



**CARLSON CAPITAL MANAGEMENT, INC.**

11 Bridge Square  
Northfield, MN 55057

507.645.8887  
[www.carlsoncap.com](http://www.carlsoncap.com)

**March 28, 2014**

**Form ADV Summary Brochure**

**Item 1 – Cover Page**

This brochure provides information about the qualifications and business practices of Carlson Capital Management, Inc. If you have any questions about the contents of this Brochure, please contact us at 507.645.8887 and/or [justin@carlsoncap.com](mailto:justin@carlsoncap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Carlson Capital Management, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Carlson Capital Management, Inc. is 111414.

Any references to Carlson Capital Management, Inc. as a registered investment adviser or its related persons as registered advisory representatives do not imply a certain level of skill or training.

## **Item 2 - MATERIAL CHANGES**

At least annually, Carlson Capital Management, Inc. (“CCM”) will update this section of the Brochure to discuss any material changes.

Each year we will deliver to our clients, by no later than April 30<sup>th</sup>, either (1) an updated Brochure that includes all material changes; or (2) a summary of any material changes and an offer to provide a copy of the complete Brochure. The most current Brochure is available on our website at [www.carlsoncap.com/adv](http://www.carlsoncap.com/adv) or you may request a copy by contacting us at 507.645.8887.

### *SUMMARY OF MATERIAL CHANGE:*

The following material change has occurred since the last annual update of this Brochure in March 2013:

- Justin D. Stets, President and Chief Compliance Officer of CCM, has been named to the Schwab Advisory Board for a two-year term. Item 12 – *Brokerage Practices* of this Brochure reflects this change.

**Item 3**

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## **Item 4 - ADVISORY BUSINESS**

Carlson Capital Management, Inc. (“CCM”) is a fee-based financial advisory firm that offers comprehensive wealth management services. CCM was founded in 1987. Principal owners of CCM include Gregory A. Carlson, Jeffrey R. Carlson and Justin D. Stets.

As of December 31, 2013, CCM has approximately \$1,176,543,794 billion of client assets under discretionary management. CCM has no assets managed on a non-discretionary basis. We have four Minnesota office locations: Bloomington, Hastings, Northfield and Rochester. The majority of our clients reside in the greater Twin Cities area, but we serve clients from all over the country.

### **Types of Advisory Services**

#### **INTEGRATED WEALTH MANAGEMENT**

CCM offers investment advisory services using an integrated wealth management approach. The following advisory services are included:

- Investment management
- Financial planning services including:
  - Retirement planning
  - Estate and advanced estate planning
  - Tax planning
  - Insurance planning
  - Education planning and
  - Philanthropic planning

At CCM, our advisory services are customized based on the individual needs of our clients. We meet with prospective clients to carefully assess their needs, goals and objectives prior to making specific recommendations. We assist prospective clients in determining their short-term and long-range investment goals and objectives.

We ask prospective clients to complete a custom inventory form and questionnaire to assist us in obtaining information about their financial situation and history. We gather various financial information and history including, but not limited to:

- Retirement and financial goals
- Investment objectives
- Investment horizon
- Financial needs
- Cash flow analysis
- Cost of living needs
- Education savings needs
- Savings tendencies
- Debt, assets and liabilities
- Wills and trusts
- Investment and bank accounts
- Other applicable financial information required in order to provide the investment advisory services requested

Upon completing our analysis of your situation, we will work with you to determine an asset allocation customized to your financial goals, objectives and risk tolerance. CCM has designed portfolio allocation strategies with objectives ranging from principal preservation to aggressive growth. After evaluating the information that you have provided to us, we will determine which of our portfolio allocation strategies would be most suitable for you. From there, we customize your portfolio allocation taking into consideration your limitations or restrictions, the market and economy at the time and your financial situation, goals and objectives.

Managed portfolios are constructed using open-ended mutual funds and exchange traded funds (ETFs). When appropriate, we will also utilize fixed income securities. Upon your specific request, CCM will maintain individual stock holdings for tax purposes. You also have the ability to impose restrictions and/or limitations on investing in certain securities or types of securities.

After we have done the work necessary to create a recommended portfolio, we will schedule a meeting with you and present the recommended allocations. Upon your approval, we will implement the portfolio allocation. We will provide continuous and on-going management of your account; we will manage the account and will make changes to the allocation as deemed appropriate by us; and we will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. CCM may actively trade securities and hold such securities for periods of 30 days or less or maintain positions for longer or shorter term periods. Discretionary authority will be granted by you to CCM by execution of a client agreement and an investment policy statement.

CCM generally requires a minimum investment (currently \$1,000,000 in cash or securities) that can be deposited with an independent, qualified custodian or broker-dealer in order to provide Integrated Wealth Management services. Under certain circumstances, CCM may waive the minimum account requirement and accept accounts less than \$1,000,000. Such circumstances may include, but are not limited to, the fact that additional assets will soon be deposited or you have other accounts under management with CCM.

### **CARLSON PORTFOLIOS**

CCM provides an alternative offering for prospective clients who do not have the complexity in their financial situations that require the array of solutions provided by our Integrated Wealth Management platform. Carlson Portfolios provides the investment discipline and structure of our portfolio allocation strategies and leverages the investment research capabilities, portfolio management team and technology previously offered exclusively to high-net-worth clients.

Carlson Portfolios is a practical option for investment clients with \$250,000 or more to invest. For some clients, starting on the Carlson Portfolios path is the beginning of engaging CCM and may progress to the Integrated Wealth Management platform as the need arises for more advanced financial planning. For others, the solutions and advisory experience of Carlson Portfolios could meet their investment needs for years to come.

### **FINANCIAL PLANNING DISCOVERY**

Before a formal partnership begins, we will schedule a meeting with you to present our analysis of your situation and recommendations for steps to be taken to assist you in working toward your financial and life goals.

Your financial plan will be based on your financial situation at the time and the financial information that you disclose to CCM. As requested by clients, and as part of a client's financial plan, CCM also may provide advice on stock option analysis and education funding.

CCM makes certain assumptions with respect to interest and inflation rates and may rely on past trends and prior performance of the markets and the economy in general. However, past performance is in no way an indication of future performance. CCM cannot offer any guarantees or promises that your financial goals and objectives will be met. After you engage CCM, it is important that you continue to review the plans presented to you and update us on changes in your financial situation, goals, or objectives. Should your financial situation or investment goals or objectives change, it is important to notify CCM promptly. Failure to notify CCM of any such changes could result in investment recommendations or planning solutions not meeting your needs. You are advised that the advice offered by CCM does not include drafting legal documents or providing legal advice. Therefore, you will need to seek the services of an attorney as needed.

You are not obligated to implement investment recommendations through CCM. If you direct CCM to implement your recommended financial plan, a separate planning fee may be assessed in addition to the advisory fees paid to CCM.

With regard to implementation, to the extent specifically requested by a client, CCM may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. CCM does not serve as an attorney, accountant, or insurance agent, and no portion of CCM's services should be construed as such. To the extent requested by a client, CCM may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including CCM affiliated entities described in Item 10 below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CCM and/or its representatives. **Conflict of Interest:** The recommendation by CCM that a client engage a CCM affiliated entity presents a conflict of interest. No client is under any obligation to engage any CCM affiliate. Clients are reminded that they may purchase such services or products offered by CCM affiliates through other, non-affiliated providers. CCM's Chief Compliance Officer, Justin D. Stets, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

### **General Information**

Investment recommendations and advice offered by CCM are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant.

You are advised that transactions in your account, account re-allocations, and the rebalancing of your account may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other tax-exempt qualified retirement accounts.

You are advised that performance may suffer due to difficulties with diversifying smaller accounts. In addition, performance of smaller accounts may vary from the performance of larger accounts due to fluctuations in the market that may affect smaller accounts more and the effects of compounding may be greater in larger accounts.

## CCM INSTITUTIONAL CLIENT SERVICES

In addition to the services CCM offers to individuals and families, CCM Institutional Client Services serves clients by providing comprehensive, customized 401(k) retirement plan and foundation and endowment solutions. With regard to 401(k) plans, we work with business owners and companies of all sizes to address the five key areas that contribute to the success of plan sponsors and plan participants alike, including the following:

Plan Design – CCM Institutional Client Services develops comprehensive designs for retirement plans that:

- Help maximize contributions
- Allow for a choice of employer contributions that may be required, matching or discretionary
- Assist in understanding and selecting eligibility, entry date and vesting provisions
- Ensure testing provisions that leverage employer contributions

Fiduciary Responsibility and Governance – CCM Institutional Client Services assists in managing the plan's fiduciary responsibilities and reducing liability. The process provides the following deliverables:

- A CEFEX certified fiduciary governance process that allows for the plan sponsor to follow global standards of fiduciary excellence
- Documentation and storage of fiduciary processes on a secure file server
- Comprehensive fiduciary education and communication programs
- Development, maintenance and execution of an appropriate Investment Policy Statement (IPS)
- The option of selecting from either a 3(21) or a 3(38) fiduciary platform

Competitive Retirement Benefits – CCM Institutional Client Services assists clients in ensuring their plans are competitive, both in total cost structure and in the performance of the underlying investment choices by offering the following services:

- Benchmarking of record-keeping, investment management and plan compliance services
- Independent investment “scorecarding” system that shows historical performance versus peers

Disciplined Investment Strategy – Investment options may be tailored to a participant's needs, while also having a disciplined investment strategy for those seeking broadly diversified, risk-adjusted portfolios. The investment experience includes:

- Low cost mutual funds
- Transparent fee structure
- Full non-proprietary open architecture platform
- Broadly diversified investment menus
- Quarterly rebalanced turn-key model portfolios

Successful Participant Outcomes – Education and communication program delivery includes:

- Effective and targeted participant education
- On-going participant communication
- Comprehensive participation rate and asset allocation adequacy analysis

With regard to foundations and endowments, CCM Institutional Client Services works with foundation and endowment stewards, offering access to CCM's investment advisory services and related consultation regarding fiduciary responsibility and practices.

**Item 5 - FEES AND COMPENSATION**

CCM's fees are negotiable and are not based on a share of capital gains on, or capital appreciation of, funds in your account.

**Integrated Wealth Management**

Client fees for Integrated Wealth Management are tiered as follows:

<b>Account Size</b>	<b>Maximum Annual Fee</b>
First \$2,000,000	1.00%
Next \$2,000,000	0.75%
Over \$4,000,000	0.50%

The formula CCM uses to calculate your quarterly fee is as follows: (Based on a \$10 million dollar portfolio)

First \$2,000,000 x 1.00%	\$20,000
Next \$2,000,000 x 0.75%	\$15,000
<u>Remaining \$6,000,000 x 0.50%</u>	<u>\$30,000</u>
\$10,000,000	\$65,000 \ 4 = \$16,250 quarterly fee

**Carlson Portfolios**

Client fees for Carlson Portfolios are tiered as follows:

<b>Account Size</b>	<b>Maximum Annual Fee</b>
First \$500,000	1.25%
\$500,000 to \$2,000,000	1.00%
Over \$2,000,000	0.75%

**General**

CCM may change the above fee schedules upon 30 days' prior written notice to you.

CCM aggregates all of your managed accounts together to determine your quarterly fee. For example, if you have four managed accounts with a value (as of the end of the prior calendar quarter) of: \$101,500, \$55,500, \$675,900, and \$74,300 with a total value of \$907,200, you will not pay a fee on the managed accounts greater than 1%.

You may make additions to your account or withdrawals from your account at any time. Additional assets deposited into an account after it is opened will be charged a pro-rated fee based upon the number of days remaining in the then current three month period. No fee adjustments will be made for account appreciation or depreciation between billing cycles.



Fees are paid quarterly in advance. The fee will be calculated based on the value of the account on the last business day of the prior calendar quarter. The initial quarterly fee will be a pro-rated portion of the fee based on the number of days remaining in the calendar quarter.

Advisory fees will be deducted directly from your account to the extent authorized by the client agreement. You will be provided with regular custodial account statements that reflect the deduction of advisory fees. If a client's account does not contain sufficient funds to pay advisory fees, CCM may sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse an account for advisory fees paid to CCM, except for ERISA and IRA accounts.

Because our billing schedules change over time, existing clients may be billed according to a different schedule.

### **CCM Institutional Client Services**

Client fees for small Institutional Client plans (less than \$3 million) are generally tiered as follows:

First	\$ 1,000,000	1.00%	\$ 10,000	\$ 10,000
Next	\$ 2,000,000	0.60%	\$ 12,000	\$ 22,000
Next	\$ 3,000,000	0.50%	\$ 15,000	\$ 37,000
Next	\$ 4,000,000	0.40%	\$ 16,000	\$ 53,000
Above	\$ 10,000,000	0.30%	-	

Client fees for larger Institutional Client plans with a high number of participants (\$3 million with 50+ participants) are generally tiered as follows:

First	\$ 1,000,000	0.75%	\$ 7,500	\$ 7,500
Next	\$ 2,000,000	0.60%	\$ 12,000	\$ 19,500
Next	\$ 3,000,000	0.50%	\$ 15,000	\$ 34,500
Next	\$ 4,000,000	0.40%	\$ 16,000	\$ 50,500
Above	\$ 10,000,000	0.30%	-	

Client fees for large Institutional Client plans with a low number of participants (\$3 million with less than 50 participants) are generally tiered as follows:

First	\$ 3,000,000	0.60%	\$ 18,000	\$ 18,000
Next	\$ 3,000,000	0.50%	\$ 15,000	\$ 33,000
Next	\$ 4,000,000	0.40%	\$ 16,000	\$ 49,000
Above	\$ 10,000,000	0.30%	-	

Note: The formula CCM uses to calculate your quarterly fee is illustrated in the fourth and fifth columns in the three tables shown above.

### **Financial Planning**

Fees are strictly for the initial presentation of a Financial Plan by CCM.

Planning fees are negotiable and generally fall within the parameters outlined below. Your fees will depend on several factors including time spent with CCM, number of meetings, complexity of your situation, amount of research, services requested and usage of staff and other resources.

<b>Fee Type</b>	<b>Maximum Fee</b>	<b>Payable</b>
Financial Plan	\$1,500 to \$7,500	Payable one-half (1/2) upon execution of the client agreement with CCM and the balance due at the time of presentation of the plan.
Integrated Wealth Management	\$2,500 to \$15,000	Payable one-half (1/2) upon execution of the client agreement with CCM and the balance due at the time of presentation of the plan.

### **General**

In addition to the fees above, you will pay fees for securities transactions executed in your account in accordance with the custodian's current transaction fee schedule, a copy of which is available upon your request. Custodians and broker-dealers also may charge an account for custodial services, account maintenance fees and other fees associated with maintaining the account and purchases and sales of securities for the account. These fees are not charged by or paid to CCM but are paid to the account's custodian or broker-dealer. Mutual funds and ETFs in which clients invest charge their own advisory fees and other expenses as set forth in each fund's prospectus. You should request and read each fund's prospectus prior to investing.

A client may terminate within five days after engaging the services of CCM and receive full refund of any management fees paid to CCM. Thereafter, the client may terminate for any reason upon fourteen days (14) written notice to CCM, specifying the date of termination (date cannot precede the written notice). In the event a client terminates as described above, management fees paid, but not yet earned, shall be refunded to the client pro rata based on the number of days the client utilized CCM's services.

### **Item 6 - PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

CCM does not charge performance-based fees. Nor do we manage accounts on a side-by-side basis.

### **Item 7 - TYPES OF CLIENTS**

With the exception of the Carlson Portfolio, CCM's services are geared toward high-net worth families and individuals, trusts and estates, charitable organizations, pension and profit sharing plans, and corporations or other business entities.

## Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

In general terms, CCM takes a structured, long-term approach to investing that is based on Modern Portfolio Theory and factor-based investing approach to investment management. CCM applies the following principles to investing:

- *Risk and return are related.* Investors are rewarded in proportion to the risk taken. Framing decisions around compensated risk factors in the equity and bond markets connects investors to the forces that create opportunities to build wealth over time. Financial science offers insight into these risks. Evidence from practicing investors and academics points to an undeniable conclusion: returns come from risk. Gain is rarely accomplished without accepting risks, but not all risks carry a reliable reward. Financial science over the last 50 years has brought us to a powerful understanding of the risks that are worth taking and the risks that are not.
- *Broad global diversification reduces risk and may increase return.* Diversification is the most essential tool available to investors. It enables them to capture broad market forces while reducing the excess, uncompensated risk arising in individual stocks.
- *Structure determines performance.* Structure, or asset allocation, determines most of the performance in a diversified portfolio. The three factors that have been shown to have the most explanatory power are: (i) exposure to market risk, (ii) exposure to company size and (iii) exposure to company valuation. Active management through security selection or market timing plays a very small role in the overall performance of a portfolio. In most cases, the increased costs and ineffective strategies employed by active managers lead investors to decreased returns relative to market benchmarks.
- *Proactive management affects portfolio outcomes.* Taking a proactive approach to investment management allows investors to decrease risk and may increase expected returns within a portfolio. By utilizing a strategy that locates assets in accounts by their tax efficiency, harvests tax losses when available and opportunistically rebalances asset class components, investors can decrease future risk and may increase return over time.

Investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the investment portfolios offered by CCM will require you to be prepared to bear the risk of loss and fluctuating performance.

CCM does not represent, warrant or imply that the services or methods of analysis used by CCM can or will predict future results, successfully identify market tops or bottoms or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. No promises or assumptions can be made that the advisory services offered by CCM will provide a better return than other investment strategies.

CCM primarily recommends that clients purchase open end mutual funds and ETFs to implement CCM's investment advice. These underlying funds may, in turn, invest in a broad range of stocks of any market capitalization, including large-, mid- and small-cap stocks; and/or a broad range of fixed income securities of any credit quality or maturity, including U.S. Government and agency securities, municipal securities, corporate debt, and debt of foreign issuers including those located in emerging markets. Underlying funds may also invest in real estate, commodities-related assets, or high-yield,

high-risk debt securities, and they may engage in leveraged or derivative transactions. CCM has no control over the investment strategies, policies or decisions of the underlying funds' investment managers. CCM's only option would be to liquidate its clients' investments in an underlying fund in the event of dissatisfaction with the fund's manager. In addition to risks generally associated with investments in mutual funds, ETFs are subject to the following risks: (i) the market price of an ETF's shares may trade above or below their net asset value; (ii) an active trading market for an ETF's shares may not develop or be maintained; or (iii) trading of an ETF's shares may be halted if the stock exchange's officials deem such action appropriate.

CCM may invest on a limited basis in derivative instruments in an effort to mitigate concentrated risk in a client's portfolio. Derivatives may be used for hedging purposes when clients come to CCM with concentrated holdings in a small amount of equity positions. Utilizing derivative instruments in this way could potentially affect returns to investors. Some types of derivatives that may be used most frequently may include, without limitation, put or call options on securities or indices.

Investing in derivatives for hedging purposes or otherwise may result in certain transaction costs which may reduce account performance. No assurances can be given that derivative positions will achieve the desired correlation with the security. Further, no assurances can be given that these investments or instruments will be used, or that, if used, they will achieve the desired results.

CCM has formed a relationship with a third-party vendor that uses statistical sampling to track an index. This investment solution manages individual U.S. equities with two primary investment objectives: match the return of the U.S. equity benchmarks (minus expenses) and create tax efficiency for the investor. There is a possibility of material tracking error to the index if the software fails to match the index. CCM mitigates this risk by reviewing and monitoring the portfolios with the third-party rebalances to the index as needed. This solution is primarily utilized for clients that hold highly appreciated individual stock portfolios with values greater than \$500,000.

## **Item 9 - DISCIPLINARY INFORMATION**

There is no disciplinary information required to be reported for CCM or its management persons that is material to your evaluation of CCM, its business or its management persons.

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

CCM and/or its principals have material business arrangements with the following other entities:

- **Carlson Trust:** National Advisors Trust Company, FSB, a national trust company ("NATCo"), was created to support the fiduciary needs of clients who, through their estate planning efforts, prefer to continue to maintain their relationship with their financial advisory firm. NATCo is a wholly owned subsidiary of National Advisors Holdings, Inc. ("NAH"). CCM and approximately 135 other advisory firms located in over 40 states own equity interests in NAH. CCM holds a less than 1% interest. The mission of NATCo is to support the delivery of trust and custody services to the clients of its shareholders. CCM may recommend NATCo to its advisory clients seeking trust services. The grantor in a trust agreement would name CCM as the investment manager with discretion to manage the trust estate, and the agreement would also provide that NATCo discharge the administrative,

distribution and custodial responsibilities of the trust through the entity named Carlson Trust, a Trust Representative office (“TRO”) of NATCo. CCM, as a shareholder of NAH (the parent company of NATCo), may benefit by realizing a profit in the form of dividends or corporate distributions from NAH, in addition to any investment advisory fees paid under the trust agreement. This relationship is a potential conflict of interest. We believe, however, that our selection of NATCo, through their TRO program, is in the best interests of our clients. Our selection is primarily supported by NATCo’s uniquely designed trust and custody services, including an advanced, multi-custodian investment management platform, trust accounting services, referral marketing programs, trust education programs, practice management programs, economies of scale, and other related services to advance the success of CCM and its clients. Finally, NATCo is a “trust only” organization focused on trust and custody services for CCM, and is not involved in lending and depository banking functions.

- **CCM Tax & Trust Administration:** CCM Tax & Trust Administration provides tax return preparation and trust administration services for a fee to individuals and trusts and estates, including clients of CCM. Clients who engage CCM Tax & Trust Administration will pay a separate fee. The client should be aware that CCM Tax & Trust and CCM are under common ownership.
- **ViaForte, Inc. (“ViaForte”):** ViaForte, formerly known as Carlson Insurance Advisory Group (“CIAG”), applies advanced estate planning strategies and design to utilize opportunities and offer access to financial vehicles provided by insurance companies. The team at ViaForte works with individuals, financial services firms, and business to business advisors including advisory clients of CCM. ViaForte’s agents are licensed with various insurance companies. As such, ViaForte may receive commissions in connection with any insurance product purchased through ViaForte. The client should be aware that ViaForte and CCM are under common ownership. ViaForte products that include securities are offered through M Holdings Securities, Inc. a Registered Broker/Dealer, Member FINRA/SIPC.
- **Zero Alpha Group (“ZAG”):** CCM is a member of ZAG, a global network of registered investment advisers which implement the Modern Portfolio Theory of investment management, asset class investing, integrated wealth management, fee-only or fee-based investment advice, and seek to follow the highest fiduciary standards as represented by the Centre for Fiduciary Excellence (“CEFEX”). ZAG members share a common investment philosophy based on the principles of Modern Portfolio Theory, which emphasizes a passive investment strategy. ZAG members are geographically diverse, and their executives meet regularly to share investment information, strategic and marketing plans, and research related to Modern Portfolio Theory and passive investment management techniques. ZAG also may negotiate with mutual fund companies, platform sponsors and broker-dealers in an effort to obtain lower costs on behalf of members’ respective clients. Justin D. Stets, President and Chief Compliance Officer of CCM, serves as an officer for ZAG and sits on the Executive Committee.

### **General**

The recommendation by CCM that a client engage a CCM affiliated entity presents a conflict of interest. No client is under any obligation to engage any CCM affiliate. Clients are reminded that they may purchase such services or products offered by CCM affiliates through other, non-affiliated providers. CCM’s Chief Compliance Officer, Justin D. Stets, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

## **Item 11 - CODE OF ETHICS, PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

CCM has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. At CCM, we take seriously our compliance and regulatory obligations and require all staff to comply with such rules and regulations as well as our own internal policies and procedures. We also maintain a Code of Ethics for our financial advisors, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws. CCM requires all employees to report their personal securities transactions and to obtain pre-approval for certain transactions. We also prohibit employees from trading based on material non-public information. A copy of our Code of Ethics will be provided to you upon request.

CCM was among the first investment advisers globally to successfully complete the independent certification process of CEFEX. Through CEFEX's independent assessment, the certification provides assurance to investors, both institutional and individual, that CCM has demonstrated adherence to the industry's best fiduciary practices. Additionally, CCM Principal Justin Stets, Integrated Wealth Advisor Jason Kley, and Director of Institutional Client Services Bryan Webster, have been awarded the AIF<sup>®</sup> designation from the Center for Fiduciary Studies, signifying specific training in fiduciary responsibility. The AIF Designation certifies that the recipient has specialized knowledge of fiduciary standards of care and their application to the investment management process. To receive the AIF Designation, the individual must meet prerequisite criteria based on a combination of education, industry experience, and/or ongoing professional development, complete a training program, successfully pass a comprehensive, closed-book final examination under the supervision of a proctor and agree to abide by the Code of Ethics. In order to maintain the AIF<sup>®</sup> Designation, the individual must annually renew their affirmation of the Code of Ethics and complete six hours of continuing education. The Designation is administered by the Center for Fiduciary Studies, the standards-setting body of fi360.

CCM strives to handle your non-public, personal financial information in such a way to protect that information from falling into hands that have no business reason to know such information. Each year (in April with your first quarter report) we provide you with our Privacy Policy.

CCM may buy or sell mutual funds or ETFs that we recommend to clients CCM and its staff will not put their interests before your interests. It is the express policy of CCM that no CCM employee may purchase or sell a security listed on a stock exchange prior to the same transaction(s) being implemented for a client account to prevent front-running.

CCM has established restrictions in order to mitigate any conflict of interest and ensure our fiduciary responsibilities to you are satisfied as follows:

- A director, officer or employee of CCM shall not buy or sell exchange-traded securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No associated person of CCM shall prefer his or her own interest to that of the advisory client.
- CCM maintains a list of all securities holdings for the firm and its employees. The Chief Compliance Officer reviews these holdings on a quarterly basis.
- CCM requires all individuals to act in accordance with all applicable federal and state securities laws governing registered investment advisers.

- Any individual not in observance of the above may be subject to termination.

## **Item 12 - BROKERAGE PRACTICES**

CCM typically recommends Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer and member SIPC, to serve as an independent, qualified custodian of clients’ assets. CCM also may recommend The Vanguard Group, Jefferson National, Teachers Insurance and Annuity Association/College Retirement Equities Fund (“TIAA-CREF”) and TDAmeritrade (“TDA”).

Although CCM typically recommends Schwab, clients may maintain their accounts at another bank, trust company or broker-dealer. However, CCM’s services may be limited due to service or trading platform restrictions imposed by these other custodians.

### **How We Select Brokers/Custodians**

CCM seeks to recommend a custodian/broker who will hold your assets and execute transactions on terms that we believe are most advantageous overall when compared to other available providers and their services. CCM considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (e.g., stocks, bonds, mutual funds, ETFs)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below

### **Services That May Not Directly Benefit You**

Schwab and TIAA-CREF also make available to us other products and services that benefit us but may not directly benefit your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third-parties provided by Schwab. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab or TIAA-CREF. In addition to research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

### **Services That Generally Benefit Only Us**

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services themselves. In other cases, they will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third-party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel and reimbursement of expenses (including travel, lodging and meals).

Due to the individual management of client accounts, we do not aggregate the purchase or sale of securities for various client accounts.

### **Schwab**

For CCM's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab's commission rates applicable to our client accounts were negotiated based on the condition that CCM clients in the aggregate maintain account balances of at least \$10 million at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. However, it may also create a conflict because it incentivizes CCM to continue recommending Schwab to obtain the discount. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we direct a different broker-dealer to execute and then to settle into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we typically direct Schwab to execute most trades for your account. We believe that Schwab's execution is favorable based on the factors we consider as set forth above.

Schwab Advisor Services<sup>TM</sup> serves independent investment advisory firms like CCM by providing CCM and our clients with access to Schwab's institutional brokerage trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also



makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

### **Services That Benefit You**

Schwab Advisor Services<sup>TM</sup> include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. These services generally benefit you and your account. CCM's Chief Compliance Officer, Justin D. Stets, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

### **Our Interest in Schwab's Services**

The availability of services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

From time to time, CCM may make an error in submitting a trade order on your behalf. When this occurs, CCM may place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain of at least \$100 to charity. If a loss occurs greater than \$100, CCM will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they typically will be netted.

Justin Stets, President and Chief Compliance Officer of CCM, serves on the Schwab Advisor Service<sup>TM</sup> Advisory Board ("the Board"). As described above, CCM may recommend that clients establish brokerage accounts with Schwab to maintain custody of the clients' assets and effect trades for their accounts. The Board consists of approximately 21 representatives of independent investment advisory firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services<sup>TM</sup> services for independent investment advisory firms and their clients. Board members serve for two-year terms. Mr. Stets' term will end in 2016. Board members enter nondisclosure agreements with Schwab under which they agree not to disclose confidential

information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange and the NASDAQ stock market (symbol SCHW). The Board meets in person approximately twice per year and has periodic conference calls scheduled as needed. Board members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Board members' travel, lodging, meals, and other incidental expenses incurred in attending Board meetings.

### **Item 13 - REVIEW OF ACCOUNTS**

The frequency of "regular progress meetings" is determined jointly by our clients and their primary financial advisor. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. You are advised that you must notify your financial advisor promptly of any changes to your financial goals, objectives or financial situation as such changes may require him/her to review the portfolio allocation and your overall financial plan, and make recommendations for changes.

The following advisors, individually or as a team, participate in reviews:

- Gregory Carlson, Principal/Co-founder
- Jeffrey Carlson, Principal/Co-founder
- Justin Stets, Principal/President
- Judd Lohmann, Senior Investment Manager/Integrated Wealth Advisor
- Andrew Hauskins, Integrated Wealth Advisor
- Anthony Bolstroff, Integrated Wealth Advisor
- Jason Kley, Integrated Wealth Advisor
- Callie Geist, Integrated Wealth Advisor
- Paul Swanson, Integrated Wealth Advisor/Senior Tax Advisor
- Charlie Lawson, Integrated Wealth Advisor/Tax Advisor
- Bryan Webster, Director of Institutional Client Services
- Jeremy Green, Wealth Strategist
- Ken Tomes, Senior Manager of Tax Services
- Kevin Koski, Director of Tax Services
- Adam Hoffmann, Director of Investment & Research

Schwab provides monthly statements that are sent to you directly. Other custodians provide at least quarterly statements. Additionally, you will receive confirmations of all transactions occurring direct from the account custodian. On a quarterly basis, CCM will provide you with a consolidated report of your managed account. You should compare the report with statements received direct from the account custodians. Should there be any discrepancy the account custodian's report will prevail.

### **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisers whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's

products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

CCM continues to pay Schwab referral compensation for past introductions made by Schwab to CCM when CCM participated in the Schwab Advisor Network<sup>TM</sup> referral program. CCM no longer actively participates in the Schwab Advisor Network<sup>TM</sup> program.

Product vendors recommended by CCM may provide monetary and non-monetary assistance with client events, and may provide educational tools and resources. CCM does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. CCM's due diligence of a product does not take into consideration any assistance it may receive.

CCM also may receive referrals of potential advisory clients from registered representatives of broker-dealers and certified public accountants. These referral sources receive a percentage of the asset management fee based upon their involvement in the relationship. The compensation paid to these referral sources is for the solicitation services and for client referrals only. The solicitation services include making any introductions and providing information and material about the advisory services and programs of CCM. None of the fees for these referrals are passed along to a client in any way. Clients will be provided with written notice of, and asked to authorize in writing, the payment of any solicitor's fee paid on their referral in compliance with the requirements of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

CCM is an approved Investment Advisor of the National Football League Players Association ("NFLPA"). It pays an annual fee to the NFLPA to participate in a Program of registered investment advisors. The principal intent of the Program is to help players find an independent investment advisor. CCM has a fiduciary duty to each of its player clients. NFLPA does not supervise CCM and has no responsibility for CCM's management of its player clients' portfolios or other advice or services. CCM is required to attend an annual conference hosted by the NFLPA; all expenses related to the conference are paid by CCM and not by any player client. Because of its participation in the Program, CCM does not receive any recommendations over any other investment advisor, nor does CCM receive any specific endorsement by the NFLPA. The sole benefit to CCM is the opportunity to represent itself as an NFLPA Registered Player Financial Advisor, having met the eligibility requirements of registration.

## **Item 15 - CUSTODY**

Under the Advisers Act, CCM is not deemed to have custody of your assets if you authorize CCM to instruct your custodian to deduct our advisory fees directly from your account. Your account custodian maintains actual physical custody of your cash and securities. You will receive account statements directly from your custodian at least quarterly that detail the securities transactions in the account and the amount of all fees deducted. Account statements will be sent to your address of record. You should carefully review those statements promptly when you receive them. In some cases, CCM does maintain custody of a client's accounts, primarily when CCM or its principals act as a personal trustee or when a client asks CCM to access their outside accounts for overall portfolio management. In those cases, we have an annual audit to ensure proper procedures are followed and the client's accounts are maintained appropriately.

## **Item 16 - INVESTMENT DISCRETION**

Clients typically grant CCM authority to manage the client's account on a discretionary basis. Discretionary authority means that CCM has the authority to buy, sell, exchange, or convert securities in your managed accounts (or, from time to time, select certain sub-advisers to manage a portion of your account). You may terminate discretionary authorization at any time upon receipt of written notice to CCM.

Additionally, you are advised that:

- You may set parameters with respect to when an account should be rebalanced and set trading restrictions or limitations;
- Your written consent is required to establish any brokerage account;
- CCM would require the use of the broker/dealer with which your financial advisor is registered for sales in commissionable mutual funds or variable annuities, if you elect to implement those purchases through your financial advisor;
- With the exception of deduction of CCM's advisory fees from the account, if you have authorized automatic deductions, CCM will not have the ability to withdraw your funds or securities from the account.

## **Item 17- VOTING CLIENT SECURITIES**

CCM does not vote your securities. Unless you suppress proxies, proxy statements will be sent directly to you by the account custodian or transfer agent. You may contact CCM about questions you may have or opinions on how to vote the proxies. However, how you vote the proxies is solely your decision.

## **Item 18 - FINANCIAL INFORMATION**

CCM is financially stable. There is no financial condition that is likely to impair our ability to meet our contractual commitment to you or any other client. CCM has not been the subject of a bankruptcy petition.

## **Item 19 - REQUIREMENTS FOR STATE REGISTERED ADVISERS**

This section is not applicable to CCM because CCM is registered with the SEC.

ANY QUESTIONS: CCM's Chief Compliance Officer, Justin D. Stets, remains available to address any questions regarding this Part 2A Brochure.