



## **DeWaay Capital Management, Inc.**

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**February 19, 2015**

### **WRAP FEE PROGRAM BROCHURE FORM ADV PART 2A APPENDIX 1**

This brochure provides information about the qualifications and business practices of DeWaay Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 800-722-9861. 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 DeWaay Capital Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

DeWaay Capital Management, Inc. 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 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 March 28, 2014, we have updated our brochure with the following changes.

On or around January 9, 2012, Donald DeWaay, DeWaay Capital Management, Inc. ("DCM") and other affiliates were named as defendants in two class-action lawsuits involving DeWaay Financial Network, LLC, et al (LACV6033 and LACV6034) in the District Court of Decatur County Iowa. The actions involved claims related to the sale of certain private placement investments to the plaintiffs and putative class members by the defendants. The plaintiffs claimed, among other things, that defendants failed to exercise due diligence in vetting the various investments and/or that certain investments were not appropriate for the individual investor. Plaintiffs sought for themselves and all similarly-situated investors rescission and/or compensatory damages plus interest, costs and attorneys' fees.

*On January 30, 2013, a hearing was held on the issues of certification of the putative classes and approval of a proposed settlement. The District Court of Decatur County Iowa concluded the following:*

- 1. That the motion to consolidate the class actions should be granted.*
- 2. The class should be certified as consisting of all those investors who purchased one of the named securities (Exhibit on file with the court) from any of the defendants.*
- 3. The class should be certified as a non-opt out, limited-fund class. In that connection, the temporary injunction previously entered herein shall be made permanent.*
- 4. The proposed settlement agreement should be approved in its entirety, with the settlement amount being \$3 million, \$200k of which would be paid by DCM.*
- 5. Fees, expenses and awards are approved to be paid from the settlement funds.*
- 6. That counsel should prepare and submit to the court for signature a formal judgment entry.*

*On 04/15/2013, the court issued a Ruling Regarding Class Certification and Approval of Final Settlement consistent with the above.*

*On 05/31/2013, the court issued an Order of Final Settlement, Approval and Judgment. Subsequently, on 06/25/2013, a notice of appeal was filed with the Iowa Court of Appeals.*

In 2007, certain DCM clients purchased certain promissory notes (the "IPofA Notes") issued by IPofA 5201 Lender, LLC ("5201 Lender"), through DCM and its affiliated broker-dealer firm DeWaay Financial Network. On or around November 15, 2007, 5201 Lender filed Chapter 11 Bankruptcy in the United States Bankruptcy Court for the Southern District of New York. In 2009, DCM issued notes in order to return to clients monies invested and lost in the IPofA Notes. In addition to the promissory note, each affected client initially received 30% of their investment. A private placement memorandum and subscription agreement were provided to the investors to whom the DCM Notes were issued, and the subject clients executed a settlement agreement, release and assignment in connection with the offering. Interest payments ceased when DCM was named as a defendant in certain class-action matters filed on or around January 9, 2012 in the District Court of Decatur County Iowa (see separate disclosure relating to the class-action matters described above), which included as plaintiffs, among others, the same investor-clients who had executed the settlement, release and assignment in connection with the DCM Notes.

*Affiliated Entities*

Commerce Wealth Advisers, LLC (CWA), an affiliated SEC-registered investment adviser has ceased conducting advisory business and investment adviser representatives of our firm are no longer dually registered with CWA. We have removed the previous related disclosures.

*Trade Errors*

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. For accounts held at TD Ameritrade, if a profit results from correcting the trade, DCM will not retain the profit as all net gains (positive error accounts balances resulting from trade corrections) will be moved to a TD Ameritrade error account and subsequently donated to charity.

**If you have questions about these changes or would like to receive a copy of our updated wrap fee brochure, please contact us at 8711 Northpark Court, Johnston, IA 50131 or 800-722-9861.**

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## Item 4 Services, Fees, and Compensation

DeWaay Capital Management, Inc. (DCM) is a registered investment adviser primarily based in Johnston, Iowa. We are organized as a corporation under the laws of the State of Iowa. DCM is 100% owned by Donald G. DeWaay. Mark B. Davis is our Chief Compliance Officer.

As used in this brochure, the words "we," "our," and "us" refer to DeWaay Capital Management, Inc. and the words "you," "your," and "client" refer to you as a client or prospective client of our firm. Also, you may see the term Associated Person used throughout this brochure. Our Associated Persons are our firm's officers, employees, and any individual providing investment advice on behalf of our firm.

We offer portfolio management services through a wrap-fee program (Program) as described in this wrap fee program brochure to prospective and existing clients. We are the sponsor and investment adviser for the Program, which provides clients with access to several money managers or mutual fund asset allocation models for a single management fee (Program Fee) paid to DCM which covers most, but not all, expenses associated with the client account.

The Program fee includes administrative fees, certain transactional costs, and custodial charges. Transactional costs include the costs of brokerage commissions for transactions executed through the Qualified Custodian (or a broker/dealer designated by the Qualified Custodian), and charges relating to the settlement, clearance, or custody (trade expenses) for mutual funds bought and sold in your wrap program account.

Fees specifically not covered under the wrap Program Fee include the cost of liquidation of assets transferred to DCM from other investments firms/custodians and will be paid by the client. In addition, there may be other costs assessed by the custodian which are not included in the Program Fee, such as national securities exchange fees, charges for transactions with respect to assets not executed through the Custodian, costs associated with exchanging currencies, wire transfer fees, reorganization fees, regulatory fees; or other fees required by law.

On an annualized basis, DCM's fee for portfolio management is generally equal to 1.00% of assets under management, payable quarterly in advance. At the discretion of the Advisor, fees may be negotiated. Subsequent payments are due and will be assessed on the first day of each calendar quarter based on the value of the Account Assets Under Management as of the close of business on the last business day of the preceding quarter.

Either DCM will invoice the client directly for the advisory fees or the qualified custodian holding the client's funds and securities will debit the client account directly for the advisory fees. The fees deducted from a client's account are transactions that display on the client's quarterly brokerage statement. Fees will be payable by liquidating a portion of the account assets if money market funds or a free credit balance are not available. Liquidation may subsequently affect the relative balance of an account.

The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

### Client Investment Process

Prior to becoming a client under the Program, you will be required to enter into a separate written agreement with us that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided, as well as the fees to be paid.

The exact management fee charged to the account is set forth in the Agreement. Upon entering into the Agreement, the client opens a brokerage account either with a Firm mutually agreed upon between DCM and the Client or with TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (TD Ameritrade), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade provides advisory clients with securities custody and execution services.

An IAR will work with the client to obtain necessary information regarding the client's financial condition, investment objectives, liquidity requirements, risk tolerance, time horizon, and any restrictions on investing. Portfolio composition will be determined based on each client's needs, portfolio restrictions, if any, financial goals and risk tolerances. Some strategies involve more risk than other available strategies and are only appropriate for certain investors.

In general, DCM manages wrap fee accounts on a discretionary basis with longer-term investment horizons. A long-term investment strategy will typically involve investing in securities that are anticipated to grow in value over a relatively long period of time. From the outset, Clients need to be committed to at least a 3 to 5-year time horizon for the majority of the assets in the account.

#### Changes in Your Financial Circumstances

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g., attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. Furthermore, unless you indicate to the contrary, we shall assume that there are no restrictions on our services, other than to manage your account in accordance with your designated investment objectives. It is your responsibility to promptly notify us if there are ever any changes in your financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services.

#### Wrap Fee Program Disclosures

We primarily recommend Mutual Funds in our Wrap Program. However, since each client has different needs and different tolerance for risk, we may recommend other types of investments as appropriate for you. These investments may include Money Market Funds. In general, the DCM wrap program will be invested in a diversified portfolio of mutual funds. In no case will any loads, commissions, or transaction fees be paid by the Client. However, DCM will exclusively utilize mutual funds designated by the Custodian as Non-Transaction Fee (NTF) mutual funds. These funds may charge 12b-1 fees and/or may have higher aggregate fund management fees than other mutual fund options available through DCM's non-wrap programs or through other sources. In order to evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the Program.

In general, we manage wrap fee accounts a long-term investment strategy. However, we may manage non-wrap fee accounts using a short-term investment strategy. A long-term investment strategy will typically involve investing in securities that are anticipated to grow in value over a relatively long period of time. On the other hand, a short-term investment strategy will typically involve purchasing and selling securities within a relatively short period of time based on these securities' short-term price fluctuations. Therefore, transactions may occur more frequently in the non-wrap program. In considering the investment programs described in this brochure, you should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from other advisers or broker-dealers.

Our firm and Associated Persons receive compensation as a result of your participation in the Program. This compensation may be more than the amount our firm or the Associated Persons would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because our firm and our Associated Persons have a financial incentive to recommend the Program.

Similar advisory services may be available from other registered investment advisers for lower fees.

#### Additional Fees and Expenses

All fees paid to DCM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. Fees charged by mutual funds will generally include a management fee, other fund expenses, and a possible distribution fee. Where DCM recommends mutual funds that have associated transaction costs, DCM will pay the transaction cost. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, our firm, and others.

#### Brokerage Practices

DCM participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (TD Ameritrade), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. DCM receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, DCM participates in TD Ameritrade's Institutional customer program and DCM may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between DCM's participation in the program and the investment advice it gives to its clients, although DCM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving DCM participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to DCM by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by DCM's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit DCM but may not benefit its client accounts. These products or services may assist DCM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help DCM manage and further develop its business enterprise. The benefits received by DCM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, DCM endeavors at all times to put the interests of its clients first. clients should be aware, however, that the receipt of economic benefits by DCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the DCM's choice of TD Ameritrade for custody and brokerage services.

DCM considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation and the quality of services provided. In selecting TD



Ameritrade as the broker and custodian for certain of its current and future client accounts, DCM takes into consideration its arrangement with TD Ameritrade as to obtaining price discounts for TD Ameritrade's automatic portfolio rebalancing service for advisers known as "iRebal."

The annual license fee applicable to DCM for iRebal is \$20,000 and is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the TD Ameritrade platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the TD Ameritrade platform will bring fee reductions of up to \$20,000 per year.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs).

If Adviser does not maintain the relevant level of taxable assets on the TD Ameritrade platform, Adviser may be required to make a penalty fee payment to TD Ameritrade calculated on the basis of the shortfall.

Although DCM believes the products and services offered by TD Ameritrade are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with TD Ameritrade as to the iRebal service may affect DCM's independent judgment in selecting or maintaining TD Ameritrade as the broker or custodian for client accounts.

#### Research and Brokerage Products and Services

Research products and services we may receive may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to us in the performance of our investment decision-making responsibilities. Brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We generally use such products and services in the conduct of our investment decision-making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

#### Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as the brokerage services or research referenced above.

## **Item 5 Account Requirements and Types of Clients**

DCM does not impose a minimum account size in order to open or maintain a wrap fee account.

DCM offers this wrap program to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

## **Item 6 Portfolio Manager Selection and Evaluation**

We are the sponsor and sole portfolio manager for the Program.



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

DCM does not charge fees based on a share of capital gains on or capital appreciation of the assets of a client. In limited circumstances, DCM may share in a portion of the advisory fee, including performance-based fees collected by the Sub-Adviser, and in such cases, the client will not be assessed an additional fee by DCM.

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

As part of our portfolio management services, we may customize an investment portfolio for you according to your risk tolerance and investing objectives. We may also invest your assets using a predefined strategy, or we may invest your assets according to one or more model portfolios developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

**Charting Analysis** - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

**Risk:** Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Technical Analysis** - involves studying past price patterns, trends, and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

**Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions.

**Risk:** The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

As disclosed under the Advisory Business section in this brochure, we primarily recommend Mutual Funds in our Wrap Program. However, since each client has different needs and different tolerance for risk, we may recommend other types of investments as appropriate for you. These investments may include Money Market Funds and No-load Variable Annuities. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

**Mutual Funds:** Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into or sell out of the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

**Money Market Funds:** A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The US Securities and Exchange Commission notes that, "While investor losses in money market funds have been rare, they are possible". In return for this risk, you should earn a greater return on your cash than you'd expect from an FDIC insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you don't know how much you'll earn on your investment next month. The rate could go up or down. If it goes up, that may be a good thing. However, if it goes down and you earn less than you expected, you can end up needing more cash. A final risk you're taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

**Variable Annuities:** A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point the contract will terminate and the remainder of the funds accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as: mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages

of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds, and mutual funds do. Some variable annuities offer "bonus credits". These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges) the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees.

Certain strategies employed by the DCM may incur more risk than others may incur. The risk involved with these specific strategies are generally evaluated by the client and the Adviser prior to any investment being made in order to ensure that the client's goals, objectives, and financial situation is such that he or she is able to bear the risks inherent to these investments.

DCM will employ a wide range of methods to evaluate investments and manage portfolios including fundamental analysis, some aspects of technical analysis and study of price trends, and analysis of economic, market, industry, and product cycles and trends through the use of charts and other economic data.

Typical sources of information include company press releases, company websites, financial news, financial data providers, financial newspapers and magazines, corporate rating services, analyst research reports, financial weblogs, internet discussion boards, financial websites

DCM makes available to investors various model portfolios comprised of mutual funds. Each one of these models is designed with different risk and return profiles. Clients select which portfolio is best suited to their goals, risk tolerance, time horizon, investment objectives and/or overall financial situation. While DCM attempts to implement strategies that maximize investment performance while minimizing risk of loss, there is no guarantee that the objective will be achieved and there is no guarantee that portfolio losses will not occur. Past performance of securities and/or model portfolios is in no way an indication of future results.

#### Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

#### Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. 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 your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

#### Proxy Voting

As a matter of firm policy and practice, DCM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. The client should receive proxy materials directly from the account custodian. However, in the event DCM were to receive any written or

electronic proxy materials, we would forward them directly to the client by mail, unless the client has authorized contact by electronic mail, in which case, we would forward any electronic solicitation to vote proxies. DCM may provide advice to clients regarding the clients' voting of proxies.

## **Item 7 Client Information Provided to Portfolio Managers**

As required, in order to provide the Program services, we will provide your private information to your account custodian, TD Ameritrade. We may also provide your private information to mutual fund companies and/or private managers. We will only share the information necessary in order to carry out our obligations to you in servicing your account. We share your personal account data in accordance with our privacy policy as described below.

### Confidentiality

Protecting its customers' private information is important to DCM. Therefore, DCM has instituted policies and procedures designed to ensure that client information is kept private and secure. DCM does not disclose non-public personal information about its clients or former clients to any non-affiliated third parties except as required by or permitted by law. In the course of servicing a client's account, DCM may share some information with its service providers, such as transfer agents, custodians, broker/dealers, accountants, and attorneys. DCM restricts internal access to non-public personal information to those employees who need access to such information in order to provide products or services to a particular client. DCM also maintains physical, electronic, and procedural safeguards to protect client information.

DCM will provide a copy of its privacy policy notice to each client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, DCM will deliver a copy of the current privacy policy notice to its clients annually. Questions regarding this policy should be directed to DCM at 800-722-9861.

## **Item 8 Client Contact with Portfolio Managers**

Without restriction, you should contact our firm or your advisory representative directly with any questions regarding your Program account.

## **Item 9 Additional Information**

### Additional Information

On or around January 9, 2012, Donald DeWaay, DeWaay Capital Management, Inc. ("DCM") and other affiliates were named as defendants in two class-action lawsuits involving DeWaay Financial Network, LLC, et al (LACV6033 and LACV6034) in the District Court of Decatur County Iowa. The actions involved claims related to the sale of certain private placement investments to the plaintiffs and putative class members by the defendants. The plaintiffs claimed, among other things, that defendants failed to exercise due diligence in vetting the various investments and/or that certain investments were not appropriate for the individual investor. Plaintiffs sought for themselves and all similarly-situated investors rescission and/or compensatory damages plus interest, costs and attorneys' fees.

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- 1. That the motion to consolidate the class actions should be granted.*
- 2. The class should be certified as consisting of all those investors who purchased one of the named securities (Exhibit on file with the court) from any of the defendants.*

3. *The class should be certified as a non-opt out, limited-fund class. In that connection, the temporary injunction previously entered herein shall be made permanent.*
4. *The proposed settlement agreement should be approved in its entirety, with the settlement amount being \$3 million, \$200k of which would be paid by DCM.*
5. *Fees, expenses and awards are approved to be paid from the settlement funds.*
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#### Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of DCM or the integrity of the DCM's management.

Donald DeWaay was named as a defendant in two class-action lawsuits involving DeWaay Financial Network, LLC, et al (LACV6033 and LACV6034). The matter came before hearing on the 30<sup>th</sup> day of January, 2013, on the issues of certification of putative classes and approval of the proposed settlement. Pursuant to findings and conclusions, the court concluded the following:

- 1) The motion to consolidate should be granted.
- 2) The class should be certified as consisting of all those investors who purchased one of the named securities (Exhibit on file with the court) from any of the defendants.
- 3) The class should be certified as a non-opt out, limited fund class. In that connection, the temporary injunction previously entered herein shall be made permanent.
- 4) The proposed settlement agreement should be approved in its entirety, unless herein modified
- 5) Fees, expenses and awards are approved to be paid from the settlement funds.



- 6) Counsel shall prepare and submit to the court for signature a formal judgment entry.

On August 30, 2013, DeWaay Capital Management, LLC ("DCM") and certain affiliated individuals and entities (collectively, the "Respondents") entered into a settlement with the Department of Labor ("DOL") following DOL allegations of violations of the Employee Retirement Income Security Act of 1974 (ERISA). The matter arose out of sales of market alternative investments by a broker-dealer affiliated with DCM to, among others, certain clients of DCM who were participants in ERISA-covered employee benefit plans. The sales allegedly occurred between May 2007 and November 2011, and the DOL alleged that certain Respondents received non-level fees in connection with the market alternative investments. The Respondents maintained, among other things, that fees were fully disclosed, that the market alternative investments were separate and apart from clients' actively managed accounts, and that clients saved money over what clients would have incurred had the market alternative investments been subject to an annual management fee. In the settlement, the DOL agreed not to pursue any civil action regarding its various allegations. The Respondents, among other things, agreed to comply with ERISA; to ensure that certain disclosures are made to Plan participant clients regarding fiduciary duties, conflicts of interest, services and fees; to ensure a level fee arrangement where any Respondent recommends to an ERISA-covered client an investment where a Respondent expects to acquire an interest or receive compensation or other payments; to not market securities other than publicly traded securities to ERISA-covered clients; and to charge ERISA-covered clients only such investment advisory fees that are set forth in signed advisory agreements. Additionally, Don DeWaay, agreed (i) to refund \$327,273 of commissions, due diligence and marketing fees received in connection with market alternative investments purchased by clients participating in ERISA plans between May 2007 and November 2011; (ii) to pay the DCM 401(K) Plan \$14,213.95; (iii) to pay penalties of up to approximately \$54,000. To avoid the additional time and legal expenses in the matter, the Respondents agreed to resolve the matter on these terms without admitting or denying the allegations.

In June of 2009, in connection with DFN Partners LP's private securities offering under Regulation D of the Securities Act of 1933, Mr. DeWaay was the primary speaker in a phone call with about twenty prospective investors. Following review by his firm's compliance department, the call was made available by recording the following month, and approximately eleven people listened to the recorded call. FINRA alleged that Mr. DeWaay violated NASD Conduct Rule 2210 (relating to communications with the public) in making statements regarding his and his firm's business successes, methods and outlook that were exaggerated, misleading or unwarranted. On August 23, 2013, in order to avoid incurring additional time and further legal expenses in the matter, Mr. DeWaay entered into a settlement with FINRA that resulted in a suspension of ten days from affiliating with any broker-dealer, which ended on September 16, 2013, and a fine of \$7,500. FINRA did not impose any other penalties. Mr. DeWaay agreed to the sanctions without admitting or denying the findings.

#### Other Financial Industry Activities and Affiliations

Donald G. DeWaay is the Managing Member of DFN Partners, LLC, a holding company that owns DeWaay Financial Network, LLC (DFN).

Through common control and ownership, DCM is affiliated with DeWaay Benefit Administrators, LLC (DBA), a third party administrative firm servicing pension and profit sharing plans. Clients of DCM may become clients of DBA, but are under no obligation to do so.

Through common control and ownership, DCM is affiliated with DFN, a limited liability company, which is the sole member of DeWaay Real Estate Management, LLC, which serves as the sole member of DeWaay Assisted Living Management, LLC (DALM). DALM is the general partner to DeWaay Assisted Living Investors, LLLP.

In addition to providing financial planning and investment advisory services, certain IARs of DCM may conduct tax planning, accounting and tax services, estate planning or insurance business in a manner not affiliated with DCM.

Donald DeWaay owns 100% of the following: DCM Partners, LTD, which serves as Managing Member to DCM Everest, LLC; and Alpha Management, Inc., which is the Managing Member to DCM Alpha, LLC (collectively referred to as the "Funds"). These Funds are pooled investment vehicles that invest in private funds ("hedge funds"). These Funds are in the process of being liquidated and are no longer open to new investors. Boyle Capital Management, LLC serves as the investment adviser to the Funds. Investors in the Funds should refer to the offering documents of the Funds for detailed disclosures regarding participation in these investments.

Donald DeWaay is a board observer for Kempharm, Inc., a biopharmaceutical company. Donald DeWaay is a board observer for Kempharm, Inc., a biopharmaceutical company. Although clients may be associated with or invested in Kempharm, Inc., Mr. DeWaay's role as a board observer is primarily to provide feedback when requested by Kempharm, Inc. Mr. DeWaay receives no compensation in his capacity as a non-voting board observer.

We may use, suggest, or recommend the services of or recommend investment in some of or affiliated entities listed above. The referral arrangements we have with some of our affiliated entities present a conflict of interest because we may have a financial incentive to recommend investments in or the services offered by our affiliates. You may obtain comparable services and/or lower fees through other firms. Such arrangements may involve sharing or joint compensation, or separate compensation, subject to proper disclosures and the requirements of applicable law.

On occasion, Don DeWaay may purchase shares in illiquid securities, such as limited partnerships or private placements, from DCM clients. In such cases, this may occur where there is either a limited or no secondary market available and shares will be purchased at fair market value. In such cases, Mr. DeWaay may purchase such shares only in a personal capacity; DCM will not participate in principal transactions.

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

DCM has adopted a Code of Ethics for all supervised persons of DCM 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, 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. All associated persons at DCM must acknowledge the terms of the Code of Ethics upon affiliating with the firm and as the Code of Ethics is amended.

DCM anticipates that, in appropriate circumstances, consistent with its clients' investment objectives, it will cause accounts over which DCM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which DCM, its affiliates and/or clients, directly or indirectly, have a position or interest. DCM's employees and associated persons are required to follow DCM's Code of Ethics.

Subject to satisfying this policy and applicable laws, employees and associated persons of DCM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for DCM's clients. Engaging in this activity may potentially cause a conflict of interest between DCM and its clients. The Code of Ethics is designed to ensure that personal securities transactions of the employees and associated persons of DCM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the



same time, allowing employees and associated persons to invest for their own accounts. It is DCM's expressed policy that employees and associated persons of the DCM shall not have priority in any purchase or sale over client accounts.

DCM's clients or prospective clients may request a copy of the DCM's Code of Ethics by calling 800-722-9861.

#### Review of Accounts

Generally, client accounts are reviewed periodically or in response to client requests. Arrangements for formal reviews are determined by DCM on a case-by-case basis. Additional reviews may be provided based on a significant change in the market, the client's financial situation, significant additions to or withdrawals from the account, transactions and significant changes in asset allocations, or at DCM's or the client's request.

The custodian/broker typically sends clients a confirmation of every securities transaction and a monthly or quarterly brokerage statement reflecting all transactions in the client's account held by the custodian/broker. DCM may provide additional written reports to clients on a quarterly basis or as requested. Such reports may include a detailed holdings report, transaction reports and performance reviews. Statements may be provided electronically.

#### Client Referrals and Other Compensation

We do not compensate any individual or firm for client referrals. Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with TD Ameritrade. Associated persons of DCM who are properly licensed as independent insurance agents may sell insurance products and/or may refer clients to other licensed insurance agents who sell insurance products including but not limited to annuities, life, disability, health, and long term care. As licensed insurance agents, associated persons of DCM may receive commissions either directly from insurance companies or from other licensed insurance agents (splitting of commissions with the agent) to whom client referrals were made. This may present a conflict of interest because the type and amount of compensation available may affect the products recommended. DCM advises its clients that all clients have total freedom to affect any and all recommendations of securities, insurance, and/or other services through any brokers or agents they choose including those not affiliated with DCM.

#### Additional Compensation

Associated persons of DCM may sell insurance products, including but not limited to, life, health, and long term care products and may receive additional compensation from the sale of such products in the form of commissions or may share in commissions for referrals made to other independent or affiliated insurance agents.

#### Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about DCM's financial condition. DCM has no financial condition that is likely to impair our ability to meet contractual commitments to clients. DCM has not been the subject of a bankruptcy proceeding. Item 10 Requirements for State-Registered Advisers

DCM, LLC is registered with the Securities and Exchange Commission rather than a state securities division. Therefore, this section is not applicable to us.