining in the initial quarter. The minimum account size allowed is \$25,000. At The Advocate Group's discretion, The Advocate Group may waive the minimum account size requirement for participation in the Program.

At The Advocate Group's discretion, The Advocate Group may reduce its standard fee. Each client's specific fee arrangement is negotiable and will be determined based on factors such as, but not limited to, the total assets under management, the number of accounts managed, the client's financial situation, and the client's relationship with The Advocate Group. The actual fee charged to each client shall be determined prior to establishing the arrangement and stated in the Investment Management Client Agreement.

The Advocate Group is responsible for calculating and debiting all fees from client accounts. Clients must provide written authorization to have advisory fees deducted directly from their accounts and to have fees paid to The Advocate Group.

When clients have a portion of their assets managed by a Sub-Adviser, the total advisory fee (The Advocate Group's fee plus Sub-Adviser(s)' fees) shall generally not exceed 2.00% of the client's total assets on an annual basis. However, Sub-Adviser fees are always charged separately from The Advocate Group's fee. Sub-Advisers are also responsible for calculating and collecting their fees directly from clients. The Advocate Group is not responsible for the collection of Sub-Adviser fees. The exact fee charged by a Sub-Adviser will be in accordance with the Sub-Adviser's current fee policies and arrangements. Clients need to refer to the Sub-Adviser's Form ADV Disclosure Brochure for full details.

Brokerage fees and/or transaction ticket fees charged by Charles Schwab will be billed directly to the client. The Advocate Group does not receive any portion of such fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than The Advocate Group in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by The Advocate Group are separate and distinct from the fees and expenses charged by investment company securities that may be

recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

The Investment Management Client Agreement may be terminated by either party (i.e. The Advocate Group or the client) upon 30 days notice to the other party. Notwithstanding the above, the client has the right to terminate the agreement without penalty (i.e. a full refund of all fees paid in advance will be provided) within five business days after entering into the agreement. After the initial five-day period, the client will be entitled to the fees based on pro –rata days.

### ***3. Investment Management Services through U.S. Bank Institutional Trust and Custody (U.S. Bank).***

#### Description of Services

Generally, all clients that hire The Advocate Group for its investment management services will be required to open an account(s) through The Advocate Group Managed Account Program which is described above. However, upon consent of The Advocate Group, The Advocate Group has allowed some clients to maintain accounts at U.S. Bank Institutional Trust and Custody the brokerage services unit of U.S. Bank. Clients that open managed accounts through U.S. Bank must understand that The Advocate Group may not be able to obtain the same prices and execution capabilities for U.S. Bancorp Investments account transactions compared to transactions through LPL Financial, the broker/dealer and custodian used for The Advocate Group Managed Account Program accounts. Clients who direct the use of U.S. Bank may receive different brokerage and transaction prices than would be the case if clients had chosen to use LPL Financial. Further, clients with U.S. Bank accounts will not be able to participate in aggregate trades (i.e. block trades) implemented through LPL Financial and U.S. Bank account trades may be placed by The Advocate Group after effecting The Advocate Group Managed Account Program account trades.

The types of advice and investment strategies provided by The Advocate Group through this service are essentially the same as the investment management services provided through The Advocate Group Managed Account Program. The Advocate Group provides investment management services defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client. The Advocate Group provides customized and individualized investment recommendations to clients.

The Advocate Group will manage each client's individual account(s) based on the individual needs of the client. Pursuant to each client's specific investment objectives, securities held in Program accounts will generally include no-load and load-waived mutual funds, unit investment trusts (UITs), closed-end and Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), stocks, bonds, certificates of deposit, hedge funds, managed futures, structured products, and options.

Through this service, The Advocate Group will be granted trading authorization on the client's account. Trading authority allows The Advocate Group the ability to make trades in the client's account. Such authorization may be provided on a discretionary or non-discretionary basis depending on the individual needs and request of each client. Discretionary authority allows The Advocate Group the ability to make trades in the client's account without contacting the client prior to each trade. When non-discretionary trading authorization is granted, The Advocate Group must get the client's approval prior to making any changes in the client's account.

### Description of Fees

The annual investment advisory fee charged shall vary between 0.24% and 1.50% of the assets held in the account and is determined based upon the market value of the account. At The Advocate Group's discretion, The Advocate Group may reduce its standard fee. Each client's specific fee arrangement is negotiable and will be determined based on factors such as, but not limited to, the total assets under management, the number of accounts managed, the client's financial situation, and the client's relationship with The Advocate Group.

The annual fee shall be divided and paid quarterly in arrears. The Advocate Group is responsible for calculating and mailing the bills to clients quarterly. Fees are based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of a quarter will be prorated based on the number of days remaining in the initial quarter. The minimum account size allowed is \$300,000. At The Advocate Group's discretion, The Advocate Group may waive the minimum account size requirement for this service.

The actual fee charged to each client shall be determined prior to establishing the arrangement and stated in the Investment Management Client Agreement.

Brokerage fees and/or transaction ticket fees charged by the custodian will be billed directly to the client. The Advocate Group does not receive any portion of such fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than The Advocate Group in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by The Advocate Group are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

The Investment Management Client Agreement may be terminated by either party (i.e. The Advocate Group or the client) upon 30 days notice to the other party. Notwithstanding the above, the client has the right to terminate the agreement without penalty (i.e. a full refund of all fees paid in advance will be provided) within five business days after entering into the agreement. After the initial five-day period, the client will be entitled to the fees based on pro -rata days.

### **Third Party Money Managers**

#### **1. Optimum Market Portfolios**

The Advocate Group has entered into an arrangement with LPL to provide services through the Optimum Market Portfolios Program (OMP), a wrap-fee program sponsored by LPL. Clients signing up for this service must establish a brokerage account through LPL which serves as the broker/dealer and qualified custodian for the program. OMP offers clients the ability to participate in a professionally managed asset allocation program using OMP Funds Class I shares.

The Advocate Group will meet with clients to gather their necessary financial data and assist them in determining the suitability of OMP and in setting an appropriate investment objective. The Advocate Group will then assist the client with opening an account and determining an investment portfolio. Once the program minimum has been reached and a portfolio selected, LPL will purchase OMP funds in amounts appropriate for the portfolio selected. LPL will be responsible for rebalancing the account on the

frequency selected by the client and The Advocate Group. There are several OMP funds that may be purchased within an OMP account. LPL follows a strategic asset allocation investment style in constructing portfolios for OMP clients. Asset allocation methodology is implemented by combining investments representing various asset classes that reflect differently to varying market conditions. Thus, if one asset class reacts negatively to certain market events, the potential exists for another asset class to react positively. However, there is no guarantee that the use of an asset allocation strategy will produce favorable results. The Advocate Group is responsible for providing clients with information about the investment strategy and the portfolios selected for the client.

Clients will receive quarterly account statements (monthly when activity occurs in the account), confirmations and performance reports directly from LPL.

LPL requires a minimum investment amount of \$15,000 to establish an OMP account. The maximum annual fee charged through the program is 2.5% of the total value of assets held in the client's account(s). The Advocate Group generally charges 1% annual fees. Fees are negotiable with the client depending on the market value of the account, asset types, the client's financial situation and trading activity. The annual fees shall be divided and payable quarterly in advance through a direct debit in the client account. LPL is responsible for calculating and debiting all fees from client accounts. Clients must provide LPL written authorization to debit advisory fees from their accounts and pay such fees to The Advocate Group. The account quarter begins on the first day of the month in which the account is accepted. Annual fees are divided and billed quarterly in advance by LPL. Clients participating in OMP must execute the OMP Market Portfolios Client Agreement. There may be other fees and expenses related to the management of OMP accounts. Full details of all fees are provided in the OMP wrap fee disclosure brochure, a copy of which is provided to all clients participating in OMP.

The Advocate Group will receive 90% to 97.5% of the fee charged to clients. The Advocate Group may also receive other compensation for participating in OMP such as bonuses, awards, or other things of value offered by LPL. The amount of this compensation may be more or less than if the client had participated in other The Advocate Group programs or if the client paid separately for investment advice, brokerage and other client services. Therefore, The Advocate Group may have an incentive to recommend OMP over other programs.

Clients may also incur certain charges imposed by LPL or third parties other than The Advocate Group in connection with investments made through OMP accounts, including among others, the following types of charges: mutual fund management fees and administrative servicing fees, omnibus processing fees, sub-transfer agent fees, networking fees, other transaction charges and service fees, IRA and Qualified Retirement Plan fees, administrative servicing fees for trust accounts, and other charges required by law.

- LPL may receive a certain portion of these third party fees.
- However, The Advocate Group's associated persons will not receive any portion of the third party fees.
- Further information regarding charges and fees assessed by the OMP Funds are available in the appropriate prospectus.

LPL serves as a sub-services agent with respect to OMP accounts. As such, LPL provides all sub-accounting and shareholder recordkeeping with respect to OMP Fund shares and provides certain administrative services. LPL receives administrative servicing fees from the service agent of the OMP Funds. Further, LPL provides investment consulting services to the investment advisor of the OMP Funds. These services include the assistance in selecting sub-advisors to the OMP Funds, providing



quarterly fact sheets about the OMP Funds, meeting with sub-advisors of the OMP Funds to discuss performance, and assisting the investment advisor of the OMP Funds for making recommendations on sub-advisors to the Board of Trustees. LPL receives an investment consulting compensation from the investment advisor to the OMP Funds.

Clients may terminate an OMP account by providing written notice to LPL. Upon termination, the client is entitled to a prorated refund of any pre-paid quarterly fees based upon the number of days remaining in the quarter after termination. If the account is closed within the first six months by client as a result of withdrawals which bring the account value below the required minimum, LPL and The Advocate Group reserve the right to retain the pre-paid quarterly fees for the current quarter in order to cover the administrative cost of establishing an OMP account which may include costs to transfer positions into and out of the account, data entry costs to open the account, costs associated with reconciling positions in order to issue quarterly performance reports, and the cost of re-registering positions.

This section is intended as a summary of OMP. Clients contracting for OMP will receive the OMP Wrap Fee Program Brochure which provides detailed information regarding OMP.

## **2. Model Wealth Portfolios**

The Advocate Group has entered into an arrangement with LPL so that it can provide services through the Model Wealth Portfolios (MWP) program, a wrap-fee program sponsored by LPL. Clients signing up for this service must establish a brokerage account through LPL which serves as the broker/dealer and qualified custodian. MWP offers clients a professionally managed asset allocation program in which LPL, in its capacity as a registered investment advisor, and The Advocate Group direct and manage specified client assets. Clients who invest through the MWP Program will authorize LPL and The Advocate Group on a discretionary basis to purchase and sell mutual funds and exchange-traded funds ("ETF"), pursuant to an investment objective chosen by the Client and liquidate previously purchased securities. Exchange-traded notes ("ETN") and closed end funds may also be purchased in an MWP account. A minimum account value of between \$50,000 and \$80,000 is required for MWP.

The Advocate Group's Investment Advisor Representative (IAR) will obtain the necessary financial data from the client and assist the client in determining the suitability of MWP and in setting an appropriate investment objective. The IAR will initiate the steps necessary to open a MWP account and select a model portfolio ("Portfolio") designed by LPL's Research Department or third party investment strategist ("Outside Strategist") consistent with the Client's stated investment objective. LPL's Research Department or the Outside Strategist is responsible for selecting the securities within a portfolio and for making changes to the securities selected. In the case of Portfolios of Outside Strategists, the Outside Strategist provides the Portfolio to LPL and LPL makes the decisions on how to implement the Portfolio. Client grants the IAR discretion to choose among the available Portfolios designed by LPL and Outside Strategists.

The client will appoint LPL as the sole and exclusive broker/dealer with respect to securities transactions in MWP accounts. The client will also appoint LPL to act as Overlay Portfolio Manager ("OPM"). The client will authorize LPL as OPM to act on a discretionary basis to purchase and sell securities and to liquidate previously purchased securities. The client will also authorize the IAR to select the Portfolio in which MWP program assets will be invested and LPL to affect the rebalancing instructions on the frequency selected by the Client or the IAR or as determined by LPL. The OPM may accommodate requests for all or a portion of an account to remain un-invested for a period of time.

LPL will review the client account to determine if rebalancing is appropriate based on the frequency selected by the client at account opening or as altered by the client or IAR from time to time. The choices for frequency of rebalancing review are quarterly (four times per year), semiannually (two times per year) or annually (once per year). The client account will be reviewed on the frequency selected to determine if rebalancing is necessary. At each rebalancing review date, the account will be rebalanced if at least one of the account positions is outside a range determined by the OPM, subject to a minimum transaction amount established by LPL in its discretion. In addition, LPL may review the account for rebalancing in the event that LPL's Research Department or the Outside Strategist changes the Portfolio. LPL may delay placing rebalancing in the event that LPL's Research Department or the Outside Strategists changes the Portfolio. LPL may delay placing rebalancing transactions for non-qualified accounts by a number of days, to be determined by the OPM, in an attempt to limit short-term tax treatment for any position being sold. Transactions in securities in the client account (e.g. for rebalancing, liquidations, deposits or tax harvesting) may be subject to the issuer's frequent trading policy.

LPL follows a dynamic asset allocation investment style in constructing portfolios for MWP clients. Asset allocation methodology is implemented by combining investments representing various asset classes that respond differently to varying market conditions. Thus, if one asset class reacts negatively to certain market events, the potential exists for another asset class to react positively. However, there is no guarantee that the use of an asset allocation strategy will produce favorable results. The Advocate Group is responsible for providing clients with information about the investment strategy and the portfolios selected for the client.

There are Outside Strategists who manage portfolios using Exchange Traded Funds (ETFs) only. The Advocate Group is responsible for providing clients with information about these investment strategies and the portfolios selected for the client.

Clients will receive quarterly account statements (monthly when activity occurs in the account), confirmations, and performance reports directly from LPL.

The maximum annual Account Fee charged through the program is 2.5% of the total value of assets held in the client's account(s). The Advocate Group generally charges 1.00% to 1.85% annual fee. This annual fee includes trading costs, strategist fee and Advisor's advisory fee. The annual fees shall be divided and payable quarterly in advance through a direct debit in the client account. LPL is responsible for calculating and debiting all fees from client accounts. Clients must provide LPL written authorization to debit advisory fees from their accounts and pay such fees to The Advocate Group. Fees are based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of a quarter will be prorated based on the number of days remaining in the initial quarter. Clients participating in MWP must execute the MWP Client Agreement.

The Advocate Group may also receive other compensation for participating in MWP such as bonuses, awards, or other things of value offered by LPL. The amount of this compensation may be more or less than if the client had participated in other The Advocate Group programs or if the client paid separately for investment advice, brokerage and other client services. Therefore, The Advocate Group may have an incentive to recommend MWP over other programs.

The Account Fee represents compensation for asset management and reporting services. LPL is appointed by client as the sole and exclusive broker/dealer with respect to processing securities transactions for accounts.

If LPL Mutual Fund Models are selected, clients may also incur certain charges imposed by LPL or third parties other than The Advocate Group in connection with investments made through MWP accounts, including among others, the following types of charges: mutual fund management fees and administrative servicing fees, omnibus processing fees, sub-transfer agent fees, networking fees, other transaction charges and service fees, IRA and Qualified Retirement Plan fees, administrative servicing fees for trust accounts, and other charges required by law. LPL and The Advocate Group's associated persons in their capacity as LPL registered representatives may receive a portion of these third party fees.

Clients may incur certain charges imposed by third parties other than The Advocate Group in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges. However, The Advocate Group does not get paid mutual fund sales loads, 12b-1 fees and surrender charges in fee-based advisory accounts as clients pay annual advisory fees based on account balances. Although clients are still charged those fees, LPL Financial will retain all fees and The Advocate Group or its advisor representatives (even in their separate capacities as registered representatives of LPL Financial) do not share or receive such fees.

Clients may terminate an MWP account by providing written notice to LPL. Upon termination, the client is entitled to a prorated refund of any pre-paid quarterly fees based upon the number of days remaining in the quarter after termination. If the account is closed within the first six months by client as a result of withdrawals which bring the account value below the required minimum, LPL and The Advocate Group reserve the right to retain the pre-paid quarterly fees for the current quarter in order to cover the administrative cost of establishing an MWP account which may include costs to transfer positions into and out of the account, data entry costs to open the account, costs associated with reconciling positions in order to issue quarterly performance reports, and the cost of re-registering positions.

This section is intended as a summary of MWP. Clients contracting for MWP will receive the MWP Wrap Fee Program Brochure which provides detailed information regarding MWP.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to The Advocate Group's brochure because The Advocate Group does not charge or accept performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

#### **Item 7 – Types of Clients**

The Advocate Group generally provides investment advice to the following types of clients.

- Individuals
- High-Net Worth Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

All clients are required to execute an agreement for services in order to establish a client arrangement with The Advocate Group and/or the sponsor of third-party money manager platforms.

### **Minimum Investment Amounts Required**

- A minimum account value of \$25,000 generally is required for The Advocate Group Managed Account Program and for investment management services through Charles Schwab & Company, Inc.
- A minimum account value of \$15,000 generally is required for Optimum Market Portfolios.
- A minimum account value of \$50,000 generally is required for GFWM mutual fund accounts and a minimum account value of \$100,000 generally is required for GFWM ETF accounts.
- A minimum account value of \$50,000 generally is required for Model Wealth Portfolios.
- A minimum account value of \$300,000 generally is required for investment services provided through US Bank.
- Exceptions to these minimums may be granted by The Advocate Group and when also required, LPL.

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

#### **The Advocate Group uses the following methods of analysis in formulating investment advice.**

**Charting** - The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

**Cyclical** - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

**Fundamental** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

**Technical** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

**The Advocate Group uses the following investment strategies when managing client assets and/or providing investment advice.**

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Trading. Investments sold within 30 days.

Short sales. A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.

Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock for The Advocate Group.

Option writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

**Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When our firm invests in a an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

ETN Risk - The purpose of ETNs is to create a type of security that combines both the aspects of bonds and ETFs. Similar to ETFs, ETNs are traded on a major exchange, such as the NYSE during normal trading hours. However, investors can also hold the debt security until maturity. At that time the issuer will give the investor a cash amount that would be equal to principal amount (subject to the day's index factor). One factor that affects the ETN's value is the credit rating of the issuer. The value of the ETN may drop despite no change in the underlying index, instead due to a downgrade in the issuer's credit rating.

- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

## **Item 9 – Disciplinary Information**

This item is not applicable to The Advocate Group's brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of The Advocate Group's business or the integrity of The Advocate Group's management.

## Item 10 – Other Financial Industry Activities and Affiliations

The Advocate Group is an independent investment advisory firm and only provides investment advisory services. The firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure.

The Advocate Group is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) accountant or accounting firm, (7) lawyer or law firm, (8) pension consultant, (9) real estate broker or dealer, or (10) sponsor or syndicator of limited partnerships.

### **Arrangement with LPL Financial and Insurance Agents**

The Advocate Group’s investment advisor representatives (“IARs”) may sell other products or provide services outside of their role with The Advocate Group. However, The Advocate Group’s IARs concentrate the majority of their efforts toward sales of investments and investment advisory services.

The Advocate Group is affiliated with TAG Financial Services, Inc. It should be noted that TAG Financial Services, Inc. is not a registered broker/dealer or investment advisor. It is used as a marketing name by our branch office of LPL Financial and is held out to the public as such. TAG Financial Services, Inc. is also a licensed insurance agency used to market the insurance services provided by our IARs that are also insurance agents.

Most of our IARs are licensed to provide insurance services to clients. Insurance products are provided to clients for personal, estate and business needs to minimize clients’ exposure to identified risks. Although clients are under no obligation to purchase insurance products recommended by our IARs in their separate capacities as insurance agents, clients often purchase such products when needs arise. For clients of the firm who purchase products causing commissions to be generated these are paid to the IARs in their separate capacities as insurance agents. For those IARs who are insurance licensed, this activity varies throughout the year.

With the exception of David Van Benschoten and Shannon O’Leary, The Advocate Group’s IARs are also registered securities representative of LPL Financial. If the client wants to, the client can engage the IARs of the Advocate Group (but not The Advocate Group or TAG Financial Services, Inc.) that are also registered representatives of LPL, to render securities brokerage services under a commission arrangement.

Brokerage commissions may be charged by LPL to effect these securities transactions and, thereafter, a portion of these commissions will be paid by LPL to such IARs as registered representatives of LPL. Prior to effecting any transactions, the client will be required to enter into a new account agreement with LPL. The brokerage commissions charged by LPL may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

Depending on the type of LPL account that could be used to implement a financial plan or investment strategy, such compensation may include (but is not limited to) advisory program fees; commissions; mark-ups and mark-downs; transaction charges; confirmation charges; small account fees; mutual fund 12b-1 fees; mutual fund sub-transfer agency fees; hedge fund managed futures, and variable annuity investor servicing fees; retirement plan fees; fees in connection with LPL's insured deposit account program; administrative services fees for trust accounts; referral fees; compensation for directing order flow; and bonuses, awards or other things of value offered by LPL to the IAR.

This compensation to IAR and LPL may be more or less depending on the product or service that IAR recommends. Therefore, the IAR may have a financial incentive to recommend that a financial plan be implemented using a certain product or services.

The IARs of The Advocate Group may recommend securities or insurance products offered by LPL (or other insurance firms), and will receive the normal commissions if products are purchased through them; thus a conflict of interest exists between their interests and those of Advisory Clients. Clients are under no obligation to purchase products recommended by IARs or to purchase products either through The Advocate Group or LPL.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

Section 204A-1 of the *Investment Advisers Act of 1940* requires all investment advisers to establish, maintain and enforce a Code of Ethics. The Advocate Group has established a Code of Ethics that will apply to all of its associated persons. An investment adviser is considered a fiduciary according to the *Investment Advisers Act of 1940*. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. The Advocate Group has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for the advisor's Code of Ethics which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. The Advocate Group requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with the advisor's Code of Ethics. The Advocate Group has the responsibility to make sure that the interests of all clients are placed ahead of The Advocate Group's or its supervised person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. The Advocate Group and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of advisor's Code of Ethics. **However, if a client or a potential client wishes to review advisor's Code of Ethics in its entirety, a copy will be provided promptly upon request.**

### **Affiliate and Employee Personal Securities Transactions Disclosure**

As previously indicated, some of the IARs of The Advocate Group are registered representatives of LPL and may suggest that clients implement the advice of The Advocate Group by placing transactions through LPL. If client transactions are executed through LPL by the IARs in their separate capacities as registered representatives, they may receive normal commissions in addition to advisory fees for the advice provided, thus a conflict of interest exists between our interests and that of our clients. Clients are under no obligation to purchase products recommended through LPL.



As a result of the LPL relationship, LPL will have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about The Advocate Group's clients, even if client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact The Advocate Group.

The Advocate Group or its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of The Advocate Group that all persons associated in any manner with The Advocate Group must place the interests of The Advocate Group's clients ahead of their own when implementing personal investments. The Advocate Group and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry.

## **Item 12 – Brokerage Practices**

### **LPL Financial as Broker/Dealer and Custodian**

As stated in Item 5 – Fees and Compensation, clients wishing to implement The Advocate Group's advice are free to select any broker they wish and are so informed. If clients wish to have The Advocate Group's associated persons implement the advice in their capacity as registered representative, LPL will be used. Most of the associated persons of The Advocate Group are registered representatives of LPL and are required to use the services of LPL when acting in their capacity as registered representatives. LPL has a wide range of approved securities products for which LPL performs due diligence prior to selection. LPL's registered representatives are required to adhere to these products when implementing securities transactions through LPL. Commissions charged for these products may be higher or lower than commissions clients may be able to obtain if transactions were implemented through another broker/dealer. Because the associated persons of The Advocate Group may also be registered representatives of LPL, LPL provides compliance support to The Advocate Group's associated persons. In addition to compliance support, LPL also provides the associated persons of The Advocate Group, and therefore The Advocate Group, with back-office operational, technology, and other administrative support.

If clients wish to implement the advice of The Advocate Group through most of the programs described in this Disclosure Brochure, LPL will be the primary broker/dealer and custodian recommended due to The Advocate Group's associated persons' relationship with LPL. The Advocate Group recommends broker/dealers and custodians that The Advocate Group feels will provide services in a manner and at a cost that will allow The Advocate Group to meet its duty of best execution. However, The Advocate Group may be limited in the broker/dealer or custodians that it is allowed to use due to The Advocate Group's associated persons relationship with LPL. LPL may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

While there is no direct linkage between the investment advice given to clients and The Advocate Group's recommendation of LPL, economic benefits may be provided by LPL to The Advocate Group that will not be provided if the client selects another broker/dealer or account custodian. These benefits may include: negotiated costs for transaction implementation, a dedicated trade desk that services LPL participants exclusively, a dedicated service group and an account services manager dedicated to The Advocate Group's accounts, access to a real-time order matching system, electronic download of trades, balances and position information, access, for a fee, to an electronic interface with the account custodian's software, duplicate and batched client statements, confirmations and year-end reports.

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By directing clients to use a particular broker/dealer, LPL, The Advocate Group may achieve the most favorable execution of client transactions and the practice requiring the use of LPL may cost clients more money than if the client used a different broker/dealer or custodian.

**Charles Schwab & Company, Inc. as Broker/Dealer and Custodian**

As detailed in Item 5, clients may have Charles Schwab accounts that are managed by The Advocate Group. Please note that not all investment advisors require or even recommend the use of a specific broker/dealer. Some investment advisors allow clients to select the broker/dealer. However, for compliance and operational efficiency purposes, we have decided to require all clients open accounts through either LPL Financial or Charles Schwab when participating in the Firm's two primary Investment Management programs. Some of our clients may also have accounts at U.S. Bank, but those situations are less common than utilizing LPL Financial and Charles Schwab.

Although we do not receive client referrals from Charles Schwab nor have we entered into a specific, soft-dollar written agreement with Charles Schwab, our decision to recommend Charles Schwab is based on the Firm's participation in Schwab Institutional. The Advocate Group is independently owned and operated and not affiliated with Charles Schwab. Through the Schwab Institutional platform, The Advocate Group is provided with access to Charles Schwab's institutional trading and custody services, which are typically not available to Charles 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 Firm clients' assets is maintained in accounts at Schwab Institutional and is not otherwise contingent upon The Advocate Group committing to Charles Schwab any specific amount of business (assets in custody or trading). Charles Schwab's 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 The Advocate Group's client accounts maintained in its custody, Charles Schwab 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 Charles Schwab or that settle into Charles Schwab accounts.

Charles Schwab also makes available to The Advocate Group other products and services that benefit The Advocate Group but may not benefit its clients' accounts. Some of these other products and services assist The Advocate Group in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmation 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 advisory 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 The Advocate Group accounts. Schwab Institutional also makes available to The Advocate Group other services intended to help The Advocate Group 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, Charles Schwab may make available, arrange and/or pay for these types of services rendered to The Advocate Group by independent third party providing these services to The Advocate Group. While as a fiduciary, The Advocate Group endeavors to act in its clients' best interests, and while the recommendation that clients

maintain their assets in accounts at Charles Schwab may be based in part on the benefit to The Advocate Group of the availability of some of the foregoing products and services; nevertheless, these products and services by facilitating the Firm's workload are also effectively benefiting our clients as well.

#### **U.S. Bank Institutional Trust and Custody (U.S Bank) as Custodian**

Clients with accounts through U.S. Bank must understand that The Advocate Group will likely obtain different prices and execution capabilities for U.S. Bank account transactions compared to transactions through LPL Financial, the broker/dealer and custodian used for The Advocate Group Managed Account Program accounts. Clients who direct the use of U.S. Bank may receive different brokerage and transaction prices than would be the case if clients had chosen to use LPL Financial. Further, clients with U.S. Bank accounts will not be able to participate in aggregate trades (i.e. block trades) implemented through LPL Financial and U.S. Bank account trades may be placed by The Advocate Group before or after effecting The Advocate Group Managed Account Program account trades.

#### **Aggregate Trades**

In some cases transactions implemented by The Advocate Group are effected on an individual basis. However, sometimes The Advocate Group will purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by The Advocate Group when The Advocate Group believes such action may prove advantageous to clients. When The Advocate Group aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be allocated among The Advocate Group's clients in a fair and equitable manner for each client account on any given day. When The Advocate Group determines to aggregate client orders for the purchase or sale of securities, including securities in which the associated person of The Advocate Group may invest, The Advocate Group will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, The Advocate Group does not receive any additional compensation or remuneration as a result of aggregation.

#### **Trade Error Policy**

The Advocate Group has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of The Advocate Group to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by The Advocate Group if the error was caused by The Advocate Group. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs.

The Advocate Group and its associated persons will never retain any portion of any gains made as a result of trade error corrections or profit in any way from trade errors.

If the gain does not remain in the account, the broker/dealer will maintain gains that may result from correcting a trade error and in some instances may use such gains to offset overall losses the broker/dealer incurs from trading errors.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Ongoing financial planning services include periodic meetings with clients to review and update the information, assumptions and advice within the base plan. As changes happen throughout the year, The Advocate Group will meet either in person or over the phone to render financial advice on an ongoing basis.

Account reviews are provided in connection with investment management accounts. For clients with accounts managed by The Advocate Group, one of the Advocate Group's representatives will contact the client at least annually for the purpose of reviewing their account and to determine if there have been changes in their financial situation or investment objectives. The calendar is the main triggering factor, although more frequent reviews may also be triggered by changes in the client's circumstances, client request, or changes within the market. The underlying investments held in client accounts are reviewed on a more frequent basis. Portfolios constructed by The Advocate Group are reviewed on an ongoing basis. Triggering factors for changes to underlying portfolios include the relative valuation changes between asset classes, deviation from management style by fund, or fund closures.

Portfolios constructed by third-party investment advisors will be monitored by the third-party investment advisor on a continuous basis and also reviewed by The Advocate Group.

Investment Advisor Representatives (IAR) of The Advocate Group are responsible for reviewing accounts and providing investment advice. These are current IARs and their titles:

1. Phillip W. Barnhill, Member, Financial Advisor
2. Ricky L. Lueck, Member, Financial Advisor
3. David Van Benschoten, Member, Chief Investment Officer
4. F. Echo Huang, Member, Financial Advisor
5. Michael Corrigan, Financial Advisor
6. Shannon O'Leary, Chief Compliance Officer & Director of Investment Management

### **Statements and Reports**

Clients receive account statements directly from LPL Financial or the client's qualified custodian when different than LPL Financial (for example, Charles Schwab). Statements will be delivered at least quarterly. In addition, The Advocate Group may provide performance or position reports of their accounts managed by The Advocate Group.

Clients are strongly urged to compare all reports prepared by The Advocate Group against the account statements received from the client's broker/dealer or qualified custodian.

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

The Advocate Group does not directly or indirectly compensate anybody for client referrals,

Other than the benefits from broker/dealers described in Item 12 of this Disclosure Brochure, the only form of compensation received from advisory accounts are the fees described in Item 5.

## **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by the SEC as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds

and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

The Advocate Group is deemed to have custody of client funds and securities whenever The Advocate Group is given the authority to have fees deducted directly from client accounts. Because The Advocate Group is given the authority to have fees deducted directly from Charles Schwab and U.S. Bank accounts, The Advocate Group is deemed to have custody over those accounts. However, this is the only form of custody The Advocate Group will ever maintain. It should be noted that authorization to trade in client accounts is not deemed as custody by the SEC.

For accounts in which The Advocate Group is deemed to have custody and for all other accounts, The Advocate Group has established procedures to ensure all client funds and securities are held at a qualified custodian (for example LPL Financial, Charles Schwab or U.S. Bank) in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from The Advocate Group. When clients have questions about their account statements, they should contact The Advocate Group or the qualified custodian preparing the statement.

#### **Item 16 – Investment Discretion**

Through its investment management services and upon receiving written authorization from a client, The Advocate Group will maintain trading authorization over client accounts. Upon receiving written authorization from the client, The Advocate Group will most often implement trades on a **discretionary** basis. When discretionary authority is granted, The Advocate Group will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction. However, it is the policy of The Advocate Group to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power

granted to the firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

### **Item 17 – Voting Client Securities**

A vote by proxy is a vote that is mailed in or cast in some other way while the person voting is physically absent. This is most frequently used by shareholders in a company who are unable to attend the annual shareholder's meeting but still want their vote to count.

The Advocate Group does **not** perform proxy-voting services on a client's behalf. Clients are instructed to read through the information provided with the proxy-voting documents and to make a determination based on the information provided. Upon request from the client, The Advocate Group may provide limited clarifications of the issues presented in the proxy voting materials based on The Advocate Group's understanding of issues presented in the proxy-voting materials. However, the client will have the ultimate responsibility for making all proxy-voting decisions.

### **Item 18 – Financial Information**

This item is not applicable to The Advocate Group's brochure. The Advocate Group does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, The Advocate Group is not required to include a balance sheet for its most recent fiscal year. The Advocate Group is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, The Advocate Group has not been the subject of a bankruptcy petition at any time.

### **Privacy Policy**

Regulation S-P, Privacy of Consumer Financial Information, requires financial institutions, including The Advocate Group, to provide notice to current clients and prospective clients about their policies and practices concerning the collection and use of customer, non-public information. This privacy policy notice is given to all prospective clients of The Advocate Group upon entering into a contract with The Advocate Group and annually thereafter.

**Privacy Disclosure Statement.** A primary goal of The Advocate Group is to protect the privacy of its clients. The Advocate Group does not sell the personal information of clients to anyone.

To conduct regular business, The Advocate Group may collect nonpublic personal information from clients. This information is provided by clients to The Advocate Group on applications and other forms provided by clients to The Advocate Group as well as transactions with the firm, our affiliates, or others.

The Advocate Group may enter into contracts with outside third parties so that The Advocate Group can assist its clients in servicing their accounts. In order to do this, The Advocate Group will disclose personal information to companies that help The Advocate Group process transactions for client accounts (for example, executing client trades at through a broker/dealer). However, The Advocate Group does not share or disclose any nonpublic customer information except as allowed or required by law. In addition to sharing information in order to provide financial services to clients, The Advocate Group may be required

to disclose personal information to cooperate with regulators or law enforcement authorities, to resolve customer disputes, or for risk control.

**Information Safeguarding.** The Advocate Group has implemented strict policies and procedures aimed at protecting the sensitive nature of client information. The Advocate Group restricts access to client information to only those members of The Advocate Group that must provide products and services to clients in order to service client accounts and to other pre-approved third party service providers such as CPAs and attorneys. The Advocate Group may also share information with LPL Financial which has supervisory obligations over certain of The Advocate Group's activities. As a result of the LPL relationship, LPL will have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about The Advocate Group's clients, even if client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact The Advocate Group.

The Advocate Group has implemented physical, electronic, and procedural safeguards aimed at meeting The Advocate Group's duty to protect nonpublic client information.

If you have any questions concerning The Advocate Group's customer privacy policy or concerns about your personal information please feel free to contact The Advocate Group at the number located on the cover page.

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