

# **U.S. Institutional Corporation**

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## **FORM ADV PART 2 BROCHURE**

This brochure provides information about the qualifications and business practices of U.S. Institutional Corporation. If you have any questions about the contents of this brochure, please contact us at 314-965-0426 or [jrusson@usinstitutional.com](mailto:jrusson@usinstitutional.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about U.S. Institutional Corporation is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for U.S. Institutional Corporation is 135555.

U.S. Institutional Corporation is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated February 19, 2013 there are no material changes to report.

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## Item 4 Advisory Business

### Description of Services and Fees

U.S. Institutional Corp. was founded in April 2005 as an independent institutional investment consulting firm. We offer investment advisory services to pension and profit sharing plans, charitable organizations, corporations, and other business entities. Our firm is 100% owned by John G. Russon. We are registered with the United States Securities and Exchange Commission as a pension consultant under Rule 203A-2(b) of the Investment Advisers Act of 1940.

We are an institutional investment adviser that provides advisory services designed to assist retirement and employee benefit plan sponsors or trustees in meeting their management and fiduciary obligations under the Employee Retirement Income Security Act. Other types of clients include Insurance Reserves, Endowment and Foundation and other institutional portfolios. Our consulting services as described below include client education, investment policy development and review, asset allocation reviews/analysis, investment manager searches, investment manager monitoring, and performance reporting. We also provide financial/business consulting services to corporations and other business entities designed to assist clients in all aspects of financial management.

We assess the risk tolerance of each client and then develop an investment strategy using broad asset classes to meet their income and total return targets. The client and our firm decide whether an asset class exposure should be attained using passive or active strategies.

### CLIENT EDUCATION

We consider investment education for plan participants and boards as an integral part of the services we provide where the goal is to supply clients with information to allow them to make sound investment and business decisions. Our client education program may include sessions which cover both basic and advanced topics such as the dynamics of existing and potential asset classes which may be suitable for a portfolio and which may include hedge funds or other investments.

### INVESTMENT POLICY DEVELOPMENT AND REVIEW

We consider the Investment Policy Statement to be a key component of a client's investment program which we utilize as a "road map" to govern the program. The development and review process is performed by our firm in three stages.

We may begin the development and review process by holding an Investment Policy Working Session, an information gathering process that serves to educate plan participants, staff and board members and creates a forum for discussion to allow us to fully understand each client's risk tolerance and investment objectives.

Once we have completed the information gathering process, we will review the existing Investment Policy Statement or draft a new Policy which incorporates the information obtained by us in the Investment Policy Working Session. The Investment Policy Statement generally includes a purpose statement, investment goals and objectives, responsibilities of key personnel, identification of key constraints, eligible investments, asset allocation and liability process, portfolio rebalancing process, risk management process, performance benchmarks and performance reporting process. In the last stage of the process, we hold a discussion with staff, the board and the client's investment manager to ensure that all parties are satisfied with the Investment Policy after which the draft Policy is given final approval.

## ASSET ALLOCATION ANALYSIS/REVIEW

We perform an asset allocation analysis/review utilizing proprietary asset allocation models and assumptions designed to analyze risk and return and correlations between asset classes with the purpose of achieving the goals and objectives of the client's Investment Policy. Some of the models are built internally and are fully customized to each client's specific situations. The customized models produce a detailed asset allocation analysis incorporating client specific parameters. Our process for recommending an overall portfolio structure takes many factors into consideration including:

1. Constraints detailed in the Investment Policy
2. Views and predispositions of the board
3. Investment sophistication of the board
4. Result of the asset allocation study
5. Cost/Benefit of certain investment vehicles (e.g. funds vs. separate accounts)
6. Performance reporting implications
7. Risk based capital

## INVESTMENT MANAGER SEARCHES

We regularly meet with and interview existing and prospective managers to determine philosophy, process, discipline, and the current positioning of a client's portfolio. Our firm, to the extent possible, interviews portfolio managers directly to gain insight into management style, philosophy, competence, day-to-day risk controls, and the actual daily hands-on management of the portfolio.

Our search process encompasses the following steps:

1. Defining the mandate by identifying the asset class, style, benchmark, vehicle type, size, addressing active versus passive implementation, single or multiple-manager structure, and other client-specific parameters.
2. Identifying candidate managers by screening internal and external manager databases and reviewing previous manager searches and due diligence to establish a list of candidate managers.
3. Sending requests for proposals customized to the particular mandate.
4. Conducting additional manager analysis via a multi-stage process in response to requests for proposals received.

## INVESTMENT MANAGER MONITORING

We monitor investment managers to ensure that the manager is performing in a manner which we believe is satisfactory taking into account the following factors:

1. Performance relative to benchmarks and peers on a continuous basis
2. Adherence to guidelines
3. Adherence to mandate/style
4. Employee turnover
5. Rapid increase/decrease in assets under management
6. Consistency of process
7. Volatility and risk characteristics

In the event we conclude that a particular manager is deficient in any area, we will advise the client and may recommend terminating, however, the client shall have sole discretion to take any action as deemed necessary.

## PERFORMANCE REPORTING

We provide clients with monthly and quarterly performance reports utilizing the Wilshire Co-op Works reporting platform incorporating information we receive directly from the client's custodial bank and investment manager.

Our monthly reports provide a snapshot summary of the client's portfolio including performance compared to benchmarks for each manager, asset class composite and total fund composite for trailing periods through the previous month-end. The monthly report may also include fixed income analytics that include interest rate sensitivity, cash flow projections, sector breakdown and quality breakdown.

Our quarterly reports provide more detail on individual portfolios and on composites. The quarterly reports begin with a market environment section that details key events which impact the market during the quarter. This section also provides a performance summary for the major domestic and international fixed income and equity indices. In addition, the report also includes various holdings-based metrics and comparisons of the manager's historical performance versus appropriate benchmarks and peers.

Quarterly reports also include a performance vs. objectives section for each manager based on written goals and objectives guidelines. The report details whether the manager has met its performance and risk objectives, while remaining in compliance with any restrictions and guidelines placed on the account by the client.

## FINANCIAL/BUSINESS CONSULTING RELATED TO THE INVESTMENT PORTFOLIO

We provide financial/business consulting services which are customized to meet the needs of clients on a case by case basis and which may include the following:

1. Peer group/best practices studies designed to assist clients in gaining a better understanding of their investment portfolio and financial ratios relative to peers.
2. Capital expenditure/debt financing analysis to enable clients to assess their capital structure and optimal sources of funding for capital expenditures.
3. Review of investments in subsidiaries to determine rates of return on investment.
4. Capital Structure Review designed to assist clients in analyzing optimal deployment of financial assets including lines of credit, long-term debt, fixed for floating swaps and the use of permanent capital versus surplus notes.

## Types of Investments

We do not maintain discretionary authority or control with respect to client's accounts and we do not provide investment advice or recommendations regarding the purchase or sale of specific securities. We provide clients with alternatives and various courses of action; however decisions regarding the investment of client's assets, the establishment of an investment policy, and the selection of investment managers remains with the client.

## Assets Under Management

As of December 31, 2013, the aggregate value of Plan assets which we consult on is approximately \$2,448,790,000. Our services are advisory in nature and we do not manage client assets.

## Item 5 Fees and Compensation

Please refer to the "Advisory Business" section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy for each service we offer.

Based on our understanding of the client's needs, we propose either a full-retainer relationship which includes all of our services and capabilities or a customized relationship. Our fees are negotiated with each client on a case by case basis and will be a function of the resources required to service the account. Further the fee may be impacted by the size of the portfolio(s), frequency of meetings, distance to travel to meetings, nature of the expected reporting and capabilities of the client staff.

Our annual fee is billed and invoiced quarterly in arrears based upon the value of the client's assets or based on a fixed fee. Our asset based fee generally ranges between .02% and .50% times the asset base of the client and our fixed fees will vary on a case by case basis. Clients may be required to reimburse us for travel to and from client meeting.

The client may terminate the consulting agreement by providing us with thirty days written notice. In the event of termination, client will be charged a pro-rata fees based on the number of days in the quarter the agreement was in effect.

### Additional Fees and Expenses

Advice offered by our firm may involve investments in mutual funds and exchange traded funds. Clients are hereby advised that all fees paid to our firm for advisory services are separate and distinct from the fees and expenses charged by funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Further, there may be transaction charges involved with purchasing or selling of securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian holding client funds or securities. Our policy is to disclose all fees and to assist our clients in understanding them. However, the client should review all fees charged by mutual funds, our firm, and others to fully understand the total amount of fees to be paid by the client.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We provide advisory services designed to assist retirement and employee benefit plan sponsors or trustees in meeting their management and fiduciary obligations under the Employee Retirement Income Security Act. Other types of clients include Insurance Reserves, Endowment and Foundation and other institutional portfolios.

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

### Asset Allocation Theory and Methodology

Our asset allocation analysis begins with formulation of asset allocation assumptions. We have developed, maintain, and update asset allocation assumptions for more than 15 asset classes. These assumptions include return and risk assumptions for each asset class, as well as correlations between asset classes. Importantly, because we emphasize stochastic (*monte carlo*) asset allocation modeling, individual asset class risk assumptions do not have to be normally distributed. For instance, a concentrated investment in a single, mature stock may have a non-normal expected risk distribution with a long tail to the downside due to the lack of diversification and the very small, but real probability that the stock could fall considerably relative to peers.

Our asset allocation assumptions are then employed in two types of proprietary asset allocation models: An internally designed and built mean-variance model and a customizable, multi-period stochastic DFA (Dynamic Financial Analysis) models. Importantly, our DFA models are built internally and fully customized to each client's specific situation. In addition to incorporating distributions for our asset allocation assumptions, we also include annual distributions for other uncertain variables as applicable, such as annual spending, expenses, premiums, and claims. These customized models produce a detailed asset allocation analysis incorporating client-specific parameters that better reflects a realistic situation than a simple, static mean-variance analysis.

*Mean-Variance Asset Allocation:* We have developed and built a proprietary mean variance model which is used for preliminary asset allocation mix optimization. Unlike normal off-the-shelf mean-variance optimizers which define the efficient frontier by identifying the asset mixes which provide the highest level of *expected return in any one year* relative to expected annual volatility, our model identifies the asset mixes that produce the highest level of *expected compounded returns that are most likely to occur over a multi-year time horizon* relative to expected annual volatility given the asset class assumptions for risk, return, and correlation. Thus, while a standard efficient frontier has standard deviation on one axis and the average expected portfolio return in any one year on the second axis, our model defines the efficient frontier as standard deviation versus the compounded annualized return over a multi-year period of time that has the statistically highest probability of occurrence. Due to this distinction, our mean-variance model directly incorporates the probability of actually achieving the average expected return over time, which is always less than 100% when any level of expected volatility exists.

The mean-variance model is used for initial, preliminary asset mix optimization as the expected compounded return for various asset mixes versus expected risk can be evaluated quickly and on-the-fly. However, mean-variance models suffer from two key deficiencies - they require the assumption of normal standard deviations and they do not allow for the dynamic incorporation of client-specific variables, such as cash flows, spending, and liabilities, over multi-period time frames. These shortcomings are addressed via customizable, proprietary stochastic DFA models.

*Stochastic DFA Models:* We have developed multiple proprietary multi-period DFA models. These models allow for the incorporation of cash flows, spending, and liabilities over multiple time periods, producing a more detailed and dynamic asset allocation analysis. Via a 10,000 trial monte carlo simulation and given our input assumptions, we obtain a broad view of 10,000 different potential outcomes for each year over the next ten years. Our model logs each of these 10,000 potential outcomes, which are then summarized into probability distributions for each variable in the model, including compounded annual returns, portfolio values at the end of each year, and annual portfolio cash flows. These probability distributions allow us to analyze the expected probability of each asset mix achieving specific goals, such as a specific annualized return or an asset or ratio level at the end of a certain year. In addition, we are able to uniquely define risk via these probability distributions. For



example, we could run an optimization that maximizes expected return subject to the risk constraint that there is no more than a 10% probability that the portfolio level at the end of year four will be less than a specific value. Thus, customized DFA models allow for a more realistic and flexible definition of risk than standard mean-variance models.

Importantly, our DFA models are built internally and fully customized to each client's specific situation. In addition to incorporating distributions for our asset allocation assumptions, we also include annual distributions for other uncertain variables as applicable, such as annual spending, expenses, premiums, and claims. These customized models produce a detailed asset allocation analysis incorporating client-specific parameters that better reflects a realistic situation than a simple, static mean-variance analysis.

Our stochastic models solve the problem of having to assume normal distributions for asset class returns by allowing for customized return probability distribution shapes that are fully customizable to any shape by the user. This allows us to customize individual asset class/investment expected return distribution assumptions to a client's particular situation. Incorporating non-normal return distributions can result in a more realistic modeling of various future asset allocation scenarios if an investment's potential return distribution does not approximate a normal distribution.

### **Development of Asset Class Assumptions**

Assumptions are based on a ten-year forward time horizon and are updated annually. Our asset class assumptions are developed on the basis of the belief that assumptions should not incorporate estimates of variables which cannot justifiably be forecasted plausibly, such as the level of corporate earnings growth over the next decade. Assumptions should incorporate known variables that do influence the general level of long-term returns, such as current market valuation levels. Incorporating these beliefs, a unique, custom model has been developed for each distinct asset class's assumptions that encompass the unique characteristics of the asset class. We avoid taking a single, basic approach to assumption formulation, such as a simple building block approach, which fails to capture the unique characteristics of each asset class.

For instance, our model for U.S. Large Cap Equity breaks down the return into three basic components: inflation, real earnings growth, and a valuation component that is a derivative of the dividend yield. Each component is isolated and identified on a historical basis and carried forward into expected returns with relevant adjustments. The model holds real earnings growth at historical averages, since it cannot be plausibly or justifiably forecasted, while the inflation and valuation components are driven by the market. The inflation component is derived from current market expectations via the level of inflation implied in the yields of the on-the-run ten-year Treasury and the current ten-year U.S. Treasury Inflation Protected Security. The valuation component is a derivative of the dividend yield that directly scales the market's valuation level, as represented by its P/E ratio, into the expected return. We believe that valuation does matter, even when projecting long-term equity returns.

Each asset class's model incorporates aspects specific to that asset class. For instance, the return assumption for equity long-short hedge funds reflects adjustments for the high level of survivorship bias inherent in reported hedge fund returns. In addition, the historical volatility of reported returns for equity long-short hedge funds tends to understate the true level of volatility of such investments due to inherent "smoothing" in period-to-period hedge-fund returns. We employ an "un-smoothing" technique to adjust historical returns and arrive at a risk estimate that we believe more accurately reflects the true level of volatility of equity long-short funds.

Volatility and correlation assumptions, which tend to be a bit more stable than return assumptions, are generally historically based with relevant adjustments, such as those described for hedge funds. Among other adjustments, international equity correlations to U.S. asset classes are adjusted to reflect rising levels of globalization. Volatility assumptions for investment-grade fixed income are adjusted to reflect the general level of interest rates, which tends to be positively correlated with the level of fixed-income return volatility. In forming asset allocation mixes, we are cognizant that correlation coefficients are not always stable and tend to converge in down markets. We, therefore, structure diverse portfolios that mitigate these types of events. We will also develop custom investment assumptions as needed. Because we emphasize stochastic (monte carlo) asset allocation modeling, individual asset class risk assumptions do not have to be normally distributed.

### **Portfolio Structure**

The portfolio structure must be an efficient implementation of the asset allocation. It must also be designed to achieve the goals and objectives of the investment policy. Our process for recommending an overall portfolio structure takes many factors into consideration:

- Goals, objectives and constraints detailed in the Investment Policy
- Views and predispositions of the trustees
- Investment sophistication of the trustees
- Results of the asset allocation study
- Cost/Benefit of certain investment vehicles (e.g. funds vs. separate accounts)
- Complexity and transparency of investments
- Performance reporting implications

We strive to structure clients' portfolios in the most cost efficient manner, while achieving the highest possible return within the parameters of the Investment Policy.

### **Risks of our investment strategies**

*Mean-Variance Asset Allocation:* We have developed and built a proprietary mean variance model which is used for preliminary asset allocation mix optimization. Unlike normal off-the-shelf mean-variance optimizers which define the efficient frontier by identifying the asset mixes which provide the highest level of *expected return in any one year* relative to expected annual volatility, Our model identifies the asset mixes that produce the highest level of *expected compounded returns that are most likely to occur over a multi-year time horizon* relative to expected annual volatility given the asset class assumptions for risk, return, and correlation. Thus, while a standard efficient frontier has standard deviation on one axis and the average expected portfolio return in any one year on the second axis, USI's model defines the efficient frontier as standard deviation versus the compounded annualized return over a multi-year period of time that has the statistically highest probability of occurrence. Due to this distinction, our mean-variance model directly incorporates the probability of actually achieving the average expected return over time, which is always less than 100% when any level of expected volatility exists.

The mean-variance model is used for initial, preliminary asset mix optimization as the expected compounded return for various asset mixes versus expected risk can be evaluated quickly and on-the-fly. However, mean-variance models suffer from two key deficiencies - they require the assumption of normal standard deviations and they do not allow for the dynamic incorporation of client-specific variables, such as cash flows, spending, and liabilities, over multi-period time frames. These shortcomings are addressed via customizable, proprietary stochastic DFA models.

**Risk of Loss**

Investing in securities involves risk of loss. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that goals and objectives will be met. Past performance is in no way an indication of future performance.

**Item 9 Disciplinary Information**

Neither our firm nor any of our management persons has any reportable disciplinary information.

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

We are under common control and ownership with Piermont Capital Management, LLC ("Piermont"), a registered investment adviser, who serves as General Partner to a private pooled investment vehicle, Piermont Long-Short Fund I, LP (the "Fund") and also provides investment advice to separately managed accounts. Clients of our firm may also be investors in the Fund or individual clients of Piermont and are hereby advised that the fees charged by our firm are separate and distinct from the fees charged by the Fund or Piermont. Investments in the Fund are offered only by private offering memorandum and other documents which provide investors and prospective with full disclosure regarding the objectives of the Fund, fees associated with the Fund, risks involved with the offering and other relevant information.

We may have a financial incentive to recommend Piermont's services given the affiliation between the firms. While we believe that compensation charged by Piermont is competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use Piermont's services and may obtain comparable services and/or lower fees through other firms.

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

**Participation or Interest in Client Transactions**

John Russon and other affiliated persons have a significant investment in the Piermont Long-Short Fund I, L.P. (which are disclosed in the Fund's offering documents) and may have an incentive to recommend the Fund over other investments. If you are an investor or prospective in the Fund, please refer to the Fund's offering documents for detailed disclosures regarding the Fund.

**Personal Trading Practices**

We do not recommend specific securities to clients. However, clients of the firm may also be clients of our affiliated investment adviser Piermont Capital Management. We do not buy and sell the same securities as those for Piermont's clients.

**Item 12 Brokerage Practices**

We do not recommend broker-dealers/custodians to clients. We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

**Item 13 Review of Accounts****Reviews**

We formally review each client's investment policy and asset allocation on an annual basis. Significant changes in the client's situation may warrant an interim review.

We monitor the performance of a consulting client's assets as a whole and each manager individually on a monthly or quarterly basis. Based on qualitative and quantitative analysis, we may recommend replacement of an existing manager, and/or allocation of client's assets among other portfolio managers.

We utilize many of the same tools for ongoing manager evaluation that are utilized during the manager search process. Examples of the items USI monitors include:

- Performance relative to benchmarks and peers on a continuous basis
- Adherence to guidelines
- Adherence to mandate/style
- Employee turnover
- Rapid increase/decrease in assets under management
- Consistency of process
- Volatility and risk characteristics

If we have concerns regarding any of these items, we will bring them to the client's attention immediately.

**Reports**

Some clients are provided with both monthly and quarterly written reports issued by USI as described above under performance reporting.

We utilize the Wilshire Co-op Works reporting platform. To prepare our monthly and quarterly performance reports we gather information directly from the client's custodial bank and the investment managers.

We can establish a direct link with the custodial bank to the Wilshire system, which greatly reduces the time spent on data entry. We also receive paper statements from the custodial bank to assist in the data gathering and reconciliation process. All returns are reconciled with the investment managers. The Wilshire system calculates time-weighted, monthly rates of return. For periods longer than one year, rates of return are annualized. In addition to performance, the system allows for various analytics based on the portfolio holdings such as sector, quality, EPS, Beta, etc. and can calculate performance attribution compared to a benchmark index. Wilshire continually updates its system and incorporates users' suggestions into its offerings. In addition to Wilshire, we utilize Bloomberg and Morningstar to enhance our reports. Bloomberg is utilized to provide enhanced fixed income reporting such as sensitivity analysis and cash flow forecasting. Morningstar is utilized for our clients who have mutual funds in their portfolio.

Our performance reports provide our clients with detailed information at the total portfolio level and at the individual manager level. The three primary tools that we utilize are: Wilshire Co-opWorks, Bloomberg and Morningstar. Our goal is to provide each of our clients with the information necessary to make informed decisions on an ongoing basis.

### **Monthly Reports**

Our monthly reports provide a snapshot summary of the portfolio. It includes performance compared to the benchmarks for each manager, asset class composite and total fund composite for trailing periods through the previous month-end. The monthly report also provides fixed income analytics that include interest rate sensitivity, cash flow projections, sector breakdown, quality breakdown, etc.

### **Quarterly Reports**

Our quarterly reports provide more detail on the individual portfolios and on the composites. The quarterly reports begin with a Market Environment section that details key events which impact the markets during the quarter. This section also provides a performance summary for the major domestic and international fixed income and equity indices.

For each manager we provide historical performance for various periods since inception vs. the appropriate benchmark and peers. In addition to performance, many holdings-based metrics are included.

Our reports may include a Performance vs. Objectives section for each manager based on written Goals and Objective Guidelines. The report reviews whether the manager met its performance and risk objectives, while remaining in compliance with any restrictions and guidelines placed on the account by the client.

We provide our clients with a monthly summary report which contains a comparison of the managers' performance vs. their benchmarks.

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

We do not receive any compensation from any third party in connection with providing advice.

We may compensate non-employee (outside) individuals and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If clients are referred to our firm by a Solicitor, they will receive a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm may receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. Clients will not pay additional fees because of this referral

arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We recommend that you request the Solicitor to disclose to you whether multiple referral relationships exist and whether comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

## **Item 15 Custody**

We do not maintain custody of client assets and we do not debit advisory fees directly from client accounts.

## **Item 16 Investment Discretion**

We do not take investment discretion over any client accounts.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of client accounts. If Plans own shares of applicable securities, the Plan fiduciaries are responsible for exercising rights to vote. Clients should receive proxy materials directly from the account custodian. However, in the unlikely event we were to receive any written or electronic proxy materials, we would forward them directly to clients by mail, unless we are authorized to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

## **Item 19 Requirements for State Registered Investment Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting our customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, we have instituted policies and procedures to ensure that customer information is kept private and secure.

We do not disclose any nonpublic personal information about our customers or former customers to any non-affiliated third parties, except as permitted by law. In the course of servicing a client's account, we may share some information with affiliated entities such as Fiduciary Partners Group, LLC and Fiduciary Partners Retirement Group, Inc. as well as service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

We restrict internal access to nonpublic personal information about clients to those employees who need to know that information in order to provide products or services to the client. As emphasized above, it has always been and will always be our Firm's policy never to sell information about current or former customers or their accounts to anyone. It is also our policy not to share information unless required to process a transaction, at the request of a customer, or as required by law.

**Class Action Lawsuits**

We do not determine if securities held by clients are the subject of a class action lawsuit, nor do we initiate or participate in litigation to recover damages on a client's behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by clients.