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**FORM ADV PART 2  
FIRM BROCHURE**

<b><i>Item 1</i></b>	<b><i>Cover Page</i></b>
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This brochure provides information about the qualifications and business practices of Advanced Capital Group, Inc. (hereinafter “ACG”). If you have any questions or concerns about the contents of this brochure, please contact us at TF: 866-225-5224; T: 612-230-3000. 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 ACG is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for ACG is 109673.

ACG is an SEC-Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

<b>Item 2</b>	<b>Material Changes</b>
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ACG updates this document annually or more frequently in the event of certain material changes. This section outlines and summarizes the specific changes made since the document's previous update. ACG will deliver a copy of this section to its clients within 120 days of the close of its fiscal year to make sure clients are aware of any material changes to the firm's business philosophies and practices.

ACG's clients may request a full copy of the latest version of this document at any time by contacting Justin Dorsey, Chief Compliance Officer, at 612.230.3009 or [jdorsey@acgbiz.com](mailto:jdorsey@acgbiz.com)

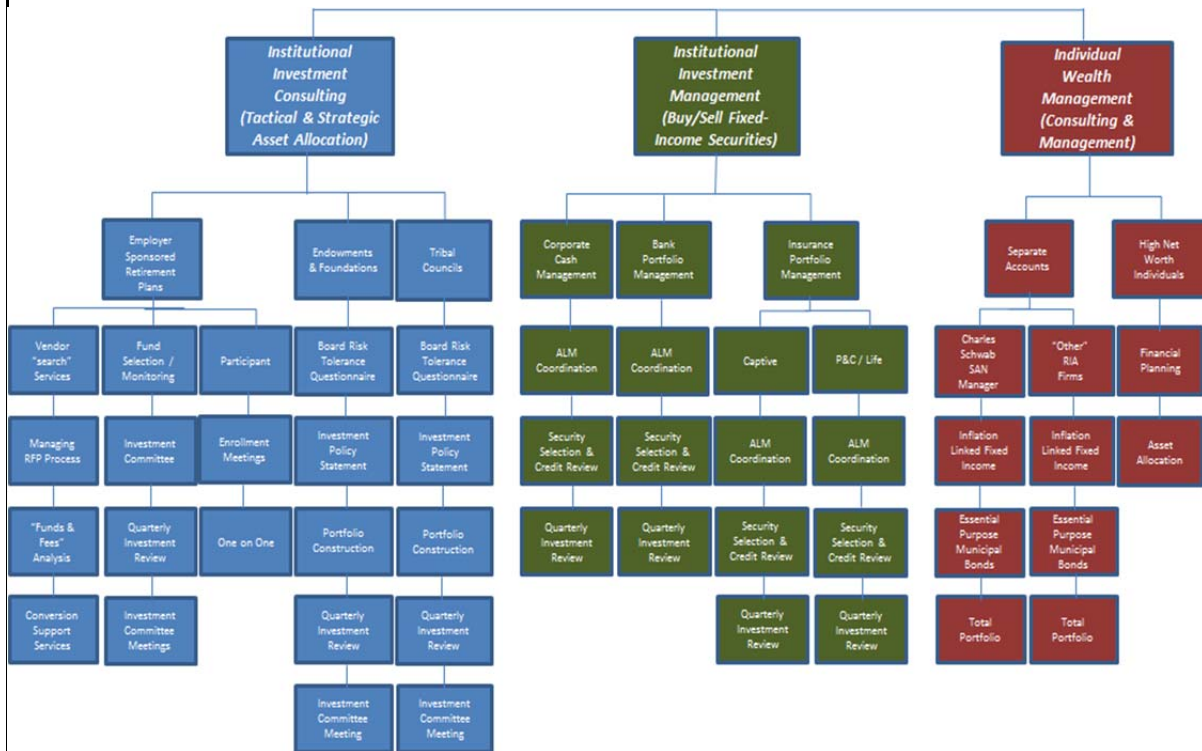
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## Item 4 Advisory Business

ACG is a fee only Investment Advisor. ACG is registered with the U.S. SEC. It is NOT dually registered with FINRA. To clarify, it has no broker-dealer affiliation and accepts no commissions from registered products.

ACG was incorporated in Minnesota in 1998. Its principal owners are: Charles Langowski, Justin Dorsey and Patrick Larson.

ACG has three (3) distinct practice lines: Institutional Investment Consulting, Institutional Investment Management and Individual Wealth Management.



### Institutional Investment Consulting

In its Institutional Investment Consulting practice, ACG advises clients on the hiring, monitoring and replacing of third party Investment Managers, principally mutual funds and pooled products like separate accounts and collective trust funds.

The biggest component (measured in assets-under-management) of this practice is employer sponsored retirement plans that are regulated by ERISA. In turn, most of those plans are 401k's for which ACG also provides (at the option of the Plan Sponsor) participant investment-education. Generally, if a client wants ACG to provide participant investment-education it is because that same client has engaged ACG to coordinate with the plan's recordkeeper the construction of customized and automatically rebalanced Model Portfolios. In technical terms, the goal of those portfolios is to fall within the safeharbor provisions of DOL Interpretative Bulletin 96-1 and thereby be treated as "education" rather than "advice."

In addition to 401k's, ACG also works with employer-sponsored traditional defined benefit plans, cash balance defined benefit plans, 409A supplemental executive compensation plans and 403b plans.

In terms of what kind of investment advice ACG will provide, it traditionally has served as what is known as an ERISA 3(21) co-fiduciary. But, it will also consider acting – on a case-by-case basis - as a 3(38) discretionary advisor.

Besides providing investment advice, ACG is often asked to help a client benchmark its retirement plan. Sometimes, the scope of that exercise can be quite limited, e.g. a high-level recordkeeping fee comparison. Other times when the client is unhappy with service and wants to make a change altogether, the scope can be very extensive.

Another area where ACG provides institutional investment consulting is endowments/foundations. Most endowments/foundations have some sort of annualized (or smoothed) distribution target. But, making distributions in a “down” market can have profound and long-lasting negative-compounding effects – particularly if during the same down market donor contributions slow-down or cease altogether. While “alternative asset class” discussions dominate many conversations about endowment/foundation investments, ACG stresses the importance of judicious cash management. And our years of experience building strategic asset allocation portfolios and selecting/monitoring investment managers (both passive and active) for the many retirement plans with which we work is directly transferable to endowments/foundations. Finally, endowments/foundations can tactically reallocate their investments without the requisite time-delays incumbent on retirement plans because of the necessary participants’ notices. That four-part approach (strategic asset allocation + customized cash management + passive/active manager selection/monitoring + tactical reallocation) is a general description of our endowment/foundation investment consulting methodology.

Our final area of institutional investment consulting is with Native American Tribal Councils. Initiatives and priorities can vary. Several disparate examples might include Minor Trusts, Trusts to buy-back reservation lands from non-tribal members or cash funds for ongoing construction projects.

### **Institutional Investment Management**

In its Investment Management practice, ACG buys and sells individual securities, almost exclusively fixed income products. In that practice, it works with institutional clients such as banks and insurers. To illustrate, ACG might be hired by a bank to help it manage its capital reserves. In that role, the bank might ask ACG will conduct independent credit analysis on its holdings so as to alleviate the bank from relying solely upon credit rating agencies. ACG might also be asked to measure the “efficiency” of individual holdings in the context of their capital discount-weightings. Ongoing, ACG might be asked to make asset class relative value analysis in the context of prevailing and forecasted interest rates.

### **Individual Wealth Management**

In its Individual Wealth Management practice, ACG services clients who engaged ACG directly or were introduced to ACG. To illustrate the latter, ACG is an Investment Manager approved by Charles Schwab to be an investment management option in its Separate Account Network (SAN) for its Midwest Region. Through it, Charles Schwab, Inc. financial consultants can utilize ACG’s investment management services with their clients without further due diligence or fee negotiation. Primarily, ACG manages municipal bond portfolios for the SAN program.

All of ACG’s Individual Wealth Management investment advisory services can be tailored to the individual needs of clients. Those clients can choose to engage ACG to manage an individualized account or they can participate in a Managed Account strategy that conforms to Investment Company Act Rule 3a-4. By way of example, clients may impose restrictions on investing in certain securities, or types of securities, depending on their risk tolerance or unique portfolio needs. An example may include exposure to a certain asset class that they do not wish to duplicate within the ACG portfolio.

At this time, ACG does not participate in wrap fee programs.

### **Amount of Managed Assets**

As of 12/31/2013, ACG was actively managing \$61,026,788 of clients' assets on a discretionary basis plus \$842,802,742 of clients' assets on a non-discretionary basis and overseeing an additional \$13,052,572,189 of clients' assets being managed by third-party money managers.

#### **Item 5**

#### **Fees and Compensation**

ACG's fees are negotiable, as well as how ACG is paid. Clients can choose to have fees deducted from assets or be billed directly. In either case, ACG's standard arrangement for payment is quarterly. Further, ACG is paid for services rendered so if a client terminates their contract mid-quarter there are no advanced fees that are paid that would require a refund. Thus, ACG's fees are paid or deducted in arrears, not in advance.

ACG does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. It therefore has no conflict of interest with those investments, and does not recommend them based on the compensation received but, rather, on a client's needs. Clients of ACG always have the option to purchase investment products that ACG recommends through other brokers, agents or investment advisors not affiliated with ACG.

ACG does not use mutual funds or pooled products that pay upfront or deferred sales commissions.

ACG's sole source of compensation is the fee disclosed in ACG's service agreement.

ACG's clients may be charged transaction fees or a recordkeeping fee by their selected trustee or custodian. That fee may be either assessed against the client's account or paid directly by the client. It is not a fee that ACG charges – nor does ACG derive any revenue from such fee(s).

Mutual funds and other types of pooled accounts generally have management fees (expressed as expense ratios) embedded in them. Expense ratios generally negatively affect the return of investment vehicles. While expense ratios are generally disclosed in advance by the pooled vehicles, other expenses embedded in them can be more difficult to discern. A case in point is actual per-share trading fees. Except for per-share trading fees, most expenses are accounted for in the fund's prospectus or in the case of a separate account are generally available upon request of the separate accounts management.

ACG generally passes through out-of-pocket expenses (out of town travel, hotels, car rental, major printing, etc.) except meals, at cost.

ACG does not accept any soft dollars.

To explain, each of its three practice areas will be discussed separately.

### **Institutional Investment Consulting**

In its Institutional Investment Consulting practice, ACG works primarily with employer sponsored retirement plans, endowments/foundations and Tribal Councils. In its retirement plan consulting practice, ACG offers three tiers of service. In Tier I, ACG helps the plan sponsor select and monitor its retirement plan(s) core funds and suggests replacements when, and if, necessary. In Tier II, ACG provides participant investment education and assistance. In Tier III, ACG benchmarks an employer

sponsored plan's existing features and services to confirm that the total fees paid are reasonable for the services received.

Tier I fees may be in the form of basis points or a fixed dollar amount. Tier II fees are often stated as a basis points fee. Tier III services are generally charged as a fixed dollar fee.

Some ACG clients choose to pay ACG directly while others pass ACG's fees through, in whole or in part, to the plan trust.

ACG does not have a standard fee schedule when providing its Institutional Investment Consulting services as its fees depend on many factors and complexity.

### **Institutional Investment Management**

ACG's second business line is the providing of fixed-income investment-management (Ex: corporate cash management) to institutional (ex: banks and insurance companies) clients. Its fees are negotiable.

### **Individual Wealth Management**

In its Wealth Management department, ACG works with individual clients and also builds products (separate accounts) for use by other advisors/firms. In-house clients are charged a basis points fee, which fee clients can choose to pay from outside their account or have deducted from their account.

For in-house accounts, ACG currently requires a \$500,000 (single account) / \$750,000 (family account) investment and its management fee begins at 50 basis points (0.50%) for the construction and oversight of a broadly diversified portfolio consisting of mutual funds and/or ETF's. ACG also has two (2) fixed-income strategies made up of individual securities: Customized Municipal Bond Portfolio and Tactical (Taxable) Short-Term Bond Strategy. The management fee for each begins at 55 basis points (0.55%).

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

ACG does not charge performance based fees.

### ***Item 7: Types of Clients***

Institutional Investment Consulting: ACG works primarily with employer sponsored retirement plans, foundations/endowments and Native American Tribal Councils. ACG does not have a minimum account size.

Institutional Investment Management: ACG works primarily with corporations, banks and insurers. ACG does not have a minimum account size.

Individual Wealth Management: ACG's current minimum account is \$500,000 (single) / \$750,000 (family) – but it will make exceptions to that minimum on a case by case basis.

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

#### **Methods of Analysis**

The focus of ACG's Institutional Investment Consulting practice is on portfolio analytics. For most accounts, ACG follows the principals of Modern Portfolio Theory. ACG's goal is to build portfolios along an efficient frontier and then discuss the pros and cons of taking on more, or less, risk along that arc with each client.

ACG's Institutional Investment Management decisions for institutional clients generally take into consideration the duration of the liabilities as well as the interest rate risk of the assets. Throughout ACG's investment management practice, credit analysis is also a significant focus. Those are not the only considerations, but they are the predominant ones.

ACG's Individual Wealth Management practice is mostly comprised of two different types of clients: ones for whom ACG builds a "total" portfolio (generally comprised of mutual funds and ETF's) and others for whom it manages a fixed income portfolio (which, in turn, generally forms a component of the client's overall portfolio).

ACG's investment and portfolio analytics relies solely on historical data and do not predict future outcomes. Thus, in extraordinary events, the use of historical data may not be helpful. The financial market changes in 2008 and early 2009 are an example. In ordinary market environments ACG seeks to provide superior risk-adjusted returns compared to the broad market itself.

To assist our review process we acquire our investment manager data from several sources; eVestment, Morningstar Direct, Klein Decisions, Bloomberg and Steele Systems are our primary sources of external data. We buttress that data by having direct contact and interviews with fund personnel and managers. We utilize Bloomberg for real time fund and industry news related to the managers and management firms used within our client's retirement plans. This news is delivered real-time to our investment consultants and research analyst for further consideration.

ACG has also developed a propriety analysis tool we refer to as Rolling Periods of Time ("RPT").



This tool allows us to analyze a manager over several unique rolling time-periods rather than just one static period of time. For example, a manager with a 4-year performance history will have only one three-year performance period to analyze. The RPT tool allows us to construct thirteen (13) 3-year periods of time and analyze the managers risk and return characteristics over those periods to determine the manager's ability to deliver value consistently rather than just one time.

In addition to these research tools, ACG has also developed internal asset class valuation metrics and on a quarterly basis we prepare our own detailed economic review. These tools are not utilized to anticipate the future path of economic growth, they are utilized to track the relative valuation of various asset classes and how those relationships affect the performance of the asset managers our clients utilize. By understanding the market environment that an asset manager is operating in, their performance relative to their peers and the broad market can be better understood.

### **Investment Strategies**

In its Institutional Investment Consulting practice, ACG generally uses mutual funds and/or separate accounts to construct broadly diversified portfolios using the Client's Investment Policy Statement ("IPS") as its guide. Each Investment Policy Statement will vary from client to client, but in general terms will consist of the following services:

- a) Develop and oversee the Investment Policy Statement;
- b) Prepare Monitoring Reports;
- c) Attend Investment Committee Meetings;
- d) Prepare and distribute Reports for funds that fail the IPS and are recommended for replacement; and
- e) Evaluate alternative share classes and revenue sharing, if applicable.

For its employer-sponsored retirement-plan clients, ACG is often retained as an ERISA 3(21) Advisor to coordinate with the Plans' recordkeeper the construction and automatic rebalancing of Model Portfolios consistent with the safeharbors enunciated in Department of Labor Interpretive Bulletin 96-1. In conjunction with their construction, ACG is often retained to educate the Plans' participants about them. Delivery methods include, but are not limited to:

- a) In-person (e.g., group and/or one-on-one meetings),
- b) Internet based seminars,
- c) Recorded Internet Video Vignettes and/or
- d) Conference calls.

In addition, the Plan Sponsor may choose to appoint ACG, to manage the Plan's Qualified Default Investment Alternative ("QDIA") as an investment manager within the meaning of ERISA Title I §3(38) of the Act. ACG has the ability and experience to create and monitor custom QDIA model asset allocation portfolios that are:

- a) Life-cycle or targeted-retirement-date portfolios;
- b) Balanced portfolios; or
- c) Professionally managed accounts.

In its Institutional Investment Management practice, ACG works with mid-sized banks and insurers to deliver consultative, transactional and reporting benefits. In that capacity, ACG acts as outsourced portfolio managers and analysts. With the clients' input, ACG designs portfolio strategies that are

unique to the client and recommends sectors and structures based on relative value. In consultation with the Client, ACG buys/sells fixed-income securities for the portfolios. ACG's general philosophy is buy-and-hold. That said, at different times ACG has either shortened or lengthened the duration depending on market and economic conditions. And, there have been times in ACG's Institutional Investment Management practice that fixed-income securities have been sold shortly after their purchase due to a sudden and dramatic movement in interest rates that was beneficial to its clients. Transactions are done competitively and trade execution is documented. Finally, its quarterly reports are designed to provide management with the ability to make portfolio buy/sell decisions against the backdrop of capital reserve weightings and efficiency.

In its Individual Wealth Management practice, ACG has several different investment strategies. The most generic is to build a broadly diversified risk-based portfolio generally consisting of mutual funds. (In some instances, ETFs and/or separate accounts have also been used).

For the appropriate Client, ACG will also build customized fixed-income portfolios. To date, most of those have been built using municipal bonds and, in turn, most of ACG's individual fixed-income clients have been referred to it through ACG's participation in the Charles Schwab, Inc. SAN program. (See "Item 14" hereinafter for a complete description of the SAN program).

Finally, ACG has constructed an Investment Company Act Rule 3a-4 "Tactical Short Term Bond" Model Portfolio Strategy. That is a "taxable-bond" strategy which utilizes a combination of corporate bonds, government bonds, taxable municipal bonds, inflation linked securities, Bank Certificates of Deposit and floating rate securities with the goal of having relatively low price volatility and which allows the manager to choose between a menu of security structures, sectors and maturity ranges with the goal being to generate an attractive level of income for investors.

### **Risk of Loss**

All investing involves risk of loss and ACG enunciates that risk in its Service Agreements.

The material risks associated with ACG's Investment Consulting practice are common to all mutual funds and pooled products like separate accounts and collective trust funds. The risks can include non-systematic risks like: a) management, or company risk, which reflect the decisions a company's managers make that affect the performance of its stock or it can be b) credit, or default risk, which is the risk the company or entity (public) fails to make bond interest or principal payments on a timely basis. The risks could also be systematic and include: a) inflation (increasing inflation can reduce the value of an investment, in particular bonds), b) the change in value of a bond due to changes in interest rates, c) the change in value of one currency versus another, d) the inability to buy or sell an investment quickly due to its lack of liquidity and/or e) the possibility that political or social unrest will affect investment performance and market function.

In ACG's Institutional Investment Management practice, risk can be a) management (company, or governmental entity, etc.) risk, which reflect the decisions the managers or civic leaders make that affect the performance of its bond or it can be b) credit, or default risk, which is the risk the company or governmental entity fails to make bond interest or principal payments on a timely basis. The risks could also be systematic and include: a) inflation (increasing inflation can reduce the value of an investment, in particular bonds), b) the change in value of a bond due to changes in interest rates, c) the change in value of one currency versus another, d) the inability to buy or sell an investment quickly due to its lack of liquidity and/or e) the possibility that political or social unrest will affect investment performance.

In its Institutional Investment Management practice, ACG also buys an assortment of taxable fixed

income securities. The most common types are corporate bonds, mortgage backed (MBS), collateralized mortgage obligations (CMOs), and securities issued by government agencies like FNMA, FHLB, FHLMC and FFCB. Risk of default is the most material risk associated with corporate bonds because the issuing company is the only entity responsible for payment to the bondholder.

MBS and CMOs possess a unique risk known as prepayment risk. The securities are backed by residential mortgages which can be prepaid without penalty at any time. The individual MBS and CMOs can trade at a premium which is at risk if the mortgage prepays. This type of risk is managed by knowing the specific characteristics of the individual mortgages (such as loan size, geographic diversification, mortgage term, rate etc.) and how the specific security will react to changes in prepayment behavior. The risk unique to agency backed bonds (FNMA, FHLB, FHLMC and FFCB) is call-risk. A call feature allows the issuer to redeem the security on or after a specific date at a specific price. Unfortunately, the call feature tends to be exercised by the issuer at the time most disadvantageous to the investor. The easiest way to avoid this type of risk is by not purchasing securities with a call feature. The more common method is to purchase securities with a call feature as a small percentage of the total portfolio. An investor earns a higher yield if a security contains a call feature versus one that does not so there is a benefit to the investor. Call risk is very common with agency and municipal issued securities.

In ACG's Individual Wealth Management department, risk varies depending upon the Client's chosen strategy. For Client's who engage ACG to build for it a mutual-fund risk-based portfolio, the risks can include non-systematic risks like: a) management, or company risk, which reflect the decisions a company's managers make that affect the performance of its stock or it can be b) credit, or default risk, which is the risk the company fails to make bond interest or principal payments on a timely basis. The risks could also be systematic and include: a) inflation (increasing inflation can reduce the value of an investment, in particular bonds), b) the change in value of a bond due to changes in interest rates, c) the change in value of one currency versus another, d) the inability to buy or sell an investment quickly due to its lack of liquidity and/or e) the possibility that political or social unrest will affect investment performance and market function.

For its individual wealth management fixed-income clients, security selection is also a substantial risk. Today, an investor in municipal bonds needs to accept the fact that municipalities have in the past and may in the future default on their bonds. ACG works to mitigate this risk by employing a rigorous credit analysis process but this process still cannot guarantee success. Today, there is a special and opaque risk associated with the true cost of the post-retirement liabilities municipalities have promised to their retirees. That risk is substantial and buyers of municipal bonds need to be aware of it. As noted earlier, it is possible for Municipalities to default on their bonds – and even go into bankruptcy. It has happened in the past. The Great Depression saw a number of Municipalities default or declare bankruptcy. Historically, defaults of essential purpose and general obligation municipal bonds have been rare. Inflation and security specific defaults have been and will continue to be a principal risk for municipal bonds.

With regard to ACG's Rule 3a-4 "Tactical Short Term Bond" strategy, the individual securities involve default risk of principal and interest, collateral impairment, borrower industry concentration, and limited liquidity. In addition, floating rate securities are subject to interest-rate and credit risk and can lose principal value when interest rates rise.

### ***Item 9: Disciplinary Information***

ACG is required to disclose any legal or disciplinary events that are material to a client's or prospective clients' evaluation of our advisory business or the integrity of our management.

ACG and its management personnel have no reportable disciplinary events to disclose – nor have there ever been any in the life of the company.

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

The principals of ACG are also shareholders in a separately incorporated benefits consulting firm d.b.a. ACG-Benefits and Risk Consulting (ACG-BRC). ACG-BRC is an insurance agency incorporated and licensed in the State of Minnesota. Most of ACG-BRC's business consists of consulting on employer-sponsored health care plans and voluntary benefits. Several of ACG's 401(k) clients are also clients of ACG-BRC, and vice versa.

### ***Item 11***

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

ACG's Code of Ethics is specifically intended to comply with Rule 204A-1 under the Investment Advisers Act of 1940. Structurally, its goal is to set forth standards of conduct and require compliance with federal securities laws and that reflect the fiduciary principals of the Advisers Act to wit: ACG and its personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to its spirit as well. Its Code applies to all supervised persons at ACG. Its broad categories include: Standard of Conduct and Compliance with Laws, Rules and Regulations; Protection of Material Non Public Information; Personal Securities Trading and Consequences for Failure to Comply and Reporting Certain Conduct.

In addition to its Code of Ethics, ACG also has a Compliance Manual, Business Continuity Plan, Anti-Money Laundering Policy, Insider Trading Policy, Restricted Investment List, Quarterly Personal Trading Reports, and an Identity Theft Protection Program.

ACG's Compliance Manual contains the following categories: Introduction, Jurisdiction, SEC Registration, Investment Adviser Standard of Care, Compliance Policies & Procedures – Overview, Compliance Policies and Procedures – Rule 206(4)-7, Compliance Procedures and Practices – Other, Supervision and Internal Controls and Use and Distribution of the Compliance Manual.

ACG has a formal "Insider Trading Policies and Procedures" program as a part of its overall compliance program. It reads in part:

Investment Advisers Act (1940) Rule 204A-1 requires that each director, officer and partner and access person make periodic disclosures of their personal securities transactions and holdings periodically – which it refers to as "Reportable Securities." Reportable Security means a security as defined in section 202(a)(18) of the Act (15 U.S.C. 80b-2(a)(18)). ("(18) "Security" means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guaranty of, or warrant or right to

subscribe to or purchase any of the foregoing.”) For purposes of 204A-1, Reportable Security does not include:

1. Direct obligations of the Government of the United States;
2. Bankers’ acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements;
3. Shares issued by money market funds;
4. Shares issued by open-end funds other than reportable funds; and
5. Shares issued by unit investment trusts that are invested exclusively in one or more open-end funds, none of which are reportable funds.

Prior approval must be obtained before the direct or indirect acquisition of beneficial ownership in any security in an initial public offering or in a limited offering. In general, “access person” means someone who has nonpublic information through client contact or is involved in making securities recommendations to clients. But see the rule for its more complete definition. If you are subject to these reporting requirements, you will also be required to provide the firm with a holdings report on an annual basis.

Copies of the above will be provided to any ACG client or prospective client upon request. You may request a copy by email sent to our Chief Compliance Officer, Justin Dorsey at [jdorsey@acgbiz.com](mailto:jdorsey@acgbiz.com) or by calling us toll free at: 866-225-5224.

<b>Item 12</b>	<b>Brokerage Practices</b>
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In its Institutional Investment Consulting and Institutional Investment Management practices, ACG works with the custodian of the client’s choice. In the case of the former, trades are initiated through the client’s chosen custodian so seeking external best execution is not an option. In the case of the latter, ACG will generally seek best execution on the open market which entails delivery-versus-payment coordination between the external broker and the client’s custodian.

In the case of Individual Wealth Management accounts, ACG recommends that clients establish brokerage accounts (to maintain custody of clients’ assets and to effect trades for their accounts) with either Charles Schwab & Co., Inc. or Fidelity – both of whom are “qualified” custodians, FINRA registered broker-dealers and members of SIPC. When possible client purchases and sales are aggregated to achieve the most efficient execution. Reasonable efforts are used with the goal being that fixed-income purchases are to be allocated among accounts using the following prioritization; suitability for type of account (municipal, short-duration taxable accounts etc...), percentage of account not invested (percentage of the account in cash), duration of the position relative to account duration (in the context of the duration of the relevant benchmark duration) and finally subjective fit for a specific account (i.e. If a position were non-callable it would be most appropriate to place it in an account with a significant amount of call risk as opposed to an account comprised entirely of non-callable bonds - all proceeding factors being equal). In instances when ACG is selling securities to harvest gains/losses or reposition portfolios, as a courtesy, ACG often attempts to reach out to clients to determine whether the change is in line with each client’s specific goals.

<b>Item 13: Review of Accounts</b>
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On a quarterly basis, each of ACG’s Institutional Investment Consulting clients is provided with a comprehensive investment-overview. Their preparation is a team effort – as is their internal review. But, ultimately, responsibility for them is with Charles Langowski and Dan Schroeder. Generally,

meetings are held quarterly with those clients' investment committees to review those reports.

ACG's Institutional Investment Management clients receive quarterly statements. Patrick Larson and Tony Albrecht generally review these statements. In addition, it is generally the norm to offer to meet with those clients – in person or via phone – to review those reports.

ACG's quarterly reports prepared for Individual Wealth Management clients are reviewed by Charles Langowski and Patrick Larson – both principals of ACG. On a monthly basis client asset allocation positions and relative performance are reviewed and discussed by the Investment Management team. Changes in market dynamics, economic forces or a change in an investment manager within a portfolio may prompt a review of all impacted portfolios. On an ad-hock basis spot checks are performed on individual accounts to test for best execution, block-trade distribution practices and consistency of fees being deducted with fees agreed to in the respective service agreement. Offers are made to meet with individual clients throughout the year and at year-end a request is made to those individual clients to update ACG with any substantially changes in their lives that would make them want to change their investment goals and objectives.

For its Institutional Investment Management and Individual Wealth Management clients, ACG engages an independent third party to reconcile account activity and balances on a quarterly basis to assure accuracy of reports. On that report, clients are encouraged to compare and contrast that accounting with the reports that it gets from its Custodian.

<b>Item 14</b>	<b><i>Client Referrals and Other Compensation</i></b>
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ACG receives client referrals from Charles Schwab & Co., Inc ("Schwab") through ACG's participation in the Schwab Advisor Network ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with ACG. Schwab does not supervise ACG and has no responsibility for ACG's management of client portfolios or Advisor's other advice or services. ACG pays Schwab fees to receive client referrals through the Service. ACG's participation in the Service may raise potential conflicts of interest described below.

ACG pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by ACG is a percentage of the fees the client owes to ACG or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. ACG pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to ACG quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by ACG and not by the client. ACG has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs ACG charges clients with similar portfolios who were not referred through the Service.

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

The Participation and non-Schwab Custody Fees will be based on assets in accounts of ACG's clients who were referred by Schwab and those referred clients' family members living in the same

household. Thus, ACG will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit ACG's fees directly from the accounts.

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

### ***Item 15: Custody***

"Custody" as that term is used by the SEC, is very particular. To the lay person, it generally denotes physicality. But, the SEC uses it more broadly. To be specific, if an adviser has no physical possession (or right to possess/access/distribute) of a client's securities but the client has the authority to direct the custodian who has their physical possession to deduct its investment management fee on a periodic basis from the client's account – then the advisor technically has custody. But, in that limited situation the Advisor is given safeharbor protection so long as the custodian who has physical possession of the client's assets is a "qualified" custodian (verified annually) and the advisor directs the client (on a recurring basis) to compare/contrast the statements the client might get from the advisor with those that it otherwise gets from the custodian. (Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things.)

Perhaps the easiest way to make sense of this is to ask: do any of ACG's clients authorize it to direct the client's custodian to deduct ACG's fees on a regular basis from the clients' accounts? The answer is that "yes," in some cases they do. And in those cases, ACG follows the preceding guidelines.

There are additional nuances to this topic. For instance, the advisor cannot be the conduit between the client and its custodian for the delivery of securities (except checks). Ex: stock certificates. Should the client deliver securities to ACG, they are returned to the client expeditiously and ACG maintains a log to that effect. While it will not accept it as routine/ongoing practice, ACG will forward to the client's custodian occasional checks from the client and made out in the name of the custodian. Again, it will do so expeditiously and it keeps a separate log to that effect. Then there is the question of directing the custodian to make "distributions" from the account. ACG has taken great pains to formally instruct the qualified custodians with which it works to withdraw any authority it might have given ACG (with or without ACG's knowledge) to direct such distributions. One additional nuance to distributions is that ACG may be empowered to direct the movement of monies between a client's own accounts.

The goal of the foregoing is to give a comprehensive, succinct but logical overview of the SEC's Custody Rule. (See IAA Rule 206(4)-2). For an overview of it by the SEC itself, please go to: [http://www.sec.gov/divisions/investment/custody\\_faq\\_030510.htm](http://www.sec.gov/divisions/investment/custody_faq_030510.htm).



### ***Item 16: Investment Discretion***

Clients may hire us to provide discretionary Investment Advisory Services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell;
- Determine the amount of the security to buy or sell; and/or
- Rebalance the client's account.

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions. Finally, ACG's service agreement directs each client to review that contract with a lawyer of their choosing.

#### **Institutional Investment Consulting**

ERISA 3(38) allows a Plan Sponsor to delegate to a Registered Investment Advisor (or bank or insurance company) its investment management oversight responsibilities. While this provision has been in place since inception, Plan Sponsors have been slow to avail themselves of it. When the Pension Protection Act was passed, it provided for Qualified Default Investment Alternatives ("QDIA") with one option being to have them customized for the Plan by a 3(38) Investment Advisor. But, that was an extension (and not a contraction) of the authority. Today, ACG serves as a 3(38) advisor to a number of customized QDIA's. More recently, it has also been asked by a limited number of Plan Sponsors to act as a 3(38) advisor for "all" of the Plans' investment offerings.

#### **Institutional Investment Management**

On a case-by-case basis, we may agree – and have agreed - to take on discretionary management of fixed income portfolios for institutional clients.

#### **Individual Wealth Management**

In our Individual Wealth Management practice area, we limit our discretionary investment management to building fixed-income portfolios. The majority – but not all - of our discretionary investment accounts are through our participation in the Charles Schwab, Inc. SAN program. (See Item #14 for a more complete description of that program).

### ***Item 17: Voting Client Securities***

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets to forward to the client copies of



all proxies and shareholder communications relating to the client's investment assets.

Clients may contact us regarding a proxy question but ACG will not offer any advice as to the manner in which the client should vote.

<b>Item 18</b>	<b>Financial Information</b>
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ACG has no financial circumstances to report.

ACG does not require or solicit prepayment of more than \$1,200 in fees per client – six months in advance, or otherwise.

ACG does exercise discretionary trading authority over certain clients' funds or securities. It does NOT exercise any custody of clients' funds or securities. And, it is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

ACG has not been the subject of a bankruptcy petition at any time during the past ten years (or at any time).