

# TELEMUS

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## CAPITAL

### **Firm Brochure** **(Part 2A of Form ADV)** **February 28, 2014**

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Item 1: This brochure provides information about the qualifications and business practices of TELEMUS CAPITAL, LLC ("TC"). If you have any questions about the contents of this brochure, please contact us at (248) 827-1800 or by email at [eric.oppenheim@telemuscapital.com](mailto:eric.oppenheim@telemuscapital.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 TC may also be obtained via the SEC's web site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for TC is 168794. The SEC's web site also provides information about any persons affiliated with TIM who are registered, or are required to be registered, as investment adviser representatives of TC.

## Item 2: Material Changes

The U.S. Securities and Exchange Commission (the “SEC”) issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. This document is prepared in accordance with the SEC’s requirements.

Pursuant to the SEC’s rule, we will ensure that you receive a summary of any material changes within 120 days of the close of our Firm’s fiscal year. We will also provide disclosure of other changes or new information as necessary, at any time, without charge.

Our last Firm Brochure was dated August 29, 2013. Since the release of that Brochure, the following material changes have occurred:

- In First Quarter, 2014, TC completed the acquisition of the client accounts of Los Angeles-based Concentric Capital LLC. As part of the transaction, it now maintains an office in Beverly Hills, CA. Concentric’s CEO and Managing Member, David E. Post, has joined TC as Partner/Senior Advisor and Co-Chair of TC’s Investment Committee. This acquisition continues TC’s growing service specialty in the sports and entertainment industry.
- The Wealth Management Services offered by TC have been realigned to focus on the basic and retirement plan review services described in Item 4. The comprehensive/family financial officer services are no longer generally offered to clients.
- The Wealth Advisor Group Services described in TC’s previous Firm Brochure are no longer being offered. The Wealth Advisor Group was comprised of Messrs. Bernard Kent and John Stein. They separated from TC effective December 31, 2013.

Our Firm Brochure may be requested by contacting Eric C. Oppenheim, General Counsel and Chief Regulatory/Compliance Officer, at (248) 827-0103 or [eric.oppenheim@telemuscapital.com](mailto:eric.oppenheim@telemuscapital.com). It is also available on our web site at [www.telemuscapital.com](http://www.telemuscapital.com).

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## Item 4: Advisory Business

Telemus Capital, LLC ("TC") (CRD #168794) is an investment adviser which succeeded to the advisory businesses of its predecessor advisers, Telemus Investment Management, LLC (SEC # 801-131580), Telemus Wealth Advisors, LLC (SEC # 801-64748), and Beacon Asset Management, LLC (SEC # 801-67441) as of August 1, 2013, thereafter continuing business under the name "Telemus Capital, LLC." The advisory services and management of TC remained the same; however, the successor application dated August 29, 2013, reflected new ownership by Focus Operating, LLC.

TC is a wholly-owned subsidiary of Focus Operating, which is owned by Focus Partners. Focus Financial Partners, LLC is a Delaware limited liability company ("Focus"), [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

TCP Management, LLC ("TCP") provides management, supervision, oversight and operational support services to TC, pursuant to a Management Agreement between Focus and TC. The primary management team of TC includes Gary Ran, Chairman and CEO; Eric Oppenheim, Chief Operating Officer, General Counsel and Chief Regulatory/Compliance Officer; and Robert Schlagheck, Chief Financial Officer and Controller. TCP does not provide investment advice.

The predecessors' advisory businesses were originally founded in 2005. TC provides personalized and confidential investment management services primarily to individuals, trusts and estates, pension and profit sharing plans and other retirement accounts, charitable organizations and business entities.

TC also provides personalized and confidential asset management services to pension and profit sharing plans, charitable institutions including foundations and endowments, corporations and partnerships, corporate trusts, state and municipal government entities, pooled investment vehicles, and other investment advisers. TC also provides fee-based wealth advisory, wealth management consulting (including asset allocation) and other financial planning services to its clients on a non-discretionary basis.

### Investment Management Services

TC provides personalized investment management services, generally on a discretionary basis only. TC provides these services after first evaluating each client's financial circumstances, investment objectives and goals. At the outset of each new client relationship, TC begins a comprehensive process that involves a

thorough understanding of the client's needs and objectives. The initial review stage, which is the basis for developing an investment strategy and a wealth management plan if desired, involves several meetings between the relationship manager and client and is completed prior to the first transaction. The following are assessed as part of the review:

- Return goals and expectations;
- Risk tolerance;
- Market outlook;
- Future planning needs.

The client's needs and objectives are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Based on the client assessment, TC determines the appropriate asset allocation for the client's portfolio. The portfolio is allocated (and periodically reallocated) among various investment products; including mutual funds, exchange-traded funds, hedge funds, variable annuities and variable life insurance sub-accounts.

TC also engages various sub-advisers to manage all or a portion of a client's account. TC has entered into a Master Investment Sub-Advisory Agreement with Robinson Capital Management, LLC ("RCM"), whereby RCM provides investment management services to support the management of TC's clients' accounts. These services include the maintenance of various asset allocation models. RCM was founded by James Robinson, TC's former chief investment officer and former CEO of TC's parent company. Mr. Robinson separated from TC and its parent company effective December 31, 2012. TC has also entered into a Model Portfolio Agreement with Evercore Wealth Management, LLC (Evercore). Under the agreement, Evercore provides portfolio management services for the maintenance of TC's and third party core equity strategies.

TC does not impose specific conditions on the establishment or maintenance of direct advisory client accounts. However, clients are required to enter into a written and signed investment advisory agreement with TC. TC reserves the right to decline any new account, or to resign as adviser to any account after initiation of the investment advisory relationship. Agreements may not be assigned without client consent.

## Wealth Management Services

**Basic Services:** For TC's basic Wealth Management service, an investment adviser representative ("IAR") meets with the client and gathers information regarding a client's financial goals. The IAR then develops a personalized goal-based financial plan for the client. The financial plan includes recommendations regarding asset allocation among different types of securities and non-securities investments.

**Retirement Plan Review Services:** TC provides retirement plan advisory services for its clients, which provides clients the opportunity to have TC review and consult on a client's assets invested in his or her employer's retirement plan. This provides clients with a consolidated view of their retirement assets.

To assist Wealth Management clients with the implementation of their investment strategy, TC has agreed to work with various third party consultants that specialize in manager research, search, selection and account administration. The third party consultant provides TC with money manager and mutual fund research and approved lists, asset allocation software, and performance measurement reports. The third party consultants also provide economic information and current event information relative to the financial markets.

As an accommodation to client requests, and not an advisory service provided by TC, there are two types of non-advisory, accommodation services provided to certain clients. The first is a non-discretionary Personal Trading Account where TC executes transactions directed by the client. These transactions are not managed by TC. For these accommodation accounts, TC charges an annual fee for non-discretionary execution services of 10 basis points based on the average daily balance of the account market values for the 12 month period being billed. Second, are accounts with certain assets which the client has directed TC to hold, for tax or other purposes (non-advised directed assets). For these assets, no advisory fee is charged by TC. These accommodation account assets are not advised assets and are included in TC's non-discretionary assets under management.

As of December 31, 2013, TC manages approximately \$2,423,739,466 in assets for approximately 776 clients. Approximately \$1,435,228,276 is managed on a discretionary basis, and \$988,511,190 is managed on a non-discretionary basis.

## Item 5: Fees and Compensation

The specific manner in which fees are charged by TC is established in a written agreement with the client. TC generally bills its investment management fees quarterly in advance, based on the average daily balance of the assets under management during the prior quarter, except for institutional accounts which are generally billed quarterly in arrears. Clients ordinarily authorize TC to debit fees directly from their account(s). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of an account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

The majority of TC's client accounts is custodied at Pershing LLC ("Pershing") and is part of the Pershing Advisor Solutions LLC ("PAS") program. For PAS accounts custodied at Pershing, there are no separate brokerage fees, no custody fee, and generally no transaction fees. Mutual funds charge a management fee for the separate investment adviser to the mutual fund, and this is separate from TC's investment advisory fees.

In connection with TC's management of an account not custodied at Pershing through PAS (PAS program), a client may incur fees and/or expenses separate from TC's management fee. These additional fees may include brokerage fees, custodian fees, transaction charges, and mutual fund fees separate from and in addition to TC's advisory fee. The client is responsible for all such fees and expenses.

### Investment Management Fees

TC's standard fee schedule is as follow:

- I. Equity and Balanced Accounts
  - a. 1.65% on the first \$500,000;
  - b. 1.45% on the next \$500,000;
  - c. 1.20% on the next \$1 million;
  - d. 1.00% on the next \$8 million;
  - e. 0.80% over \$10 million.
- II. Beacon Balance Tax Sensitive Assets
  - a. 1.45% on the first \$500,000;
  - b. 1.25% on the next \$500,000;
  - c. 1.00% on the next \$1 million;

- d. 0.80% on the next \$8 million;
- e. 0.60% over \$10 million.

### III. Taxable/Tax-Exempt Accounts

- a. 0.60% on the first \$500,000;
- b. 0.55% on the next \$500,000;
- c. 0.50% on the next \$2 million
- d. 0.40% on the next \$2 million;
- e. 0.35% over \$5 million.

### IV. Blended Fixed Accounts

- a. 1.00% on the first \$500,000;
- b. 0.90% on the next \$500,000;
- c. 0.85% on the next \$2 million;
- d. 0.60% on the next \$2 million;
- e. 0.45% over \$5 million.

### V. Mutual Fund Accounts

- a. 1.25% on the first \$500,000;
- b. 1.00% on the next \$500,000;
- c. 0.75% on the next \$4 million;
- d. 0.50% over \$5 million.

### VI. Alternative Investments

- a. 1.00% on all balances.

### VII. 529 Accounts

- a. 0.50% on all balances.

## Wealth Management Services Fees

TC's fees for the Wealth Management basic and retirement plan advisory services described in Item 4 are generally charged at an hourly rate or on a flat fee basis, as negotiated with the client. The services are priced according to the degree of complexity associated with the client's situation.



Services may be terminated upon thirty (30) days' written notice to the other party.

Optional retainer service fees are based upon the services requested. The calculation of a retainer service fee may be negotiated by TC in its discretion. Fees for services provided by third party consultants are generally paid by TC in its sole discretion from the fees it receives. For accounts custodied through PAS at Pershing, clients are not billed separately for custody or transaction clearing services as described below. For accounts at other custodians, fees for custody and transaction clearing services are generally billed directly to the client and are not part of the fees billed by TC, unless TC agrees with the client to absorb those charges on the client's behalf.

TC's fees are inclusive of brokerage commissions, transactions fees, and other related costs and expenses which may be incurred by a client *if* the client's account is custodied through PAS at its affiliated clearing broker, Pershing. TC's fees do not include brokerage commissions and related fees, costs and expenses if the client's account is held by another custodian. In any event, clients may incur certain other charges imposed by custodians, brokers, third party investment advisers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, inactivity fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to TC's fees, and TC will not receive any portion of these commissions, fees and costs.

All fees are subject to negotiation. TC, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients). The specific manner in which fees are charged is established in a written agreement with the client.

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

As of December 31, 2013, there are no performance based fees and no side by side management.

## Item 7: Types of Clients

TC provides investment management services to individuals, high net worth individuals, individual retirement accounts, corporate pension and profit sharing plans, trusts, estates, charitable institutions, foundations, endowments, corporations and partnerships, corporate trusts, state and municipal government entities, pooled investment vehicles (through an entity related by virtue of a related person's common control) and as sub-adviser to other investment advisers.

Client relationships vary in scope and length of service.

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

**Investing in securities involves risk of loss that *clients* should be prepared to bear.** Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** 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.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

TC uses various methods of analysis and sources of information in formulating investment advice. The methods of analysis include charting, fundamental analysis, technical analysis, and cyclical analysis. TC's main sources of information include Bloomberg, Morningstar Direct, Thompson Reuters, Baseline, Value Line, Investor's Business Daily, R4 Research, The Markets.com, Standard & Poor's and KDP Corporate Bond Research. Other sources of information include "street" research materials, financial periodicals and the internet.

TC also uses various investment strategies in managing clients' assets. The investment strategy for each client is based upon the objectives identified during consultations with the client. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents the client's objectives and desired investment strategy. Investment strategies used by TC include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies). TC also offers advice to clients on investing in limited partnerships and other pooled investment vehicles.

In executing its investment management process, TC creates various model client portfolios. Clients with similar investment objectives and risk tolerances may receive substantially identical portfolio recommendations, depending upon each client's circumstances. TC seeks to minimize risk for a targeted return goal, that is, TC seeks to provide the least risky portfolio necessary to achieve each client's needs and objectives. TC believes in broadly diversified portfolios with

exposures to traditional asset classes (i.e., global stocks, bonds and cash), non-traditional asset classes (e.g., infrastructure, natural resources, REITS), as well as absolute return strategies and opportunistic strategies.

TC divides the investment universe into six broad asset classes: global equities, global fixed income, real assets, absolute return strategies, opportunistic investment strategies and cash. Each of these asset classes is further divided by its component parts. For example, global equities would be divided by domestic large-, mid- and small-cap stocks, international developed and emerging markets. Each of those sub-asset classes would, in turn, be divided by growth and value distinctions.

### Institutional Clients

TC also provides Asset Management Services to Institutional Clients. In providing portfolio management services as adviser to institutional clients, TC uses the following equity and fixed income investment strategies in managing clients' assets:

- Core Equity: Actively managed core equity strategy that focuses on large-cap companies with demonstrated consistent, above-average earnings growth and reasonable valuations. It is managed relative to the Russell 1000 and/or S&P 500 Indices as benchmarks.
- Investment Grade Taxable Fixed Income: Actively managed intermediate taxable bond portfolio managed relative to the Merrill Lynch 1-10 year Gov't/Corp Index as its benchmark.
- High Yield Taxable Fixed Income: Actively managed fixed income portfolio that focuses exclusively on the highest quality (BB) component of the high yield universe. The portfolio is managed relative to the Merrill Lynch 1-10 year BB Index as its benchmark.
- Blended Taxable Fixed Income: Actively managed fixed income portfolio that combines Beacon's investment grade capability with its high yield (BB) capability. The portfolio is managed relative to a broad market investment grade benchmark such as the Merrill Lynch Domestic Index and/or a blended index.
- Tax-Exempt Fixed Income: Actively managed strategy that focuses on investment grade, intermediate municipal bonds. The strategy is customized to maximize the after-tax returns for each individual client.

- **Diversification Sleeve:** TC created a diversification sleeve to complement its traditional separately managed balanced portfolio. The sleeve is comprised of mutual funds and/or ETFs that invest in small- and mid-cap domestic stocks, international stocks and bonds, natural resources, energy infrastructure and REITs.

Investment strategies used by TC include long-term purchases.

## Wealth Management Services

As part of its Wealth Management Services, TC provides asset allocation advice to clients. Any asset allocation advice provided by TC is based on a number of factors, including the client's investment objectives, risk tolerances, asset class preferences, time horizons, liquidity needs, expected returns and an assessment of current economic and market views expressed by economists, analysts, banks and securities firms.

In the delivery of its retirement plan review services, TC utilizes technology that allows it to download the value of the client's portion of his or her retirement plan daily. This provides TC with reports that detail the asset allocation, style and specific equity performance as well as other factors, such as beta, alpha and r-squared, based on at least nine months' worth of data. Clients are offered the option of reviewing the data daily or at quarterly meetings with a TC IAR.

To assist Wealth Management clients with the implementation of their investment strategy, TC has agreed to work with various third party consultants that specialize in manager research, search, selection and account administration. The third party consultant provides TC with money manager and mutual fund research and approved lists, asset allocation software, and performance measurement reports. The third party consultants also provide economic information and current event information relative to the financial markets.

The factors that will be used to select money managers include, but are not limited to, reputation, performance record, philosophy, the continuity of management service to clients, minimum dollar investment requirement and fees. Information with respect to money managers (e.g., performance figures, investment style) will be obtained from the third party consultants, but also from tracking organizations, business publications, money managers and other sources.

TC bases its investment recommendations on a variety of factors including performance risk, fees and the tax efficiency of different investment strategies, as well as client input and preferences regarding the strategies.

## Item 9: Disciplinary Information

Registered investment advisers are required to disclose all *material* facts regarding legal or disciplinary events that would be material to your evaluation of TC or the integrity of TC's management. TC has no information applicable to this Item.

## Item 10: Other Financial Industry Activities and Affiliations

TC is affiliated with Telemus Insurance Services, LLC, a Delaware LLC ("TIS"). TIS is licensed as an insurance agency in Michigan and other jurisdictions as required. TIS recommends, where appropriate, life, disability and long-term care policies to clients in need of such products and services. TIS receives compensation (commissions) for these products and services.

TC is NOT registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

### Focus Operating & Focus Partners

TC is part of the Focus Partners network. As such, TC is a wholly-owned subsidiary of Focus Operating, which is a wholly-owned subsidiary of Focus. (See Item 4 above for a complete discussion of the ownership of TC). Focus also owns other registered investment advisory firms, as well as broker-dealer firms, pension consultant firms, insurance firms, and other financial services firms (collectively, the "Focus Affiliates"). Focus Affiliates provide wealth management, benefit and investment consulting services serving individuals, families, employers, and institutions. Some Focus Affiliates also manage or advise limited partnerships, private funds or limited liability companies as disclosed in their respective Forms ADV Schedule D.

A list of the affiliated investment advisory and broker-dealer firms can be found on TC's Form ADV Part 1 Schedule D. Additional information about the Focus-affiliated investment advisory firms is available on each respective firm's Form ADV, which are available through the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

TC has no material relationship or conflict of interest with Focus or the Focus Affiliates regarding services that TC provides to its clients. TC's clients are not solicited to invest in any other Focus Partners' advisory services, and generally Focus Partners do not recommend securities, services, or other investment products of other Focus Partner firms (unless so disclosed on their respective Forms ADV and with the clients' informed consent), nor are any transactions

executed through another Focus Partner's affiliated broker-dealer. Further, the Focus Partners do not market their services or share client information amongst each other without prior client consent, and management of the other Focus Partners is not involved in the management of TC.

Additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

TC clients may invest in one or more pooled investment vehicles managed by TAM Aircraft Management, LLC, which is an entity under common control by certain TC related persons. Where appropriate for a client's investment objectives, TC may recommend the related person's pooled investment vehicle(s) to TC clients. TC receives no compensation regarding these assets. TAM Aircraft Management, LLC, however, receives compensation for serving as the manager of some of the private funds.

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

TC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition on rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. The policy requires that all supervised persons at TC acknowledge the terms of the Code of Ethics annually, or as amended.

Subject to restrictions in the Code of Ethics, TC's employees may under some circumstances buy and sell the same securities that may be recommended to clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of TC will not interfere with (i) making decisions in the best interests of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interests of TC's clients. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. The policy requires that employee trading is monitored as required by the Code of Ethics, and is designed to reasonably prevent conflicts of interest between TC and its clients.

TC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Eric C. Oppenheim, General Counsel and Chief Regulatory/Compliance Officer, at (248) 827-0103 or [eric.oppenheim@telemuscapital.com](mailto:eric.oppenheim@telemuscapital.com). The Code is also available on our web site at [www.telemuscapital.com](http://www.telemuscapital.com).

## **Item 12: Brokerage Practices**

### **General**

The majority of TC's client accounts is custodied at Pershing and is part of the PAS advisor program. For PAS accounts custodied at Pershing, there are no separate brokerage fees, no custody fee, and generally no transaction fees. Mutual funds charge a management fee for the investment adviser to the mutual fund, and this is separate from TC's investment advisory fees.

For discretionary portfolio management services, TC has brokerage discretion over client accounts, with respect to those portions of portfolios managed on a discretionary basis. TC will normally have the authority to determine which securities are to be bought and sold, the amount of securities to be bought or sold, the timing of such transactions, the broker-dealer to be used, and the commission rate to be paid.

At the client's request, although very infrequently, TC may recommend broker-dealers to execute transactions for the client's account. TC, in recommending broker-dealers to execute portfolio transactions for the client's account, may consider the quality and reliability of the brokerage services, as well as research and investment information and other services provided by the brokers or dealers. Commission rates, being a component of price, are one factor considered by TC together with other factors. In making broker-dealer recommendations, TC is not obligated to seek in advance competitive bidding for the most favorable commission rate applicable to any particular transaction for the client's account or recommend any broker or dealer on the basis of its commission rate. Accordingly, recommended brokers or dealers may charge commission rates in excess of the amounts another broker or dealer would have charged for effecting transactions when TC has determined in good faith that the broker's or dealer's commission rates generally are reasonable in relation to the value of the brokerage and/or research provided by the broker or dealer. If the client selects its own broker or dealer to execute transactions for the client's account, the client may forfeit more favorable commission rates and execution rates and execution than would be the case if it utilized the broker or dealer recommended by TC. TC's recommendation of broker-dealers will be consistent with its obligation to seek best execution.



Clients may have a pre-established relationship with a broker and they will instruct TC to execute all transactions through that broker. In directing the use of a particular broker or dealer, it should be understood that TC will not have authority to obtain volume discounts. Consequently, clients directing the use of a particular broker may not receive best execution. A disparity in commission charges may exist between the commissions charged to a broker's clients.

Any trade errors will be rectified to make the client whole as if the error did not occur. TC has the responsibility to effect orders correctly, promptly and in the best interests of our clients. In the event any error occurs in the handling of any client transactions, due to TC's actions, or inaction, or actions of others, TC's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting TC in any way. In all circumstances involving trade errors made by TC, clients are "made whole." If the error is the responsibility of TC, any client transaction will be corrected and TC will be responsible for any client loss resulting from an inaccurate or erroneous order.

TC is always responsible for trade error losses. TC has elected to keep trade error gains for purposes of netting the gains against trade error losses, and the client will not receive the benefit of any trade error gains. TC will annually calculate any trade error gains. To the extent any trade error gains remain at the end of the year, the full amount of the gains will be donated to charity.

### Order of Trading

Because TC provides investment advice to both discretionary and non-discretionary clients, there exists a potential conflict of interest between the timing of trades for discretionary clients and the seeking of approval for such trades from non-discretionary clients.

### Trade Aggregation

TC will aggregate where possible and when advantageous to clients for which it has discretionary trading authority. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts. Block trading may allow TC to execute trades in a more timely and equitable manner. Clients that restrict TC to using a particular broker-dealer (or direct TC to use a particular broker-dealer) for executing their transactions generally will be unable to participate in aggregated orders and will be precluded from receiving the benefits, if any, of an aggregation which other clients may receive. Also, TC will generally execute aggregated orders for non-directed clients before executing orders for clients that direct brokerage.

Where trade aggregation occurs, all participating clients shall receive an average share price and share equally any trading costs not directly attributable to their account as required by an account custodian (i.e., based on share size a custodian may charge different costs to different accounts). If an aggregated trade order is only partially filled, all participating clients will receive a pro rata share of the fill unless such distribution would result in minimal distributions to clients in which case those clients may be excluded from the allocation. In the event that transactions for employees or principals ("proprietary accounts") are aggregated with client transactions, conflicts can arise with partial fills. As such, any block trades including proprietary accounts where there is a partial fill, TC client allocations will be filled first (i.e., before any proprietary account is filled). If TC sequences any client trades, such sequencing will be fair and equitable.

### Cross Trades

TC does not cross trade equities as a matter of policy. From time to time, it may cross trade bonds. When such cross trades are placed TC will record the following information: (i) the circumstances of the cross trade; (ii) the potential benefit to the client; and (iii) any potential disadvantage to the client.

Although clients are not obligated to do so, TC will generally recommend that clients custody their accounts through PAS. Transactions for client accounts custodied through PAS are cleared through Pershing, its affiliated clearing broker. TC believes that Pershing's execution capabilities qualify, and its process for monitoring the same, to be well within applicable industry standards and requirements. TC will seek to obtain, through Pershing, the best combination of price and execution when effecting brokerage transactions for client accounts.

Some broker-dealers may charge fees and commission rates that are lower than those charged by Pershing. Because TC believes that the brokerage services offered by PAS/Pershing (including such factors as custodial services, execution capability, financial stability and clearance and settlement capability offered through and provided by Pershing as clearing broker) are of high quality, TC will not solicit competitive execution fees or commission rates from other brokers. PAS/Pershing may not (i) deal directly with market makers in over-the-counter or fixed income securities transactions, (ii) always bundle the transactions of an account with transactions of other accounts in order to receive volume discounts, or (iii) execute transactions at the lowest fees or commission rates available. Accordingly, transactions will not always be executed by PAS and Pershing at the lowest available execution fees or commission rates and in some instances the charges may be higher.

PAS may receive compensation for administrative, distribution or shareholder related services from the sale of securities or other investment vehicles that TC may recommend to its clients. These include shareholder servicing fees and distribution payments from the sale of mutual funds.

Also, TC receives, without cost, support services from PAS which may be used to assist TC in better monitoring and servicing client accounts maintained at PAS. Included within the support services are a financial contribution toward client-related marketing and technology services. These practices present conflicts of interest by creating incentives to (i) recommend investment products based on compensation generated and (ii) recommend PAS custodial services based on support services generated, rather than on a client's needs. However, TC has policies and procedures in place designed and implemented to prevent these potential conflicts from influencing its recommendations. The policies and procedures are intended to ensure that (i) TC and its supervised persons adhere to their fiduciary responsibility to put client interests first; (ii) only suitable and appropriate investment recommendations are made to clients; and (iii) accounts are managed in a manner consistent with client investment objectives, including reasonable investment restrictions.

In some circumstances, affiliated and client accounts will share transaction costs equally and receive securities at a total average price. TC will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Due to the decentralized, dealer-based nature of the bond market and the availability of issues, TC seeks competitive bids and offers for its bond orders. Where permitted, discretionary and directed brokerage accounts are block traded for best available execution. The bonds are then delivered to the respective brokerage firms, which, in turn, settle the trade. Whether an account is discretionary or client-directed, client direction to execute through a specific broker-dealer in whole or in part could limit or eliminate TC's ability to negotiate commissions and otherwise obtain best price and execution. Client direction also may limit TC's ability to aggregate the client's transaction with those of other TC clients purchasing or selling the same securities.

In most instances, the broker-dealer selected by a client directed account for execution of transactions has referred that client to TC as an advisory client. Such directed accounts may pay brokerage commissions in excess of that which another broker or PAS might have charged. TC reserves the right to approve the broker-dealer selected by a directed account. In some instances, TC may recommend that a client utilize another broker-dealer for execution of

transactions. Clients with directed brokerage accounts should recognize that they may be able to obtain discounts from published brokerage commission rate schedules. Clients with outside accounts must seek such discounts themselves, and TC will not seek such discounts on their behalf.

TC does not engage in soft dollar arrangements.

## **Item 13: Review of Accounts**

TC reviews all accounts for conformity with investment policy guidelines and the individual client's stated needs and objectives. Accounts are reviewed by TC's investment adviser representatives, who are supervised by its executive officers. Account reviews are generally conducted at least quarterly and as market conditions warrant. Account reviews may also be triggered by changes in the tax laws, new investment information, and changes in a client's own situation. Account reviewers consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

As part of its basic Wealth Management service, TC provides clients with a goal based financial plan. After an initial review with the client, basic financial plans are not reviewed on a regular or consistent basis, unless requested by the client. For accounts where TC provides investment recommendations, it will review those accounts for conformity with investment policy guidelines and the individual client's stated needs and objectives. Accounts are reviewed by TC's investment adviser representatives, who are supervised by its executive officers. Account reviews are generally conducted at least quarterly and as market conditions warrant. Account reviews may also be triggered by changes in the tax laws, new investment information, and changes in a client's own situation. Account reviewers consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive a quarterly statement (monthly, if requested) from the custodian providing a list of holdings with valuations, to the extent they are available, and account activity, as well as confirmations of all securities transactions. Clients may also receive a quarterly performance report statement from TC, showing account performance during the period reported. Clients will also receive other periodic communications from both the custodian and TC.

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

From time to time, TC may enter into agreements providing cash compensation to persons who refer clients to them. These agreements are governed by, and require that the solicitor meet the disclosure and other requirements of Rule 206(4)-3 under the Investment Advisers Act. The terms of the agreements may differ somewhat depending upon the circumstances, but generally TC pays a portion of the fees it receives from the introduced clients directly to the solicitor. However, clients will not pay a greater advisory fee or any other fee to TC or any of its affiliates as a result of such arrangements.

In addition, please refer to Item 11 for a discussion of TC's Code of Ethics, which is designed and implemented to prevent any arrangement involving TC, its affiliates or its vendors from influencing TC's investment or custody recommendations.

For Wealth Management Services, TC may refer clients to certain unaffiliated service providers which provide family office related services (e.g., at-home physician care, worldwide medical transport services, identity theft protection). From time to time, some of these service providers may pay TC nominal compensation for such referrals. Such arrangements create a potential conflict of interest in TC's recommendation of the service provider; however, TC has policies and procedures in place to ensure that referrals to such service providers are in the best interests of the clients being referred.

## **Item 15: Custody**

Client assets are maintained at an independent qualified custodian. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains a client's investment assets. TC urges you to carefully review the statements received from your custodian and compare them to the performance report statements that we provide. Our statement may vary from custodian statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

TC directly debits client advisory fees from the client's respective custodial account, pursuant to the client's written authorization in the Investment Management Agreement.

## **Item 16: Investment Discretion**

TC generally receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular account.

When selecting securities and determining amounts, TC observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to TC in writing.

In connection with its Wealth Management services, TC does not provide investment management services and does not accept discretionary authority to manage securities accounts on behalf of its clients.

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

TC has adopted proxy voting procedures to ensure that necessary information is received and votes are cast in a timely manner. TC recognizes that proxies have economic value and, in keeping with TC's fiduciary responsibilities, are voted in the best interests of the shareholder or plan beneficiary. Because TC generally makes investments in companies in which TC has confidence in management, proxies are generally voted in favor of management's recommendations. When TC has been granted the authority to vote proxies on behalf of clients, TC's portfolio managers or their designee(s) will review, analyze and indicate the vote to be cast. In the event of a material conflict of interest between TC and its clients, shares will always be voted in the best interests of the client. If the application of the voting guidelines is unclear, the matter is not covered by the voting guidelines or the voting guidelines call for case-by-case review, TC's portfolio managers or their designee(s) will formulate a recommendation on the matter consistent with TC's goal of maximizing client assets.

TC's proxy voting policies and procedures provide that proxies with respect to foreign companies may not be voted if the costs to the client of voting the shares outweigh the benefits, or where the company is in a country which prohibits shareholders who vote proxies from trading the company's shares within a certain period of time around the shareholder meeting date ("share blocking").

Proxy materials are received from various sources. The portfolio managers or their designee(s) review the proposals as described above and forward the written voting instructions to the Operations Department for entry. All signed proxy forms are maintained in the proxy files.

Clients may obtain a copy of TC's proxy voting policies and procedures upon request. Clients may also obtain information from TC about how TC voted any proxies on behalf of their account(s).

For Wealth Management Services, TC does not provide investment management services or otherwise exercise discretionary authority over its clients' assets, and therefore for these clients TC does not vote proxies on its clients' behalf.

## **Item 18: Financial Information**

TC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## **Item 19: Business Continuity Plan**

TC has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, or services.

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan also covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily to tape and archived offsite on a monthly basis.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. TC's custodian may also assist, depending on the type of disaster, with back office and trading assistance. TC's custodian also has its own disaster recovery plan with multiple backup facilities in different parts of the U.S. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location for a period of time.

## **Item 20: Information Security Program**

TC maintains an information security program to reduce the risk that your personal and confidential information may be breached. TC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, such as credit reports. We use this information to help you meet your personal financial goals.

With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf. With your permission, we will disclose limited information to attorneys, accountants, and other parties with whom you have an established business relationship. You may opt out from our sharing information with any non-affiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. All client records are locked in a secure area with limited access. Client records are also stored electronically. We employ a firewall barrier and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

## **Conclusion**

If you have any questions concerning Telemus Capital's services or this brochure, please contact Telemus at (248) 827-0103 or by email to [eric.oppenheim@telemuscapital.com](mailto:eric.oppenheim@telemuscapital.com).