



# **Absolute Capital Management, LLC**

## **Part 2A of Form ADV**

### **Brochure**

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This brochure provides information about the qualifications and business practices of Absolute Capital Management, LLC (“Absolute Capital”). If you have any questions about the contents of this brochure, please contact us at 1-888-388-8303. 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.

Absolute Capital is a registered investment adviser with the SEC. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure are information you can use to evaluate us. Additional information about Absolute Capital is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

1. This amendment contains only non-material changes since the annual updating amendment of Form ADV on August 1, 2014 and subsequent interim amendments.
1. Form ADV Part 2 has been updated and is available on the SEC's public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). If you would like another copy of this Brochure, please contact us at 1-888-388-8303.

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## **Item 4 Advisory Business**

Absolute Capital was founded in 2002 and is co-owned by Managing Directors Brenden Gebben and Brian Osborn. As of December 31, 2014, Absolute Capital had discretionary assets under management of \$336,355,638.

Absolute Capital provides investment management and account supervisory services primarily to individual investors on a fee-only basis. Absolute Capital may also serve as an adviser or sub-adviser to open end mutual funds. Currently, Absolute Capital provides investment management services on a sub-advisory basis to the Neiman Tactical Income Fund.

Absolute Capital offers various model portfolios (the "Programs") that allocate and reposition your account assets over time based on specific allocation strategies, defensive strategies and sector selection strategies. The Programs offer a range of investment profiles to suit your investment objectives which may include aggressive growth, growth, core, conservative and income and may be used to manage your investments in mutual funds (open-end and closed-end funds), exchange traded funds ("ETFs") and variable insurance products. Please refer to Item 8 below for additional details regarding the Programs.

As an individual Absolute Capital client, in most cases you will be introduced to our services through your financial representative who will work with you to determine which of our Programs are most appropriate given your financial situation, investment objectives and risk tolerance. You may also be introduced to Absolute Capital by Cambridge Investment Research and we will work directly with you to recommend our Programs to you based on your financial situation and stated investment objectives and risk tolerance.

Once you make your Program selection, you will enter into an Investment Management Agreement (“Agreement”) with Absolute Capital. This Agreement will tell us which Program(s) you are selecting and authorize us with discretionary authority to allocate your account into the investment positions of the Program(s) you have selected and to continue to make reallocations according to the Program strategy over time. You may impose reasonable restrictions on Absolute Capital’s management of your accounts. In addition, in certain Programs, you can arrange to hold non-managed securities in your account.

Our investment management services begin on the date that your account is accepted and allocated into our Program(s) (“Acceptance Date”). There may be circumstances where your Agreement will be pending for a period of time due to account restrictions, anticipation of an upcoming strategy change or other operational issues. Absolute Capital is not responsible for performance in your account prior to the Acceptance Date. You will receive a letter from us which indicates the date on which our investment management services started. This letter is your notice that such services have begun. Until you receive this notice, you should not assume investment management services have begun. You or your financial representative can contact us at any time to inquire on the status of your account.

**Signal Provider Services:**

In addition, Absolute Capital has entered and may enter into separate agreements with unaffiliated broker-dealers and/or investment advisers (the “Platform Sponsors”) enabling them to offer some of our Programs to their clients (“Platform Clients”) via their product platforms. Pursuant to the terms of our agreements with the Platform Sponsors, Absolute Capital reviews the Programs as well as provides ongoing signals to the Platform Sponsors containing our recommendations for transactions/re-allocations of Platform Client assets within the Programs. With respect to the assets of any Platform Client, Absolute Capital does not have discretionary authority over those assets and will not execute any recommended transactions. No personalized investment advice is provided by Absolute Capital to the Platform Sponsors or any Platform Client participating in the Programs as to the Platform investment. In the event that a Platform Client chooses to invest in one of our Programs through the Platform, Absolute Capital will receive a fee directly from the Platform Sponsors. The terms of any such fee arrangement are governed by the contract between the Platform Sponsor and Absolute Capital and may differ from the fee schedules shown in Section 5 of this document.

**Retirement Plan Services**

Absolute Capital may also provide certain investment management services to employer-sponsored retirement plans, (401K, 403(b), 401(a) and/or 457) as described below. The terms of any such services are governed by the contract with Absolute Capital and may differ from the fee schedules shown below.

Absolute Capital may perform certain fiduciary services and act as a fiduciary of Plan assets under Section 3(21) of ERISA. Such services may include Plan level investment advice regarding the asset classes and investment alternatives available within a particular Plan. Absolute will provide recommendations to the Plan Sponsor who will retain the final decision making authority regarding the selection, retention addition and removal of investment options.

Absolute Capital may also perform certain fiduciary services and act as a fiduciary of Plan assets under Section 3(38) of ERISA. In this case Absolute may have an agreement directly with the Plan Sponsor to act as an approved third party investment manager to Plan assets. Absolute will provide ongoing management of the portfolio assets and allocation of the underlying investments within each Program (as described in Item 8 below).

**Plan Participant Services**

Finally, in a related type of service, any Plan participant whose employer's retirement plan has a self-directed brokerage window that is with a custodian that has an agreement with Absolute Capital (TD Ameritrade, Charles Schwab, Fidelity Investment and/or Trust Company of America), may elect to open the self-directed brokerage window, have a portion of their assets directed to a brokerage window and allow Absolute Capital to manage those assets through the custodial interface. This access and agreement would be between the individual account owner and Absolute Capital and not between Absolute Capital and the Plan. Not all Plans may enable this type of self-directed brokerage window feature and/or allow advisor access to the self-directed brokerage window. Clients may choose to invest in Absolute Capital's available Programs through the self-directed brokerage window. In this case, Absolute Capital would have an Agreement with the Plan participant (as described above) and would provide ongoing management of the portfolio assets and allocation of the underlying investments within each Program (as described in Item 8 below).

It is important to note that Absolute Capital may include a sub-advised mutual fund (as described below) in the portfolio of a Program and therefore may be entitled to receive a mutual fund management fee, in addition to the fees described in Item 5 below. Absolute Capital will recommend an investment in a sub-advised mutual fund only if that investment is consistent with the strategies of the Program.

In the future, Absolute Capital may choose to participate in separate arrangements as a Platform Sponsor to enable other unaffiliated investment advisers to offer their products via product platforms as a sub-adviser to Absolute Capital. All terms and conditions of such sub-advisory arrangements would be governed by the contract between Absolute Capital and any such adviser.

**Neiman Tactical Income Fund:**

Absolute Capital has been named as sub-adviser to the Neiman Tactical Income Fund and manages the assets of the Fund in a similar manner to that of the firm's Portfolio Protector investment strategy (described below). The specific guidelines that Absolute Capital uses on behalf of the Fund are described in the Fund's prospectus and may differ from those of the Portfolio Protector. Please refer to the Fund's prospectus for more information.

**Item 5 Fees and Compensation**

Absolute Capital charges its clients an investment management fee as shown below. At the time that the Agreement is signed, each Client chooses whether to have their fee billed on a quarterly or annual basis. The fee is collected in advance, is based on a 360 day year and may be automatically deducted from each client's account(s) as described below. The initial fee is calculated as a percentage of the market value of the managed assets in your account as of the Acceptance Date and is pro-rated up to the first of the month of your next billing cycle. Fees for subsequent periods will be calculated on the first of the month according to the billing mode you have chosen (quarterly or annual) unless other arrangements are made or are necessary.

Fees are calculated as a percentage of the market value of the assets in the account as reported by the custodian as of the last day of the month immediately prior to your billing cycle. Additional fees may be charged by Absolute Capital on unmanaged assets that are held in accounts where the firm maintains discretionary authority with respect to the client's other managed assets. Please refer to your Agreement for additional details regarding these separate fees that may be applicable to your account(s).

The fee schedules outlined below reflect the maximum investment management fees charged by Absolute Capital. Absolute Capital reserves the right to waive or negotiate lower fees for clients based on factors such as the size of their account(s), how long the account(s) have been under management and/or the relationship between Absolute Capital and your financial representative. In addition, if we need to change the fee cycle at any time to accommodate administrative circumstances, we will notify you in writing.

The following fee schedule will be utilized by Adviser to calculate new client investment management fees (for all Programs):

**2.00% on the assets up to \$1,000,000 per household\* (if charged annually)**

**0.50% on the assets up to \$1,000,000 per household\* (if charged quarterly)**

*\* Adviser relies on the market value as reported by Account Custodian*

**The entire advisory fee is negotiable for accounts totaling more than \$1,000,000 per household or other factors.** You must notify Adviser in writing of all accounts that comprise a household for fee break purposes.

The advisory fees for unmanaged assets held in the Account are:

Unmanaged assets subject to rebalancing: 0.70% on all assets\*

Unmanaged assets not subject to rebalancing: 0.20% on all assets\*

*\* Adviser relies on the market value as reported by Account Custodian*

Investment management services begin on the account's Acceptance Date. If you have multiple accounts that have different Acceptance Dates, we reserve the right to pro-rate the fee on any or all of these accounts to align the billing dates for all or some of the accounts for future billing. A pro-rata fee may also be charged according to the fee schedule if you make an additional contribution to your account or establish another account intra-period. We will not make fee adjustments for partial withdrawals unless you make arrangements with us. If you request to change your account's Program type between billing dates, the fee for the new Program type will be effective with the next billing date.

Most clients authorize the custodian to deduct fees from their account based on invoicing amounts received from Absolute Capital. You may make alternative arrangements with us where we will send you an invoice to be paid by check. If you have multiple accounts with us, you may instruct us as to which accounts you'd like the fee to be deducted from; otherwise, we will determine which account(s) from which to take the fee. We remind you that you should check the accuracy of all fees assessed to your account, as your custodian will not check to see that the fee has been properly calculated. You may contact Absolute Capital should you have any questions about the management fees that Absolute Capital charges.

You or we may terminate the Agreement for any reason at any time. Notice of termination must be given to the other party in writing. At the time of termination, your account will no longer be reallocated and will remain in the current allocation as of the date of termination. However, there are limited circumstances when an account must be moved into another position for administrative or transitional purposes. You are responsible for paying for services rendered until the termination of the Agreement becomes official. You are entitled to a refund of any unearned fees. Upon receiving written cancellation instructions from you or upon discovering that your account has liquidated/closed, we will terminate our management within thirty days and then calculate the percentage of fees that have not yet been earned and refund those to you. If you are moving the assets to a new product or platform where Absolute Capital will continue to manage the account, you can continue to pay the fee and give us instructions to continue management. You should be aware that the account may not be in the allocated positions during the transition from one custodian to another. This process of transitioning the assets may take several weeks or more before the account is allocated with the new custodian.

The fees that Absolute Capital charges you for investment management services are separate from and in addition to the fees and expenses that may be charged by the mutual funds, ETFs, variable annuities, and/or the custodian of your account. For example, accounts that are invested in mutual funds and variable annuities also pay a separate layer of fees that may include management, trading, insurance and administrative expenses. Other types of fees that could be incurred are sales charges, transaction fees, administrative charges, redemption charges or commissions. Descriptions of these fees are usually available from your financial representative or custodian and should be reviewed carefully. Additionally, you may also incur certain charges, including a set-up fee, imposed by your financial representative and their broker-dealer or a registered investment adviser. Set up fees may be charged as a one-time fee at the time of account opening. Although Absolute Capital may collect such fees, the total set up fee is passed through and paid to the financial representative on the account.

Absolute Capital requires that you have either already established or establish a separate custodial agreement with a qualified custodian for the assets to be managed. Absolute Capital is not the qualified custodian for your account. You will pay custodial fees that may include but are not limited to asset-based custodial fees, transaction charges, and special services fees. In evaluating participation in these Programs, you should consider the fees charged by the custodian in addition to those charged for investment management services. You should review all fees charged by Absolute Capital as well as any adviser, custodians and/or broker-dealer to fully understand the total amount of fees incurred. Fees will reduce your investment returns. Such fees are subject to change.

There are circumstances when the withdrawal of an investment management fee or account reallocation may trigger short-term redemption fees, early withdrawal fees or other fees imposed by the investment companies and/or products in which the account is invested. Further, the withdrawal of investment management fees or an account reallocation may affect, diminish or remove certain benefits from variable insurance contracts such as, but not limited to, income riders, living benefit riders, guarantee riders, death benefits, death benefit riders, free withdrawal amounts, special fund riders or other guarantees within the contract. You should review your specific contract for further details.

In addition, it is possible that certain mutual funds, variable insurance products, custodians, retirement accounts or brokers-dealers may restrict, impose redemption fees, early withdrawal fees or other fees or refuse to accept trades placed by Absolute Capital or a Platform Sponsor if investments are owned for a short period of time or for any other reason. We must comply with any such refusals or restrictions. You are responsible for any charges, commissions or fees imposed by mutual funds, custodians, ETFs, variable annuities, retirement plans, other investment vehicles, broker-dealers or Platform Sponsors as a result of the implementation of any of our Programs. Further, we are not responsible for trade allocations that are rejected or redirected by the fund family, Platform Sponsor, insurance provider or custodian. Our services and fees may trigger redemption fees and/or cause an account to incur sales loads or fees.

It is important to note that there is a possibility that payments of dividends or investment management fees directly from a variable annuity, variable life contract, mutual fund or any other product or custodial account may constitute taxable distributions to the owner of the contract. Many products will issue Form 1099s each year that dividends or investment management fees are paid. There is a possibility that the contract owner will be responsible for federal, state and other income taxes and other fees on the amount of the distribution, and may also incur interest, a 10% early distribution penalty if applicable and additional costs for withdrawing money from the account. Our services and fees may result in short and/or long term capital gains and/or short and/or long term capital losses. Investment income (such as dividends), capital gains, capital losses, and miscellaneous deductions for some MLPs are reported annually on Schedule K-1, and when MLPs are sold in a taxable account, proceeds may also be reported on Form 1099.

Absolute Capital's strategies are not designed to address specific tax objectives. Please note that there can be no assurance or guarantee that any Absolute Capital investment strategy will achieve its stated goals or that any of the securities held in a client's portfolio will prove to be profitable. The Programs we offer may be tax inefficient. Absolute Capital does not provide tax advice. You should consult your tax advisor for guidance.

### **Mutual Funds Sub-Advised by Absolute Capital**

Absolute Capital may be named as sub-adviser to registered investment companies. Absolute Capital currently serves as sub-adviser to the Neiman Tactical Income Fund, which means that the Board of Trustees and Shareholders of the Fund have selected Absolute Capital to make the investment management decisions for the Fund's portfolio. Absolute Capital, as sub-adviser, will be paid a fee for managing the Fund's assets once certain asset levels are reached in the Fund.

Because Absolute Capital may from time to time invest or recommend that client assets be invested in sub-advised mutual funds when constructing account allocations, we want to explain how we will address the potential conflict of interest due to the fact that we would be eligible to receive a portion of the mutual fund management fee in addition to the investment management fee described in Item 5 above.

Absolute Capital will invest in a sub-advised mutual fund only if that investment is consistent with the strategies of the firm's managed portfolios. All advisory clients who hold a position in an Absolute Capital sub-advised mutual fund as of their fee billing date will receive a reduction of their investment management fees by the amount (if any) of the mutual fund management fee approved by the Board and payable to Absolute Capital. Eligibility for this reduction of fees will be solely based on the allocation of your portfolio on your billing date.

Clients may opt out of having their account invest in a mutual fund sub-advised by Absolute Capital. To do so, contact Absolute Capital to make arrangements at 1-888-388-8303. Please refer to the Fund's prospectus for specific fee information. Absolute Capital may also serve as the sub-adviser to other funds in the future.

### **Item 6 Performance Based Fees and Side-by-Side Management**

Absolute Capital does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to Absolute Capital.

### **Item 7 Types of Clients**

Absolute Capital provides investment management and account supervisory services primarily to individual investors, but may also provide services to trusts, estates and corporations or other types of business entities. In addition, Absolute Capital may serve as an adviser or sub-adviser to open end mutual funds as described in Item 4 above.

Investors are usually introduced to Absolute Capital and our Programs through a financial representative. Absolute Capital's minimum account size is \$30,000, but this amount is negotiable.



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

Absolute Capital's Managing Director, Brenden Gebben, is responsible for selecting investments and managing the Program allocations on an ongoing basis. He conducts analysis of market conditions to determine areas of the market for investment and monitors general conditions in the stock and bond markets. With respect to client accounts held at TD Ameritrade, Charles Schwab, Fidelity Investments and/or Trust Company of America, Absolute Capital primarily invests in mutual funds, Exchange Traded Funds ("ETFs") and other securities to allocate assets among a diversified mix of securities that may include domestic equity, international equity and bonds. Absolute Capital may also invest in Master Limited Partnerships ("MLPs") and/or Real Estate Investment Trusts ("REITs") in Program accounts. The type of MLP and/or REIT that Absolute Capital would invest in would trade daily through a mutual fund, ETF or ETN. With respect to clients' variable annuities, Absolute Capital is limited to the investment products (sub-accounts) (including MLP related sub-accounts if available) that are within the annuity itself. Absolute Capital currently does not invest in private or non-publicly traded MLPs or REITs.

For mutual funds, variable annuity subaccounts and ETFs, specific fund analysis may include a review of the fund's management team, the fund's historical risk and return characteristics and any other factors considered relevant. This analysis may vary according to Program type and the universe of securities available. For example, MLPs (as defined above) are limited partnerships that are publicly traded and which have the tax benefits of a limited partnership and the liquidity of a publicly traded company. Investments in MLPs involve risks that differ from an investment in common stock. Holders of the units of MLPs have more limited control and limited rights to vote on matters affecting the partnership. For example, unit holders may not elect the general partner or the directors of the general partner and they have limited ability to remove an MLP's general partner. MLPs may issue additional common units without unit holder approval, which would dilute existing unit holders. In addition, conflicts of interest may exist between common unit holders, subordinated unit holders and the general partner of an MLP. As an income producing investment, MLPs could be affected by increases in interest rates and inflation. There are also certain tax risks associated with an investment in units of MLPs.

With respect to the Neiman Tactical Income Fund, Absolute Capital has been named as a sub-adviser to the Fund and manages the assets of the Fund in a similar manner to that of the firm's Portfolio Protector strategy (described below). The specific guidelines that Absolute Capital uses on behalf of the Fund are described in the Fund's prospectus and may differ from clients invested in the Portfolio Protector strategy. Please refer to the prospectus for additional details.

The following table describes the Programs currently managed by Absolute Capital. Please contact Absolute Capital for detailed information about the information below as all Programs may not be available to all clients of Absolute Capital.

<b>Program</b>	<b>Description</b>
<b>The Asset Allocator</b>	An allocation program that generally seeks to allocate assets among a mix of securities that may include domestic equity, international equity and bonds (depending on risk profile selected). This program features diversified portfolio construction, dynamic asset class rotation, professional fund selection and periodic reallocations. You may choose among five risk profiles: income, conservative, core, growth and aggressive growth. This strategy invests in securities and all investing involves a risk of loss. This should be considered within the context of your overall investment plan.

<b>Program</b>	<b>Description</b>
<b>The Portfolio Protector</b>	A defensive program that seeks to allocate assets between a defensive (money market or other defensive position), a partially-invested or invested position in one or more mutual funds, ETFs or other securities according to Absolute Capital's market analysis. You may choose one or more asset classes for the invested position. Since this strategy is concentrated in one or a few positions for the invested position, it may not be considered diversified. However, the underlying positions may hold a portfolio of securities. This should be considered within the context of your overall investment plan. Also, while its objective is defensive, this strategy still invests in securities and all investing involves a risk of loss.
<b>The Capital Constructor</b>	An allocation program that may use exchange traded funds ("ETFs") or other funds or securities to generally allocate assets among a diversified mix of securities that may include domestic equity, international equity and bonds (depending on the risk profile selected), featuring diversified portfolio construction, dynamic asset class rotation, professional security selection and periodic reallocations. You may choose among four risk profiles: income, conservative, core and growth. This strategy invests in securities and all investing involves a risk of loss. This should be considered within the context of your overall investment plan.
<b>The Sector Selector</b>	An allocation program that generally seeks to invest in a professionally managed portfolio of exchange traded funds or other funds or securities focused in the commodity, hard asset and defensive cyclical markets according to Absolute Capital's analysis. This strategy could be concentrated in certain areas of the market, may not be diversified across sectors and therefore carries non-diversification risk. It invests in securities and all investing involves a risk of loss. This should be considered within the context of your overall investment plan.
<b>The Wealth Consolidator</b>	A consolidated solution that uses a combination of programs for discretionary investment management while having the option to consolidate additional unmanaged holdings within your account. Unmanaged assets are not selected or recommended by Absolute Capital and we take no responsibility for the investment performance, suitability or risk profile for unmanaged assets. Further, we do not provide investment recommendations for this portion of the account, except for an optional rebalancing feature on certain eligible portions of the unmanaged assets. Refer to the risk descriptions included with each managed strategy listed above, as well as the risk discussion on the next page. This should be considered within the context of your overall investment plan.

The Programs are designed to reallocate in response to market conditions. Therefore, they may trade more frequently than a buy-and-hold strategy. In addition, for defensive purposes, investment allocations among security types (i.e., fixed income, equities, cash) may vary from the target allocations when deemed appropriate by the Managing Director in an effort to preserve and protect client assets. All investing involves a risk of loss and, as an investor you should be prepared to bear any such losses. These investment strategies could lose money over short or even long periods of time. Performance could be negatively impacted by a number of different market risks, including but not limited to:

- Stock market risk, which is the chance that overall stock prices will decline.
- Non-diversification risk, which is the chance that the performance of a strategy investing in a particular segment of the market or in one or few funds or securities will be hurt disproportionately by the poor performance of these relatively concentrated positions.
- Management techniques we employ may not produce the desired results. This could cause accounts to decline in value.
- Terrorist, political, causes of nature or other unforeseen risk that could impact the market.

Adding our management to your account may impact systematic transactions you have set up. It is your responsibility to inform us of all systematic transactions and ensure that any systematic programs remain in place. Further, before you request investment management services, it is your responsibility to remove all automatic rebalancing programs or any other automatic program or rider that may impact our management of the account. If you do not do this, such rebalancing

programs may conflict with our ability to manage your account and we are not responsible for the resulting performance.

Once investment management services are established on your account, you should not make any re-allocations or withdrawals within the account without informing us. We are not responsible for the performance of any accounts where you or your financial representative make your own re-allocations in the account that are contrary to the strategy positions of the Program. We may, at our discretion, move your account back into the strategy positions and continue to manage the account; or, we may choose to cancel such an account. We are not responsible for any trade restrictions imposed by these movements or subsequently affected movements. You must notify us in writing of additional contributions to your account. If you do not notify us, we are not responsible for the allocation of that portion of the account. At our discretion, we may include additional deposits made to the account at the time of our next reallocation within the account or as may otherwise be deemed necessary. Further, we will use our best efforts to allocate all eligible assets into the Program(s); however, due to dividends, custodial restrictions or requirements, additional deposits, amounts earmarked to cover management fees, or other operational circumstances, we do not represent that all monies will be allocated to the Programs at all times.

Pursuant to our Agreement with our clients, we maintain investment discretion as to which securities shall be purchased or sold in your account in a manner consistent with the Program selected by you. We may, however, be limited in the selection of investment options since we may have to manage the portfolio based on the available account investments and/or the parameters established by you or the custodian at the Acceptance Date. After the Acceptance Date, if we determine that the restrictions on the account are too limiting to our ability to manage your account, we may terminate your Agreement and return to you a pro-rata refund.

You may make changes from one Program or strategy to another by providing us with written notice. We will generally accept and implement the Program change within thirty days of receiving the request, but it may be longer due to the operational circumstances of the account. If Absolute Capital determines that your request for a Program type change is not reasonable given the type and/or location of your account(s), then we will promptly notify you in writing and will work with you to determine a Program that is acceptable or we will terminate your account and return to you a pro-rata refund.

#### **Item 9 Disciplinary Information**

Absolute Capital does not have any legal, financial or other “disciplinary” item to report. Absolute is required to disclose any disciplinary event that would be material to clients when opening an account or promptly upon discovery of such an event/item. This statement applies to the firm, and every employee.

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

Brian Osborn is associated with a broker-dealer, Beaconsfield Financial Services, Inc. as a registered representative and licensed insurance agent. Only if he serves as your financial representative, he may receive commissions or other compensation such as distribution or service (“trail”) fees for products sold. This may give him an incentive to recommend investment products based on commissions and/or trails received which could create a conflict of interest.

You are under no obligation to purchase products recommended or to purchase products through Beaconsfield Financial. When using other broker-dealers as the custodian or broker, Brian Osborn cannot earn commissions on products sold.

Also in his individual capacity, Mr. Osborn is a licensed insurance agent, and as such, may recommend the purchase of certain insurance products to his financial planning clients. While Absolute Capital does not sell such insurance products to its investment management clients, Absolute Capital does permit its employees or owners, in their individual capacities as licensed insurance agents, to sell insurance products to their financial planning clients. Due to the fact that the individual can receive compensation from the product sale, a conflict of interest exists.

Matthew S. Hardin is a securities attorney and is licensed to practice law in Pennsylvania, Missouri and Illinois. Mr. Hardin owns Hardin Law Group LLC, a law firm based in Pennsylvania. In addition, Mr. Hardin owns Hardin Compliance Consulting LLC, a firm specializing in providing regulatory compliance consulting services to registered investment advisers, broker-dealers, investment companies and private funds. Mr. Hardin serves as Chief Compliance Officer of Absolute Capital.

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

Absolute Capital has adopted a written Code of Ethics that is applicable to all employees. Among other things, the Code requires Absolute Capital and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions.

Absolute Capital and its employees may purchase securities for their personal accounts that they also recommend to firm clients, however, employees will not take into consideration their own financial situation when providing investment advice to clients. Absolute Capital's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of Absolute Capital's Code of Ethics is available upon request.

Absolute Capital maintains a file, updated quarterly, of all qualified securities transactions involving employees. If the possibility of a conflict of interest occurs, the clients' interest will prevail. The Chief Compliance Officer monitors employee trading to ensure that employees do not engage in improper transactions.

#### **Item 12 Brokerage Practices**

You and your financial representative are responsible for choosing the custodian for the assets to be managed by Absolute Capital. When your assets are managed in packaged products such as mutual funds and variable annuity sub-accounts, all transactions for such packaged products are conducted with the fund family, custodian, mutual fund platform, retirement program or insurance company sponsoring these products. Absolute Capital does not have the ability to select, allocate or execute brokerage for transactions, which is done at the product level.

When your assets are invested in non-packaged products (such as, but not limited to, ETFs and other securities), Absolute Capital will seek to obtain best execution for its clients by completing the following:

- Initial due diligence of the firm's multiple custodians;
- Ongoing monitoring of execution quality (including transaction compensation) to ensure that the level of service provided is consistent with our expectations; and
- Periodically reviewing of the custodial platform(s) utilized by Absolute Capital.

In selecting custodial platforms to offer for client trading of non-packaged products, Absolute Capital will consider the following factors, among others:

- Custody services provided
- Infrequency and correction of trade errors
- Expertise as it relates to specific securities
- Record keeping services provided
- Transaction compensation
- Financial condition
- Business reputation
- Level of client service and responsiveness

Absolute Capital may participate in or recommend custodial platforms sponsored by TD Ameritrade Institutional, Trust Company of America, Charles Schwab and/or Fidelity Investments. You enter into a separate custodial agreement with the custodian that you choose.

As part of your agreement with TD Ameritrade, Charles Schwab, Fidelity Investments or Trust Company of America, your transactions will be executed through the broker appointed by them. Absolute Capital does not participate in the selection of the broker for each client's account. Other advisers may or may not require you to use a particular broker. In addition to the investment management fee charged by Absolute Capital, you are responsible to pay custodial fees that may include but are not limited to asset based custodial fees, transaction charges, and special services fees.

In evaluating participation in Absolute Capital's recommended investment products or Programs, you should consider the fees charged by the custodian and Absolute Capital. The fees charged by the custodian have been negotiated with Absolute Capital and are subject to change based upon our total assets under management or other factors and may be higher or lower in the future. Please refer to your Agreement and custodial agreement for additional details.

#### Aggregated Trades

Whenever possible, and depending on the firm's capabilities with each custodian, Absolute Capital may aggregate client orders when trading with the same broker at the same custodian by bunching the order. "Bunching the order" is the process of adding together orders to purchase and sell the same security as one large order. Specifically, each client that participates in a bunched transaction will participate at the average share price for all of Absolute Capital's transactions in that security at that custodian with respect to that bunched order. Absolute Capital and/or its employees may be included in bunched client trades. If an aggregated order is partially filled, securities are allocated pro-rata to the participating client accounts in proportion to the size of the

order placed for each account. We may, however, increase or decrease the amount of securities allocated to each account if necessary. We aggregate orders in a manner designed to ensure that no participating client is favored over any other client.

TD Ameritrade, Charles Schwab, Fidelity Investments and/or Trust Company of America may provide Absolute Capital with custodial, operational and trading services that allow us to manage your account(s) using various security types including but not limited to mutual funds and ETFs. Also, they may provide back office and other services to Absolute Capital. While there is no direct affiliation between the management of assets on behalf of our clients and our recommendation of a particular custodian, we do receive some benefits. However, these benefits do not depend on the amount of transactions directed to a particular custodian. Benefits we receive may include but are not limited to: assistance with back-office functions, recordkeeping and customer reporting, access to a service group and an account service manager, discounts on third party research and ratings information, electronic download of trades, access to an electronic interface with proprietary trading software, duplicate or batched client statements, confirmation or year-end summaries, conference attendance and the ability to have investment management fees directly debited from client accounts. Absolute Capital may also receive monetary support and business development allowances for technology, investment research, marketing and advertising from these entities as well as monetary support and/or guest speakers for client events. Clients are advised that a conflict of interest exists to the extent that Absolute Capital recommends products from these financial institutions or other vendors. Absolute Capital is independently owned and operated and is not affiliated with TD Ameritrade, Charles Schwab, Fidelity Investments or Trust Company of America.

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

The Programs which are used to manage and position your accounts receive ongoing review. General conditions in the stock and bond markets are monitored to determine reallocations and areas of the market for investment. Your account is monitored in accordance with the Program in which it participates. Reviews of your account may also occur if you change your investment objectives. Portfolio Manager, Brenden Gebben, is responsible for the supervision and review of all client accounts.

You will receive account statements directly from your custodian on at least a quarterly basis. You should carefully review these statements, and inform us immediately if you do not receive such statements at least quarterly, or if they do not contain the amount of assets and positions at the beginning and end of the period, as well as details of all transactions, including fees deducted from the account, during the period.

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

Absolute Capital has agreements in place to pay a portion of its investment management fee to Solicitors (broker/dealers, registered investment advisers or other qualified entities) and their representatives ("Solicitor's Agent") for referring clients to us.

In most cases a Solicitor's Agent will serve as your financial representative. As such, you and your financial representative will select the Program(s) and/or investment products to invest in (such as mutual funds, variable insurance products, retirement accounts or ETFs). As part of your

overall financial plan, we will rely on you and your financial representative to determine your investment product/Program selections. Absolute Capital will manage your portfolio using the products and Program(s) selected by you. Absolute Capital will rely on you and your financial representative to contact us with any changes in investment objectives although you can always contact Absolute Capital with any questions that you have or to review your financial situation. A new Solicitor's Agent may be assigned to your account should the original Solicitor's Agent leave the business, leave the employment of the Solicitor, sell all or part of their book of business, have the account reassigned to someone else by their home office, or otherwise not be able to act in the Solicitor's Agent role for you. We reserve the right in any of the above circumstances to make the account a house account wherein we do not pay out a Solicitor's fee to anyone. This has no impact on the investment management fee charged to you.

In other circumstances, such as when clients are introduced by Cambridge Investment Research, Solicitors may provide introductory services only. In this case, Absolute Capital, in accordance with its fiduciary duty, will manage your assets in a manner consistent with your financial situation and stated investment objectives and risk tolerance. You are responsible for contacting Absolute Capital directly with any changes in your investment objectives.

We may also provide marketing support to assist Solicitors and Solicitor's Agents. This support may include payments such as those for conference or meeting attendance or reimbursement for the costs of sales promotional activities or meetings in our offices.

In addition to the fees described above, certain firms may receive additional compensation from Absolute Capital through revenue sharing arrangements or account set up fees initiated by those firms. Any payments made to a Solicitor through account set up fees or revenue sharing arrangements are based on total client assets under management. Any such compensation or revenue sharing arrangements have no bearing on the services provided by Absolute Capital to clients. Such clients do not pay any additional investment management fees or costs to Absolute Capital as a result of such arrangements. This type of arrangement may be perceived to create a conflict of interest in that it creates an incentive for such solicitors to internally promote or recommend the services of Absolute Capital.

## **Item 15 Custody**

All clients' accounts are held in custody by unaffiliated qualified custodians, but Absolute Capital can access many clients' accounts through its ability to debit investment management fees. For this reason Absolute Capital may be considered to have custody of client assets. Each custodian holding client assets sends statements directly to the account owners on at least a quarterly basis.

Clients should carefully review these statements, and inform us immediately if they do not receive such statements at least quarterly, or if they do not contain the amount of assets and positions at the beginning and end of the period, as well as details of all transactions, including fees deducted from the account, during the period.

**Item 16 Investment Discretion**

By signing Absolute Capital's Agreement, you are designating Absolute Capital as having investment discretion over your account(s). You can place reasonable restrictions on Absolute Capital's investment discretion. For example, you can request that your account not participate in funds that invest in certain areas of the market.

**Item 17 Voting Client Securities**

Notwithstanding Absolute Capital's discretionary authority to make investment decisions on behalf of our clients and unless otherwise dictated by the client, we will not exercise proxy or class action voting authority over client securities. The obligation to vote proxies and class actions shall at all times rest with you. We shall not be deemed to have voting authority solely as a result of providing investment management services to you. You will receive your proxies or other solicitations directly from your custodian or transfer agent. Should we inadvertently receive proxy or class action information for a security held in your account, then we will immediately make a best efforts attempt to forward such information on to you, but will not take any further action with respect to the voting of such proxy or class action. Upon termination of your Agreement with us, we will continue to make a good faith and reasonable attempt to forward to you any proxy or class action information we may inadvertently receive. The issuing company is generally the best source for any questions you may have about voting proxies, but you may always contact us with any questions and we will make a good faith effort to get you in contact with the appropriate resources.

**Item 18 Financial Information**

See attached.



## **Privacy Notice**

This notice is being provided to you in accordance with relevant regulations regarding the privacy of consumer financial information. Please take the time to read and understand the privacy policies and procedures that we have implemented to safeguard your nonpublic personal information.<sup>1</sup>

### Information We Collect

Absolute Capital Management LLC must collect certain personally identifiable financial information about its clients in order to provide financial products and services. The personally identifiable financial information that we gather during the normal course of doing business with you may include:

1. Information we receive from you on applications or other forms or means including name and address, e-mail address, telephone numbers and account numbers; and
2. Information about your account balances and transactions with us or with others.

### Information We Disclose

We do not disclose nonpublic personal information about clients or former clients to any non-affiliated third parties, except as required or permitted by law, including as permitted by sections 14 and 15 of Regulation S-P, and only as is necessary to provide services to you. We may also disclose the information we collect, as described above, to non-affiliated third parties such as, but not limited to, attorneys, accountants, auditors and persons or entities that assess our compliance with industry standards. These firms and individuals are required to maintain the confidentiality of client information.

### Confidentiality And Security

We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information. We restrict access to nonpublic personal information about you to those employees and agents who need to know that information to provide financial products or services to you. These employees and agents are required to respect the confidentiality of this information in accordance with the privacy procedures of our firm.

<sup>1</sup> *Nonpublic personal information means personally identifiable financial information, including any information a client provides to obtain a financial product or service; any information about a client resulting from any transaction involving a financial product or service; or any information otherwise obtained about a client in connection with providing a financial product or service to that client; and any list, description, or other grouping of clients (and publicly available information pertaining to them) that is derived using any personally identifiable financial information that is not publicly available information.*



## R.D. HOAG & ASSOCIATES

A PROFESSIONAL CORPORATION

*Certified Public Accountants*

Robert D. Hoag, CPA, CGMA, MST  
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### INDEPENDENT AUDITORS' REPORT

To the Members of  
Absolute Capital Management, LLC  
Pittsburgh, Pennsylvania

We have audited the accompanying balance sheet of Absolute Capital Management, LLC (a Pennsylvania Limited Liability Company), as of December 31, 2014, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the balance sheet based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the balance sheet.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Absolute Capital Management, LLC as of December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

*R.D. Hoag & Associates, P.C.*  
R.D. Hoag & Associates, P.C.

Carnegie, Pennsylvania  
March 26, 2015



The CPA. Never Underestimate The Value.®

ABSOLUTE CAPITAL MANAGEMENT, LLC

BALANCE SHEET

DECEMBER 31, 2014

ASSETS

Current Assets	
Cash	\$ 117,350
Investments (Note 2)	452,556
Accounts Receivable (net of allowance of \$25,000)	<u>450,323</u>
Total Current Assets	<u>1,020,229</u>
Fixed Assets, Net of Accumulated Depreciation	<u>134,560</u>
Total Assets	<u>\$ 1,154,789</u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities	
Accounts Payable	\$ 295,480
Accrued Expenses (Note 5)	99,582
Other Liabilities	<u>37,141</u>
Total Current Liabilities	432,203
Members' Equity	<u>722,586</u>
Total Liabilities and Members' Equity	<u>\$ 1,154,789</u>

The accompanying notes are an integral part of this statement.

ABSOLUTE CAPITAL MANAGEMENT, LLC

NOTES TO THE BALANCE SHEET

DECEMBER 31, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Absolute Capital Management, LLC is a Limited Liability Company engaged in the business of investment advisory services.

Significant accounting policies not disclosed elsewhere in the financial statements are as follows:

Basis of Accounting

The Company maintains its financial records and prepares its financial statements on the accrual method of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities.

Fixed Assets and Depreciation

Fixed assets and capitalized software are stated at cost and are being depreciated on straight-line methods over the assets' estimated useful lives (three to ten years).

Investments – Marketable Securities

The Company has elected to classify its investments in equity and debt securities as trading securities and report them at fair value, with unrealized gain or loss reported in current income.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, an allowance is provided for estimated uncollectible accounts.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Accordingly, actual results could differ from those estimates.

Income Taxes

The Company has elected to be treated as a partnership for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's tax status as a pass-through entity is based on its legal status as a Limited Liability Company. Accordingly, the Company is not required to take any tax positions in order to qualify as pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, this balance sheet does not reflect a provision for income taxes, and the Company has no other tax positions that must be considered for disclosure.

ABSOLUTE CAPITAL MANAGEMENT, LLC

NOTES TO THE BALANCE SHEET

DECEMBER 31, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's policy for penalties and interest assessed by income taxing authorities is to include them in general and administrative expenses. For 2014, the Company did not incur any interest and penalties.

The income tax returns of the Company for 2011, 2012 and 2013 are subject to examination by income taxing authorities generally for three years after they were filed.

NOTE 2 – INVESTMENTS

The Company adopted ASC Topic 820-10 at the beginning of the 2009 year. ASC 820 applies to all assets and liabilities that are being measured and reported on a fair value basis. ASC 820 requires new disclosure that establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories;

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to ASC 820 at each reporting period.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within that hierarchy. At December 31, 2014, all investments are considered Level 1 inputs.

	Fair Value (Level 1)	Cost or Amortized Cost	Unrealized Gain (Loss)
Mutual Funds	\$452,556	\$447,299	\$5,257

ABSOLUTE CAPITAL MANAGEMENT, LLC

NOTES TO THE BALANCE SHEET

DECEMBER 31, 2014

NOTE 3 – FIXED ASSETS - AT COST

Equipment consists of the following:

Vehicles	\$ 133,515
Equipment and Fixtures	165,696
Software	<u>19,213</u>
	318,424
Less: Accumulated Depreciation	<u>(183,864)</u>
Net Equipment	<u>\$ 134,560</u>

Depreciation recorded was \$29,448 for the year.

NOTE 4 – PROFIT SHARING PLAN

The Company provides a 401(k) profit sharing plan for all full-time employees with a minimum age of 18 and at least one year of service. The Company can elect to match employee deferrals and make discretionary profit sharing contributions based upon plan criteria. Total matching and discretionary contributions totaled \$90,567 for the year.

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities are comprised of accrued salaries of \$9,015 and the accrued employer contribution of \$90,567 for the Company's 401(k) profit sharing plan for the year.

NOTE 6 – LEASE

The Company leases its office facilities under a month-to-month agreement. The office facility is rented from the owner members of the Company. Total rental expense paid to members for 2014 was \$63,000.

NOTE 7 – SUBSEQUENT EVENTS

Management evaluated subsequent events and transactions for potential recognition or disclosures in the financial statement through March 26, 2015, the day the financial statement was approved and authorized for issue.