

Firm Brochure

(Part 2A of Form ADV)

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Callan Capital, LLC. If you have any questions about the contents of this brochure, please contact us at: 858-551-3800, or by email at: ryan@callancapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), or by any state securities authority.

Callan Capital, LLC is a registered investment adviser with the SEC; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about the Adviser is available on the SEC’s website at www.adviserinfo.sec.gov

Item 1 Cover Page

Item 2 Material Changes

Annual Update

This Brochure is being revised to reflect the following change(s) from Callan Capital, LLC's last Brochure:

- Item 4 – Advisory Business – updated to reflect the current assets under management of Callan Capital, LLC, remove reference to performance-based fees due to the winding down of the Adviser's affiliated private fund and include information concerning the insurance services provided by Callan Capital, LLC's d/b/a/ Callan Capital Insurance Services, LLC.
- Item 6 – Performance Based Fees – updated to reflect that Callan Capital, LLC no longer charges performance based fees for any services offered to clients.
- Item 10 – Other Financial Industry Activities and Affiliations – updated to reflect Callan Capital, LLC's new ownership interest in Versus Capital Advisors, LLC and potential conflicts due to the economic benefits which the Adviser may receive.

Callan Capital, LLC encourages each client and prospective client to read this Brochure in its entirety and to call us with any questions you may have.

Pursuant to rules adopted by the SEC, Callan Capital, LLC will ensure that clients receive, within 120 days of the close of Callan Capital, LLC's fiscal year, either an updated Brochure that includes a summary of material changes or a summary of material changes that includes an offer to provide a copy of the updated Brochure and information on how to obtain the Brochure. Additionally, Callan Capital, LLC's Brochure is available upon request and may be requested by contacting us by phone at (858)551-3800 and/or by email at ryan@callancapital.com.

For more information about the firm, please visit www.callancapital.com.

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Item 4 Advisory Business

Firm Description

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

Principal Owners

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

Types of Advisory Services and Engagements

As part of its investment management service offerings, Adviser provides its clientele with a variety of options, including asset management and financial planning and consultation services which may include tax optimization, portfolio analysis, retirement planning and/or estate planning.

Asset Management

In the event the client determines to engage the Adviser to provide investment management services, the Adviser may do so on a discretionary basis pursuant to the terms of an Advisory Service Agreement (the “Agreement”) executed by the client prior to the start of the relationship. The Agreement sets forth the services to be provided and the fees for those services. The Agreement may be terminated by either party in writing at any time.

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

The Adviser intends to primarily allocate its client’s investment management assets, on a discretionary basis among Independent Managers (as defined below), mutual funds, and exchange traded funds (“ETFs”) in accordance with the investment objectives of the client. Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U.S. government securities, options contracts, futures contracts, and interests in partnerships.

In Addition, the Adviser may recommend that clients who are “accredited investors” as defined under Rule 501(a) of Regulation D, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the client’s investment objectives. When the Adviser recommends that the client invest in private placement securities, the Adviser shall receive no additional compensation but shall continue to receive applicable investment advisory fees on the client’s assets under management.

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

Adviser routinely provides investment advice on interests in certain limited partnerships or other privately offered investment vehicles such as hedge funds and/or funds that invest in hedge funds, private equity funds, and other private investment partnerships (collectively “Private Funds”). Additionally, Adviser is the owner and managing member of Callan Capital Alternative Investment LLC (“CCAI”), which is the General Partner to Callan Capital Distressed Debt and Income Opportunity Fund I, LP (the “Fund”) a Delaware limited partnership.

The Fund is now closed to new investors. The Adviser will not receive any compensation for making recommendations within the Fund except to the extent that the Adviser receives advisory and other fees from the Fund or for selling interests in the Fund.

Depending on the sophistication, risk tolerances, and qualifications of the client, Adviser may recommend that certain clients invest a portion of their assets in other Private Funds managed by independent investment managers (“Independent Managers”) based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the Independent Manager(s) may be set forth in a separate written agreement directly with the Independent Manager(s) selected, in addition to the advisory agreement signed with Adviser. Adviser shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which Adviser shall receive an annual advisory fee, as described more fully below. Adviser will retain discretionary authority to hire and fire Independent Managers and to reallocate the client’s assets to other Independent Managers, where such action is deemed to be in the best interest of the client.

Financial Planning

Adviser’s financial planning services range from a comprehensive evaluation of a client’s current and future financial state, to more focused consultations, depending on the needs of each client. Based on information provided by the client (such as the client’s financial, business and investment guidelines) Adviser will make recommendations designed to help achieve the client’s overall goals and objectives, and set forth future cash flow needs, retirement considerations and withdrawal plans.

To begin the process, Adviser will gather information from the client through in-depth personal interviews and the completion of a Client Profile Questionnaire. The information gathered generally includes the client’s current financial status, tax status,

future goals, returns objectives and attitudes towards risk. After adviser carefully reviews the information supplied by the client, a written report providing a detailed financial plan and designed to assist the client achieve his or her financial goals and objectives will be delivered to the client. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client.

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

- **PERSONAL:** We review family records, personal liability, budgeting, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law. Callan Capital does not provide legal or tax advice, you should consult your own legal and tax advisors before making decisions or taking a distribution from a retirement account such as an IRA.
- **CORPORATE PLANNING SERVICES:** We work with Corporations and their employees who engage us for financial planning services. The financial plan that the employee will receive encompasses all of the areas discussed above.

Clients have the option of utilizing Adviser to implement certain investment recommendations, but are under no obligation to do so. Advice and recommendations may also be given on non-securities matters and any implementation of Adviser's recommendations is entirely at the client's discretion. Should the client choose to implement these recommendations, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Clients are free at all times to accept or reject any or all recommendations made by Adviser and clients retain the authority and discretion on whether or not to implement any recommendations.

Clients should understand that a potential conflict of interest exists if Adviser recommends its own investment management services to implement the financial plan. Financial planning recommendations are based on the client's financial situation

at the time the recommendations are provided, and are based on the information provided by the client. In addition, certain assumptions may be made with respect to interest and inflation rates, use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance and Adviser cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As a client's financial situation, goals, objectives, or needs change, the client is strongly urged to promptly notify Adviser. For more information on the risks associated with investing, please refer to Item 8 below.

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

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

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

Insurance Services

Callan Capital, LLC also serves as an insurance agency registered with the State of California under the d/b/a of Callan Capital Insurance Services, LLC (License#: 0F89858). Through Callan Capital Insurance Services, the Firm may provide life, accident and health and long-term care insurance products, and certain representatives of the Firm, who are also licensed as insurance agents, will receive normal and typical commissions for the sale of such products. This may present a conflict of interest if Adviser recommends its own insurance services and products as part of a financial plan because compensation will be received. Should a client decide to purchase any insurance products recommended as part of their financial plan, the client may, but is under no obligation to, utilize the Firm to purchase such products.

Assets Under Management

As of December 31st, 2013 the Adviser manages approximately \$586,252,184 in assets for approximately 134 client households on a discretionary basis.

Item 5 Fees and Compensation

Investment Management

The Adviser bases its fees on a percentage of assets under management and/or fixed fees (not including subscription fees) depending on the particular types of advisory services to be provided. The specific fees charged by Adviser for its advisory services will be set forth in each client's written Agreement(s) with Adviser. Although Adviser believes its advisory fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

Asset Management

Adviser generally charges an annual fee for its asset management services based upon a percentage of the market value of the assets being managed by the Adviser. The annual fee shall be prorated and charged quarterly, in arrears, based upon the average daily balance of the client's assets as valued by the custodian as of the close of business on the last business day of each calendar quarter. The annual fee shall be on a tiered system based on the following:

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

Minimum fee of \$15,000 per year

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

The Adviser, in its sole discretion, may negotiate to charge a lesser management fee, and / or the Adviser may waive the annual minimum fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

The client may make additions to and withdrawals from the account at any time, subject to the Adviser's right to terminate an account. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable

calendar quarter. Clients may withdraw account assets on notice to the Adviser, subject to the usual and customary securities settlement procedures. However, the Adviser designs its portfolios as long-term investments and assets withdrawals may impair the achievement of a client's investment objectives.

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

Additions may be in cash or securities provided that the Adviser reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Adviser may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

Payment for Adviser's investment management fees will be deducted from each client's account on a quarterly basis by their custodian and paid directly to Adviser upon written authorization by the client. The consent for deduction of fees is generally contained in the Agreement signed by the client. Clients' custodians will deliver a periodic (at least quarterly) account statement directly to clients, which will include all transactions that took place in the account during the period covered and reflect any fees deducted and paid to Adviser.

Clients may incur certain charges imposed by third parties such as fees charged by Independent Managers (as defined in Item 14 below), custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to the Adviser's fee. However, the Adviser shall not receive any portion of these commissions, fees, and costs.

Financial Planning

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

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

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

Hedgefund

As previously disclosed above the Adviser is the owner and managing member of CCAI, which is the General Partner to the Fund. CCAI generally charges the Fund a 1.0% annual management fee. Management fees are payable quarterly in arrears and are based on the market value of the Limited Partners' assets under management as of the last business day of the prior calendar quarter net of withdrawals as of such last business day plus subscriptions on the first business day of the calendar quarter. Fees are prorated for investments that are at times other than the start of a calendar quarter and the Adviser reserves the right to waive or reduce its management fee. The fees cover the normal operating expenses of the Adviser and the Fund will cover all other expenses.

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

The Fund is closed to new investors.

Item 6 Performance Based fees

As of the date of this Brochure, the Firm no longer charges performance-based fees (i.e., fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client) due to the winding down of the Fund. Consequently, Adviser does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, Adviser provides investment management services for a fixed fee and/or based upon a percentage of assets under management, in accordance with SEC Rule 205(a)(1). Notably, accounts that are managed in the same style (e.g., moderately aggressive) may not be managed the same way due to the client's overall investment objectives and guidelines, account restrictions, asset size, and discretion of the investment professional assigned to the account.

Item 7 Types of Clients

Description

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

Conditions for Managing Accounts

The Adviser may assess a minimum annual fee of \$15,000 to accounts receiving ongoing asset management services. However, the Adviser has discretion to waive the minimum annual fee or negotiate to charge a lesser minimum annual fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

There may be times when certain restrictions are placed by a client, which prevents Adviser from accepting or continuing to manage the account. Adviser reserves the right to not accept and/or terminate management of a client's account if it feels that the client imposed restrictions would limit or prevent it from meeting and/or maintaining its investment strategies.

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

Methods of Analysis

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

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

Investment Strategies

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

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

Market, Security and Regulatory Risks

Any investment involves significant risk, including a complete loss of capital and conflicts of interest. All investment programs have certain risks that are borne by the investor which are described below. In addition, any and all clients who have invested in the Fund should review the Fund's Private Placement Memorandum for specific risks related to alternative investment.

Market Risks:

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

regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

- **Investments in Undervalued Securities:** The Adviser intends to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Adviser's investments may not adequately compensate for the business and financial risks assumed. The Adviser may make certain speculative investments in securities which it believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Adviser may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Adviser's funds would be committed to the investments made, thus possibly preventing the Adviser from investing in other opportunities.
- **Small Companies:** The Adviser may invest a portion of its assets in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Adviser may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.
- **Volatility of Currency Prices:** The profitability of the Adviser's portfolios depends, in part, upon the Adviser correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal,

monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Adviser cannot guarantee that it will be successful in accurately predicting currency price and interest rate movements.

- **Leverage:** When deemed appropriate by the Adviser and subject to applicable regulations, the Adviser may incur leverage in its investment program, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Adviser purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Adviser. If the interest expense on this leverage were to exceed the net return on the investments made with borrowed funds, the Adviser's use of leverage would result in a lower rate of return than if the Adviser were not leveraged.

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

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

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

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

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

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

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option

assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Adviser of all or a substantial portion of its assets.

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

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

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

- **Market or Interest Rate Risk:** The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. If the Adviser holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Adviser's performance; however, if the Adviser has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Adviser.

- **Fixed Income Call Option Risk:** Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to “call” all or part of the issue before the bond’s maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Adviser is exposed to reinvestment rate risk – the Adviser will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.
- **Maturity Risk:** In certain situations, the Adviser may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Adviser will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.
- **Inflation Risk:** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Adviser purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, the Adviser is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.
- **Investments in Non-U.S. Investments:** From time to time, the Adviser may invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks may include:
 - Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
 - Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.

- Foreign securities and other assets often trade in currencies other than the U.S. dollar, and the Adviser may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the Adviser's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Adviser's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Adviser's foreign currency holdings. If the Adviser enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Adviser enters forward contracts for the purpose of increasing return, it may sustain losses.
- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.
- **Risk of Default or Bankruptcy of Third Parties:** The Adviser may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, the Adviser could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid. In addition, the Adviser could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Adviser does business, or to which securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if the Adviser's prime broker and custodian were to become insolvent or file for bankruptcy, the Adviser could suffer significant losses with respect to any securities held by such firm.
- **ETF and Mutual Fund Risk:** When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.

Regulatory Risks:

- **Strategy Restrictions:** Certain institutions may be restricted from directly utilizing investment strategies of the type in which the Adviser may engage. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel and accountants to determine what restrictions may apply and whether an investment in the Adviser is appropriate.

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

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

Security Specific Risks:

- **Liquidity:** Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.
- **Currency:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Limited Liquidity of Interests:** An investment in a partnership usually involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for these interests and no market should be expected to develop. Additionally, transfers are usually subject to the consent of the general partner at the general partner's sole discretion.
- **Lack of Registration:** Funds or LP interests have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions.

- **Withdrawal of Capital:** The ability to withdraw funds from the funds or LP interests is usually restricted in accordance with the withdrawal provisions contained in an Offering Memorandum. In addition, substantial withdrawals by investors within a short period of time could require a fund to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the fund's assets and/or disrupting the fund's investment strategy.

Item 9 Disciplinary Information

Legal and Disciplinary

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

Item 10 Other Financial Industry Activities and Affiliations

Affiliations

The Adviser does not render real estate or mortgage services to its clients. However, the Adviser may act as solicitor and recommend certain of its clients to various licensed mortgage brokers. These mortgage brokers shall render these services independently of the Adviser. The Adviser shall be entitled to receive a fee for these services. While such fees may vary, they typically range between \$800 and \$7,000.

Additionally, as described in Item 4 above, Callan Capital, LLC also serves as an insurance agency registered with the State of California under the d/b/a of Callan Capital Insurance Services, LLC and may provide life, accident and health and long-term care insurance products. This may present a conflict of interest if Adviser recommends its own insurance services and products as part of a financial plan. Should a client decide to purchase any insurance products recommended as part of their financial plan, the client may, but is under no obligation to, utilize the Firm to purchase such products for which the Firm will receive a direct economic benefit.

Certain representatives of Adviser are, in their individual capacities, licensed as insurance agents. In this capacity, and pursuant to client instruction, these individuals may recommend that clients purchase various insurance products and will receive separate and typical commissions or fees for doing so. A conflict of interest exists to the extent that a representative of Adviser recommends the purchase of insurance products where the representative receives commissions or other additional compensation. The Firm's financial plans may include recommendations for clients to purchase various insurance products which may be purchased from Adviser or its associated persons. Adviser makes no assurance that the products are offered at the lowest available cost. Clients are under no obligation to implement recommended transactions through any particular insurance company, and are not obligated to purchase any such products or services from Adviser or its associated persons.

Additionally, Adviser is the owner and managing member of Callan Capital Alternative Investment LLC ("CCAI"), which is the General Partner to Callan Capital Distressed Debt and Income Opportunity Fund I, L.P. (the "Fund") a Delaware limited partnership. The Fund was formed for the purpose of investing in various

actively managed private investment funds that pursue a wide range of investment activities. Please see Item 8 above for important information about the risks involved with the various investment strategies which may be pursued by the Fund.

Consulting Services

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

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

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

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

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

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

Code of Ethics

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

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical

violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code to any client or prospective client upon request.

The Code also requires that certain of the Adviser's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Unless specifically permitted in the Code, none of the Adviser's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of the Adviser's clients.

When the Adviser is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the Adviser is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Participation or Interest in Client Transactions

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

Personal Trading

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

Item 12 Brokerage Practices

Adviser does not maintain custody of your assets that we manage. Nevertheless, we may be deemed to have custody of client assets because you give us authority to withdraw assets from your account (see Item 15 Custody, below). Client assets must

be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Adviser currently recommends that clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian, to maintain custody of client assets and to effect trades for client accounts. Adviser is independently owned and operated and not affiliated with Schwab. Schwab will hold our clients' assets in a brokerage account and buy and sell securities when Adviser instructs them to. While Adviser recommends that you use Schwab as custodian/broker, clients will decide whether to do so when they open an account with Schwab by entering into an account agreement directly with them.

As further described below, factors considered by Adviser in recommending Schwab include but are not limited to, the reasonableness of their commissions, their financial strength, product availability, research and other services available to both the client and the Adviser.

Selection Criteria

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

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.);
- 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 them;
- reputation, financial strength and stability of the provider;
- the custodian/broker's prior service to us and our other clients; and
- availability of other products and services that benefit us, as discussed below (*see "Products and Services Available to Us from Schwab"*).

Custody and Brokerage Costs

Schwab generally does not charge Adviser client accounts separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to Adviser client accounts were negotiated based on our commitment to

maintain Adviser client assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be if Adviser had not made the commitment. In addition to commissions, Schwab charges a flat dollar amount as a "trade away" fee for each trade that Adviser executes by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. In order to minimize trading costs, Adviser will use Schwab to execute trades for your account if Adviser believes it is in your best interest to do so.

Products and Services Available to Us From Schwab

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like Adviser. They provide Adviser and our clients with access to its 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 (*i.e.*, Adviser does not have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. Below is a detailed description of Schwab's support services:

Schwab Services that Benefit You. Schwab's institutional brokerage services 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. Schwab's services described in this paragraph generally benefit you and your account.

Schwab Services that May Not Directly Benefit You. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist Adviser in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. Adviser may use this research to service all, some or a substantial number of our clients' accounts. In addition to investment 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 and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;

- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Schwab 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;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also may discount or waive its fees for some of these services or pay all or a part of a third party's fees. In addition, Schwab may provide Adviser with other benefits such as occasional business entertainment of our personnel.

Adviser's Beneficial Interest in Schwab's Services

The availability of these services from Schwab benefits us because Adviser does not have to produce or purchase them. Adviser does not have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give Adviser 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.

Adviser believes, however, that our selection of Schwab as custodian/broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see "How We Select Custodians/Brokers") and not Schwab's services that benefit only us.

Best Execution

It is the policy and practice of Adviser to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, Adviser will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although Adviser will strive to achieve the best execution possible for client securities transactions, this does not require it to solicit

competitive bids and Adviser does not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Adviser will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions. Adviser is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker which are included in the commission rate.

To ensure that brokerage firms recommended by Adviser are conducting overall best qualitative execution, Adviser will periodically (and no less often than annually) evaluate the trading process and brokers utilized. Adviser's evaluation will consider the full range of brokerage services offered by the brokers, which may include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

Research and Other Soft Dollar Benefits

Adviser's general policy is to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") when entering into soft dollar arrangements. Section 28(e) recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to Adviser in making investment decisions for its clients. "Brokerage" services and products are those used to effect securities transactions for Adviser's clients or to assist in effecting those transactions.

Research and other products and services purchased with soft dollars will generally be used to service all of Adviser's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there may be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Brokerage services obtained with soft dollars may include, for example, quotation and communication equipment and services, other order management systems that provide trading software or provide connectivity to such software, trade analysis software, on-line pricing services, communication services relating to execution, clearing and settlement and message services used to transmit orders.

Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; and discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Research received by Adviser under such soft dollar arrangements may include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

There may be cases when Adviser may receive both non-research (e.g., administrative, accounting or technology services, etc.) and research benefits from the services provided by broker-dealers. If and when this happens, Adviser will make a good faith allocation between the non-research and research portion of the services received, and will pay "hard dollars" (i.e., Adviser will pay from their own monies) for the non-research portion. In making a good faith allocation between research services and non-research services, a conflict of interest may exist by reason of Adviser's allocation of the costs of such services and benefits between those that primarily benefit Adviser and those that primarily benefit clients. Adviser strives to always put the client's interests first.

As stated above, Adviser may recommend that clients establish brokerage accounts with Schwab to maintain custody of clients' assets and to effect trades for their accounts. Schwab is a SEC-registered broker-dealers and members FINRA/SIPC. While there is no direct link between the investment advice given to clients and Adviser's recommendation to use the custodial or brokerage services of Schwab, certain benefits are received by Adviser due to this arrangement.

Directed Brokerage

Clients may direct Adviser in writing to use a particular broker-dealer to execute some or all transactions for the Client. In that case, the Client will negotiate terms and arrangements for the account with that broker-dealer, and Adviser will not seek better execution services or prices from other broker-dealers or be able to "batch" Client transactions for execution through other broker-dealers with orders for other accounts managed by the Adviser. As a result, the Client may pay higher commissions or other

transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Adviser may decline a Client's request to direct brokerage if, in Adviser's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

Trade Aggregation and Allocation

Transactions for each client will be effected independently, unless Adviser decides to purchase or sell the same securities for several clients at approximately the same time. Adviser performs investment management services for various clients, some of which may have similar investment objectives. Adviser may aggregate sale and purchase orders with other client accounts and proprietary (employee) accounts that have similar orders being made at the same time, if in Adviser's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices and lower trade execution costs. Adviser may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Adviser's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, Adviser may allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

Item 13 Review of Accounts

Periodic Reviews

For those clients to whom the Adviser provides investment management services, the Adviser monitors those portfolios as part of an ongoing process. For those clients to whom the Adviser provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of the Adviser's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Adviser and to keep the Adviser informed of any changes thereto. The Adviser shall contact ongoing investment advisory clients to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Review Triggers

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

Regular Reports

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom the Adviser provides investment advisory services will also receive a report from the Adviser that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance from time to time.

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

Item 14 Client Referrals and Other Compensation

Advisory Referrals

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

If the Adviser refers a client to certain Independent Manager(s) where the Adviser’s compensation is included in the advisory fee charged by such Independent Manager(s) and the client engages those Independent Manager(s), the Adviser shall be compensated for its services by receipt of a fee to be paid directly by the Independent Manager(s) to the Adviser in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid

solely from the Independent Manager(s) investment management fee or the program fee of the wrap fee program (as appropriate), and shall not result in any additional charge to the client. This presents a potential conflict of interest as Adviser may have a financial incentive to recommend that clients purchase securities from Independent Managers that customarily provide for the Firm to share in the investment management fees. As part of its fiduciary responsibilities to clients, the Adviser will never base its referrals solely on any compensation that might be received. Any referral fees will be paid solely by the adviser s to which the clients are referred and will not result in any additional charges to clients.

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

Solicitors who refer advisory clients

Adviser may, from time to time, enter into agreements with individuals and organizations, some of whom may be affiliated or unaffiliated with Adviser, that refer clients to Adviser. All such agreements will be in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to Adviser by a solicitor, Adviser may pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Under such an arrangement, Adviser has full discretionary authority over the account and directs the selection of an independent custodian and the placement of all brokerage transactions. While the specific terms of each agreement may differ, generally, the compensation will be based upon Adviser's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to Adviser by such clients until the account is closed by written authorization from the client. Any such fee shall be paid solely from Adviser's investment management fee, and shall not result in any additional charge to the client.

Each prospective client who is referred to Adviser under such an arrangement will receive a copy of Adviser's firm brochure and a separate written disclosure document disclosing the nature of the relationship between the third party solicitor and Adviser and the amount of compensation that will be paid by Adviser to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of Adviser's disclosure brochure and the solicitor's written disclosure statement.

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

Adviser receives client referrals from Schwab through Adviser's participation in 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 Adviser. Schwab does not supervise Advisor and has no

responsibility for Adviser's management of clients' portfolios or Adviser's other advice or services. Adviser pays Schwab fees to receive client referrals through the Service. Adviser's participation in the Service may raise potential conflicts of interest described below.

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

Adviser 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 Adviser generally would pay in a single year. Thus, Adviser 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 Adviser's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Adviser 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 Adviser's fees directly from the accounts.

For accounts of Adviser's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Adviser'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, Adviser may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Adviser 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 Adviser'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.

Other Compensation

Compensation from Insurance Services

As described in Item 4 above, Callan Capital, LLC also serves as an insurance agency registered with the State of California under the d/b/a of Callan Capital Insurance Services, LLC and may provide life, accident and health and long-term care insurance products. This may present a conflict of interest if Adviser recommends its own insurance services and products as part of a financial plan due to certain licensed representatives of Adviser receiving an economic benefit. Should a client decide to purchase any insurance products recommended as part of their financial plan, the client may, but is under no obligation to, utilize the Firm to purchase such products.

Item 15 Custody

Custody Policy

Under Rule 206(4)-2 (the “Custody Rule”), Adviser is deemed to have custody of client funds or securities by reason of the fact that Adviser has authority to debit its fees directly from the client’s account. Adviser also is deemed to have custody of client assets due to its affiliation with Callan Capital Distressed Debt and Income Opportunity Fund I, L.P. (for further information regarding this affiliation please refer to the Fund’s Private Placement Memorandum).

Custody of account assets will be maintained with an independent qualified custodian, except for certain privately offered securities (such as interests in a limited partnership or other pooled investment vehicle subject to annual audit), in which case ownership thereof is recorded only on the books of the issuer. In the case of assets invested with an Independent Manager, the designated Independent Manager may select the custodian. In addition, in most cases, a client’s broker-dealer also may act as the custodian of the client’s assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Under the Custody Rule, advisers with custody generally are required to undergo an independent verification of the assets for which the adviser has custody through an annual surprise examination by an independent certified public accountant. However, advisers deemed to have custody solely as a consequence of the authority to debit fees directly from client accounts are not required to obtain an independent verification of those client funds and securities maintained by a qualified custodian.

As mentioned above, due to its role as General Partner of the Fund, Adviser (through CCAI) is deemed to have custody of the Fund’s assets. Adviser is required to comply with the independent verification requirement with respect to the Fund, which subjects the Fund to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”) in accordance with its rules. Additionally, the Fund’s audited financial statements must be prepared in accordance with generally accepted

accounting principles and distributed to all limited partners upon completion of such statements.

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

Account Statements

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

Performance Reports

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

Item 16 Investment Discretion

Discretionary Authority for Trading

Clients, pursuant to a signed Agreement, authorize Adviser to exercise full discretionary authority with respect to all investment transactions involving the client's account(s). Pursuant to such Agreement, Adviser is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes Adviser to give instructions to third parties in furtherance of such authority. The Adviser has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Such discretion is to be exercised in a manner consistent with each client's stated investment objectives, risk tolerance, and time horizon. The firm's discretionary authority regarding investments may however be subject to certain limitations imposed by the client. These limitations are recognized as the restrictions and prohibitions placed by the client on transactions in certain types of business or industries. All such restrictions are to be agreed upon in writing at the account's inception.

The client further authorizes the Adviser to have discretion to select the custodian to be used and the commission rates paid to paid without specific client consent. The Adviser does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Item 17 Voting Client Securities

Proxy Votes

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

Item 18 Financial Information

Financial Condition

Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Adviser does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.