

Item 1 – Cover Page

## **FORM ADV PART 2A**

**Phase III Advisory Services, Ltd  
1110 W. Lake Cook Road  
Suite 265  
Buffalo Grove, IL 60089  
P: 847-520-5545  
WWW.Phase3Advisory.com**

**February 2015**

**This brochure provides information about the qualifications and business practices of Phase III Advisory Services, Ltd. If you have any questions about the contents of this Brochure, please contact us at (847) 520-5545 and/or lcatomer@phase3advisory.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Phase III Advisory Services, Ltd also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any references to Phase III Advisory Services, Ltd as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

## Item 2 - Material Changes

Amended February 10, 2015

### Item 4 – Revised assets under management

Revised	\$74,121,000 discretionary	\$24,700,000 non-discretionary
Previous	\$70,343,000 discretionary	\$26,586,000 non-discretionary

\*\*\*\*\*

At least annually, this Item will discuss only specific material changes that are made to the Brochure and provide you with a summary of such changes. Additionally, reference to the date of the last annual update to this Brochure will be provided.

The material changes discussed above are only those changes that have been made to this brochure since the firm's last annual update of the brochure. The date of the last annual update of the brochure was February 2015.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year, which is December 31st. We may further provide other ongoing disclosure information about material changes as necessary.

Additionally, we will further provide you with a new brochure as necessary based on change or new information, at any time, without charge.

Our brochure may be requested free of charge by contacting Linda Catomer at (847) 520-5545 and/or lcatomer@phase3advisory.com. Additional information about Phase III Advisory Services, Ltd is also available via the SEC's website [www.adviser.sec.gov](http://www.adviser.sec.gov). The website also provides information about any persons affiliated with Phase III Advisory Services, Ltd who are registered, or are required to be registered, as investment adviser representatives of Phase III Advisory Services, Ltd.

Item 3 - **TABLE OF CONTENTS**

Item 1 – Cover Page.....	Cover Page
Item 2 - Material Changes .....	2
Item 3 - TABLE OF CONTENTS .....	3
Item 4 -Advisory Business .....	5
Asset Management Programs .....	5
Variable Annuity Sub-Account Advisory Service .....	6
Private Management Account .....	6
Phase III Morton Tactical Allocation Service (“P3MTAS”) .....	7
Fund Allocation Service .....	7
Portfolio Monitoring Service .....	7
Vision2020 Wealth Management Platform – Advisor Managed Portfolios .....	7
Financial Planning and Consultative Services .....	8
Comprehensive and Segmented Financial Plan .....	9
Segment Plan.....	9
Portfolio Analysis.....	9
College Action Plan.....	9
Dynamic Notification Service.....	9
Third Party Managed Programs .....	10
GFWM Platform – Additional Information .....	10
General Information .....	11
Item 5 -Fees and Compensation.....	12
Asset Management Services .....	12
Variable Annuity Sub-Account Advisory Service .....	14
Private Management Account .....	15
Phase III Morton Tactical Allocation Service (“P3MTAS”) .....	15
Fund Allocation Service .....	15
Portfolio Monitoring Service .....	15
Vision2020 Wealth Management Platform – Advisor Managed Portfolios Program .....	16
Financial Planning and Consultative Services .....	17
Comprehensive and Segmented Financial Plan .....	17
College Action Plan.....	17
Portfolio Analysis.....	17
Dynamic Notification Service.....	17
Third Party Managed Programs .....	18
GFWM Platform .....	18
Item 6 - Performance-Based Fees and Side-By-Side Management.....	18
Item 7 - Types of Clients .....	18
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	19
Tactical Allocation Service.....	20
Fund Allocation Service .....	20
GFWM Platform .....	20
Item 9 - Disciplinary Information .....	21
Item 10 - Other Financial Industry Activities and Affiliations.....	21
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	22

Phase III Advisory Services, Ltd

Item 12 - Brokerage Practices.....	22
Item 13 - Review of Accounts .....	25
Item 14 - Client Referrals and Other Compensation.....	25
Item 15 - Custody.....	27
Item 16 - Investment Discretion .....	27
Item 17 - Voting Client Securities .....	28
Item 18 - Financial Information.....	28
Item 19 - Requirements for State Registered Advisers .....	28
Brochure Supplements	

#### **Item 4 -Advisory Business**

Phase III Advisory Services, Ltd (hereinafter referred to as “Phase III”) is an investment advisory firm offering a variety of advisory services customized to your individual needs. Phase III Advisory Services, Ltd markets itself under the name Phase 3 Advisory Services.

Phase III was created in June of 1984. John W. Bever is President and the sole owner of Phase III. Additionally, John W. Bever is the Chief Compliance Officer and asset manager under Phase II. Additional business information about John W. Bever is disclosed on the Supplemental Brochure attached to this Brochure.

Phase III offers the following advisory services. Each of the services is more fully described below.

- Asset Management Programs
  - Variable Annuity Sub-Account Advisory Service
  - Private Management Account
  - Phase III Morton Tactical Allocation Service (“P3MTAS”)
  - Fund Allocation Service
  - Portfolio Monitoring Service
- Financial Planning and Consultative Services

#### **Asset Management Programs**

Phase III offers several asset management programs. The programs vary based on custodian, account size requirements, strategy and allocation, wrap or bundled program (you pay a single fee for transactions and management), and non-wrap or unbundled (you pay a fee for management and transactional fees). Accounts maintained at TD Ameritrade are only offered as wrap or bundled fee program. Accounts maintained through Royal Alliance at Pershing and valued at \$100,000 or more will typically participate in a wrap or bundled fee program. Accounts maintained through Royal Alliance at Pershing and valued at less than \$100,000 will not participate in a wrap program fee. Therefore, you will pay Phase III an advisory fee and pay any transaction charges. Accounts will typically participate in a wrap program. Therefore, you will pay a single fee which will cover Phase III’s advisory fee and will cover transactional expenses.

Each program is further described below.

To determine your asset allocation and manage your assets, Phase III uses a combination of applying its model portfolios and customizing the allocation and holdings to your specific situation. Phase III customizes your portfolio allocation taking into consideration your limitations or restrictions, the market and economy at the time of investment and your financial situation, goals and objectives.

Phase III provides continuous and ongoing management of your account. Unless otherwise expressly requested by you, Phase III will manage your accounts on a discretionary basis. Therefore, Phase III will make changes to the allocation as deemed appropriate by Phase III. Phase III will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. Phase III may actively trade

securities and hold such holdings for periods of 30 days or less or maintain positions for longer or shorter term periods. Discretionary authority will be granted by you to Phase III by execution of the Asset Management agreement.

Should you choose to have your accounts managed on a nondiscretionary basis you are advised that such accounts are subject to certain risks. Risks may include but not be limited to the risk of missing market opportunities or the risk of Phase III not being able to move in and/or out of the market in a timely manner until your prior authorization has been obtained. Phase III will not make a buy, sell or exchange without your expressed authorization. Authorization may be verbally or in writing. Therefore, the performance of nondiscretionary accounts may fluctuate from those accounts managed on a discretionary basis. However, Phase III will periodically rebalance your account to maintain the initially agreed upon asset allocation. Phase III does not deem rebalancing as a form of discretion.

You are advised transactions in the account, account reallocations and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

Phase III provides you with two options for maintaining your accounts: TD Ameritrade and Royal Alliance Associates, Inc.'s ("Royal Alliance") VISION2020Advisor Program ("V2A"). Additional information about the relationship with TD Ameritrade is provided under Brokerage Services.

***For further details on the wrap program, including costs, please refer to the VISION2020Advisor Wrap Brochure or the Phase III Wrap Brochure.***

### **Variable Annuity Sub-Account Advisory Service**

Through the V2A program sponsored by Royal Alliance, Phase III offers you variable annuity sub-account allocation and management services. Phase III will develop an asset allocation suitable to your investment objectives and based on the sub-account options available within the annuity you have purchased. On an ongoing basis, Phase III will monitor the sub-accounts and make changes based on the authority you have given Phase III (i.e. discretionary or non-discretionary). Regardless of the authority, Phase III will periodically rebalance the sub-accounts.

Due to the unique nature of variable annuities, the product(s) must be maintained directly with the variable annuity sponsor.

### **Private Management Account**

Accounts must be maintained at Pershing, LLC ("Pershing") through Royal Alliance. Accounts consist of individual security positions (i.e. stocks and bonds), options, exchange traded funds (ETFs), and mutual funds.

Phase III has designed various models for the program to assist in managing your account: Income, Total Return and Growth.

### **Phase III Morton Tactical Allocation Service (“P3MTAS”)**

Accounts must be maintained at TD Ameritrade or be a variable life or annuity contract. Accounts maintained at TD Ameritrade will be managed accounts exclusively consisting of mutual funds.

Phase III has designed various models for the program to assist in managing your account: Focused Fund Allocation, Total Return and Global Defense.

The objective of the program is to seek opportunities to realize and preserve gains by allocating assets between diverse strategies including:

- Bond funds/subaccounts during period of rising bond prices
- Equity funds/subaccounts during periods of rising equity prices
- Money market funds/subaccounts during periods of falling prices in equity and/or bond funds/subaccounts.

### **Fund Allocation Service**

Accounts must be maintained through Royal Alliance at Pershing. Account holdings will consist of mutual funds (open and closed-end) and exchange traded funds (ETFs).

Phase III has designed various models for the program to assist in managing your account: Income, Income Plus, Balance I, Balanced II, Balanced III, Growth I, Growth II, Growth III, Natural Resource, and Custom.

### **Portfolio Monitoring Service**

This program provides you a portfolio reporting service comprised of a written report providing information on your entire investment portfolio. This will include your bank accounts, annuities, bonds, mutual funds, stocks, options, limited partnerships, investment coins, collectibles, real estate holdings (not including personal residence), and qualified plan assets. The report will provide a comprehensive listing of your investments and provide cost basis, current market value, distributions received, return on investment, internal rate of return, and allocation of portfolio among various categories.

Phase III will provide you ongoing monitoring of the assets and recommendations for re-allocation of the assets. At least quarterly, Phase III will review your portfolio and provide you with recommendations of any changes. Recommendations will be implemented by Phase III on accounts maintained at TD Ameritrade or through Royal Alliance.

### **Vision2020 Wealth Management Platform – Advisor Managed Portfolios**

The Wealth Management Platform – Advisor Managed Portfolios Program (“Advisor Managed Portfolios”) provides comprehensive investment management of your assets through the application of asset allocation planning software as well as the provision of execution, clearing and custodial services through Pershing, LLC (“Pershing”).

Advisor Managed Portfolios provides risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, and portfolio optimization and re-balancing tools. Utilizing these tools, and based on your responses to a risk tolerance questionnaire (“Questionnaire”) and discussions that we have together regarding, among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation, we construct a portfolio of investments for you. This portfolio may consist of mutual funds, exchange traded funds, equities, options, debt securities, variable life, variable annuity sub-accounts (certain restrictions may apply) and other investments.

Each portfolio is designed to meet your individual needs, stated goals and objectives. Additionally, you have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

For further Advisor Managed Portfolios details, please see the Advisor Managed Portfolios Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in Advisor Managed Portfolios. Please read it thoroughly before investing.

### **Financial Planning and Consultative Services**

Phase II offers four levels of planning services:

1. Comprehensive Financial Plan
2. Segment Plan – The plan will cover only those areas you have requested.
3. College Action Plan
4. Portfolio Analysis

Plans are based on your financial situation at the time and are based on financial information disclosed by you to Phase III. You are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. Phase III cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review the plan and update the plan based upon changes in your financial situation, goals, or objectives or changes in the economy. Should your financial situation or investment goals or objectives change, you must notify Phase III promptly of the changes. You are advised that the advice offered by Phase III may be limited and is not meant to be comprehensive. Therefore, you may need to seek the services of other professionals such as an insurance adviser, attorney and/or accountant.

Outside professionals may be called upon to analyze or evaluate documents or other records relating to your financial affairs. Such documents may include, but are not limited to, wills, trusts, insurance policies, corporate pension and profit sharing plans and business affairs. The outside professional used may include, but not be limited to, attorneys, accountants, enrolled actuaries, insurance specialists, and trust officers. Unless otherwise disclosed, the fees paid to the outside professionals for evaluation and analysis will be paid by Phase III and will be included in the mutually agreed upon fee quoted to you.



You are not obligated to implement advice through Phase III or Advisory Representatives. Should you implement the plan with Phase III's Advisory Representatives commissions or other compensation may be received in addition to the advisory fee paid to Phase III.

### **Comprehensive and Segmented Financial Plan**

Covers all areas of your financial situation including financial, retirement, education, estate, business planning, long term care, insurance needs, debt counseling, savings, and cash flow analysis.

You will be provided with a written financial plan of action designed to guide you toward your expressed financial goals. Phase III will coordinate with appropriate outside professionals to assist you with legal, accounting, real estate and insurance matters.

### **Segment Plan**

Should you have a need for advice and consultation on a limited area or areas of your financial situation, Phase III can provide planning services limited to those areas. Phase III provides planning services on the following areas:

- College Education Planning
- Tax Planning
- Retirement Planning
- Survivor Planning

### **Portfolio Analysis**

Phase III prepares charts and graphs relating to but not limited to, price/earnings ratio, dividend and income distribution record, financial strength, and economic trends relating to a security.

### **College Action Plan**

Phase III provides an analysis of college expenses and recommended funding strategies called CAP or College Action Plan.

### **Dynamic Notification Service**

Through this service you are able to obtain portfolio allocation advice from Phase III with respect to your retirement plan. This service is advisory in nature only. Therefore, implementation of the allocation recommendations is solely your responsibility.

Phase III will attempt to notify you on a best efforts basis of any proposed changes by your requested preferred method of notification (i.e. phone, fax, or email). Best efforts means Phase III has communicated the changes by your requested preferred method and either spoke with you directly, the voice mail answered and gave indication of recording, a successful fax transmission report was received, or after sending the email no failure of delivery notification was received.

The objective of this program is to strive to reduce volatility. You are advised some positions may be held less than a year. Consequently, this may result in a lower return than investing in the funds on a buy and hold basis. Any costs associated with re-allocation will be borne by you and are in addition to Phase III's advisory fees for this service.

### **Third Party Managed Programs**

Phase III may introduce you to, and advises on the selection of, independent investment managers who provide discretionary management of individual portfolios including a wide variety of different securities types. You will receive a separate disclosure from such investment managers regarding any such investment manager's advisory services. Engaging third party managers is another way to diversify your portfolio. Phase III may recommend you place all or a portion of your portfolio with a third party manager.

- Genworth Financial Wealth Management Platform ("GFWM")

Phase III will assist you with evaluating your financial situation and determine the suitability of a third party manager's service. Phase III will be available to answer questions you may have regarding your account, the third party manager and act as the communication conduit between you and the manager.

You are advised Phase III has an interest in you selecting a third party manager since Phase III will be compensated. Details of the amount of compensation Phase III receives as a result of you using one or more third party managers is disclosed below under the section Fees and Compensation.

You are advised that a conflict of interest may exist for Phase III to recommend the services of a third party manager who has agreed to share a portion of its management fee with Phase III. You are advised that fees for such programs may be higher or lower than if you directly obtained the services of the third party manager directly. It is important you read the third party manager's Disclosure Brochure for additional information about a third party manager's program.

Further, you are advised that compensation paid to Phase III from various third party managers may vary, therefore, there may be a conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. The advisory fees charged by third party managers with whom Phase III has a relationship may be higher or lower than the advisory fees charged by other managers.

Phase III does not take custody of your assets. Phase III will not directly conduct any securities transactions on your behalf or participate directly in the selection of the securities to be purchased or sold for you. Investment decisions are made by the third party manager in accordance with the agreement between you and manager.

### **GFWM Platform – Additional Information**

With to the GFWM Platform, Phase III may introduce you to and advise on the selection of independent investment managers who provide discretionary management of individual portfolios

including a wide variety of different securities types. You will receive a separate disclosure from such investment managers regarding any such investment manager's advisory services.

GFWM makes a number of different Investment Solutions available to you. These include a variety of asset allocations created by Portfolio Strategists, and comprised of (i) open-end mutual funds, (ii) Exchange Traded Funds (ETFs), which are baskets of securities, tracking a wide variety of market indexes, that are traded as individual securities on a national exchange, (iii) variable annuity sub-accounts with certain variable annuity issuers, and (iv) individual securities for Consolidated Managed Accounts.

You may be able to select from various Privately Managed Account Investment Solutions, including a Consolidated Managed Account ("CMA"), or a Unified Managed Account ("UMA"). Each of these Investment Solutions is discussed in more detail in The GFWM Platform Disclosure Brochure.

**It is important for you to read the GFWM Wrap Brochure for complete information regarding the GFWM Platform including details about all Platform-related fees.**

### **General Information**

You are advised the investment recommendations and advice offered by Phase III are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. You are advised that it is necessary to inform Phase III promptly with respect to any changes in your financial situation and investment goals and objectives. Failure to notify Phase III of any such changes could result in investment recommendations not meeting your needs.

Phase III tailors its advisory services to your individual needs and circumstances. You may impose restrictions and/or limitations on the investing in certain securities or types of securities.

Advisory services are initiated by Phase III meeting with you and conducting an interview of you. You will be asked to provide various information along to your meetings including bank statements, credit card statements, investment statements, tax returns, list of debts, wills and trusts, insurance policies and cash flow information. During the meeting, various questions will be asked to attempt to learn your financial situation and gauge your risk profile, investment time horizon, and determine your investment objectives. Phase III will employ the use of various planning software programs to evaluate your situation including Lumen, Monringstar and Money Guide Pro. You should expect at least one to two meetings before recommendations are provided and you are ready for implementation. However, each client is unique and Phase III will work with you through the data gathering process.

The information gathered by Phase III will assist Phase III to provide you with the requested services and customize the services to your financial situation. Depending on the services you have requested, Phase III will gather various financial information and history from you including, but not limited to:

- Retirement and financial goals
- Investment objectives

## Phase III Advisory Services, Ltd

- Investment horizon
- Financial needs
- Cash flow analysis
- Cost of living needs
- Education needs
- Savings tendencies

Phase III participates as an asset manager in a wrap program offered through Royal Alliance Associates, Inc. referred to as Wealth Management Platform – Advisor Managed Portfolios Program (“Advisor Managed Portfolios”). The Advisor Managed Portfolios program is available as a wrap (bundled) and non-wrap (unbundled) program. There is no significant difference between how Phase III manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage Phase III on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client’s particular need. If the client determines to engage Phase III on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody). **Please Note:** When managing a client’s account on a wrap fee basis, Phase III shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.

Phase III has assets under management as of December 31, 2014: \$70,121,000 of discretionary assets and \$24,700,000 of non-discretionary assets.

### **Item 5 -Fees and Compensation**

#### **Asset Management Services**

Fees are negotiable and are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds.

Advisory fees are charged in advance of each calendar quarter. The quarterly advisory fee will be calculated based on the value of the Account on the last business day of the just completed calendar quarter. Fees for partial period will be prorated. Therefore, advisory fees will be prorated for accounts established during a calendar quarter or closed during a calendar quarter. The initial quarterly fee will be a pro-rated portion of the fee based on the number of days remaining in the calendar quarter.

Phase III aggregates or households all of your managed accounts together based on account custodian to determine your quarterly fee. Therefore, if you maintain accounts at TD Ameritrade and through Royal Alliance, the accounts will not be aggregated together to determine the fee. Consequently, if you select two account custodians you may not benefit from receiving the lowest fee.

In computing the market value of assets, mutual fund shares will be valued based on their net asset values as of the valuation date in accordance with each mutual fund prospectus. If margin is used in

### Phase III Advisory Services, Ltd

your managed accounts, the “net worth” or “net equity” value of the account, not the long or short market value, shall be used to determine your account value. If your account contains option contracts, the positive and negative value of the option will be included in the net equity value of the account for purposes of determining your account value.

Accounts maintained through Royal Alliance	Accounts maintained through TD Ameritrade
You will be charged a prorated fee for additional deposits to an account during a calendar quarter. The pro-rated fee for additional deposits will be added to the next quarterly fee billing.	No fee adjustments are made for additional deposits to account during a calendar quarter.
A prorated fee credit will be issued for partial withdrawals from an account occurring during a calendar quarter. The fee credit will be applied to the next quarterly fee billing.	No fee credits will be issued for partial withdrawals from an account occurring during a calendar quarter.

No fee adjustments will be made for Account appreciation or depreciation. Fees are negotiable and are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds.

The fee schedules are tiered and progressive. Therefore, you will pay a fee at each level. For example, if you are participating in the Private Management Account and your account value is \$1,436,765 your fee will be calculated as follows (assuming all accounts are maintained at the same custodian):

\$250,000 x 1.75%	=	\$4,375.00
\$250,000 x 1.75%	=	\$3,750.00
\$500,000 x 1.25%	=	\$6,250.00
\$436,765 x 1.00%	=	<u>\$4,367.65</u>
\$18,742.65 annual fee		

Advisory fees will generally be collected directly from your account, provided you have given Phase III written authorization. You will be provided with an account statement reflecting the deduction of the advisory fee. If the Account does not contain sufficient funds to pay advisory fees, Phase III has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to Phase III, except for ERISA and IRA accounts.

If you are participating in a non-wrap or unbundled management program, you will pay Phase III’s advisory fees. In addition to Phase III’s advisory fees you pay a transaction fee for each transaction occurring in your account in accordance with the custodian’s transaction fee schedule, except to the extent no transaction fee mutual funds are used. Additionally, you may pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the Account. Such fees are not charged by Phase III and are charged by the product, broker/dealer or account custodian. Phase III does not share in any portion of such fees.

Regardless of the program selected, if mutual funds are used you may pay your proportionate share of the fund’s management and administrative fees and sales charges as well as the mutual fund

## Phase III Advisory Services, Ltd

adviser's fee of any mutual fund purchased. Such advisory fees are not shared with Phase III and are compensation to the fund-manager. You should read the mutual fund prospectus prior to investing.

Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. If mutual funds are purchased in your managed accounts maintained through Royal Alliance, 12b-1 fees may be initially paid to Royal Alliance and a portion passed to your Advisory Representative. The receipt of such fees could represent an incentive for your Advisory Representative to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest.

Phase III recommends mutual funds that pay 12b-1 fees and no-load funds.

You may purchase the securities recommended by Phase III directly or through other brokers or agents not affiliated with Phase III.

Phase III may change its fee schedules upon 30-days prior written notice to you.

### **Variable Annuity Sub-Account Advisory Service**

Variable annuities are not subject to transaction fees since the reallocation of transactions are placed directly with the variable annuity sponsor. However, you are advised some variable annuities assess fees if a certain number transactions are conducted between the sub-accounts.

In the event an Advisory Representative of Phase III received selling commission within two (2) years of the variable annuity participating in the management program, the advisory fee will be offset. Documentation of the purchase date of the variable annuity will be documented in the engagement paperwork.

Phase III advisory fees for management of the variable annuity must be debited from another managed account, unless you are at least 59 and a half (59 ½) and eligible for penalty free withdrawals.

Advisory fees will be pro-rated only to the respective account where the fees were debited. Advisory fees not debited from an account are not subject to the pro-rate refund as further described. A variable annuity account cannot be designed as a billing account.

In addition, you may incur certain charges imposed by third parties other than Phase III in connection with the variable annuity(ies) under the program, including but not limited to, internal variable annuity sponsor fees as well as 12b-1 or other distribution fees (trail commissions) on certain underlying sub-accounts. Additionally, there may be certain deferred sales charges on previously purchased variable annuities as well as IRA and qualified retirement plan fees.

<b>Account Size</b>	<b>Max Annual Fee</b>
First \$250,000	1.75%
Next \$250,000	1.50%
Next \$500,000	1.25%

### Phase III Advisory Services, Ltd

Amount in excess of \$1,000,000	1.00%
---------------------------------	-------

#### Private Management Account

Account Size	Max Annual Fee
\$0 to \$249,999	1.90%
\$250,000 to \$499,999	1.70%
\$500,000 to \$749,999	1.45%
\$750,000 to \$1,249,999	1.20%
\$1,250,000 and above	1.00%

#### Phase III Morton Tactical Allocation Service (“P3MTAS”)

Account Size	Max Annual Fee
First \$100,000	2.25% *
Next \$150,000	1.90% *
Next \$250,000	1.50%
Amount in excess of \$500,000	1.00%

\*Accounts \$250,000 and higher and accounts participating in the Focus Fund Allocation Strategy will be charged on the first \$250,000 at 1.90%. Therefore, accounts \$250,000 and higher will not pay a 2.25% fee on the first \$100,000.

#### Fund Allocation Service

Account Size	Max Annual Fee
\$0 to \$99,999	1.40%
\$100,000 to \$249,999	1.15%
\$250,000 to \$499,999	1.00%
\$500,000 to \$749,999	0.90%
\$750,000 to \$1,249,999	0.80%
\$1,250,000 and above	0.75%

#### Portfolio Monitoring Service

Account Size	Max Annual Fee
\$0 to \$100,000	0.60%
\$100,000 to \$250,000	0.50%
\$250,000 and above	0.40%

#### Termination Provisions

You may terminate asset management services obtained from Phase III, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Phase III. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the Account such as transaction fees for any securities transactions executed and Account maintenance or custodial fees. Thereafter, you may terminate investment advisory services

upon Phase III's receipt of your written notice to terminate. Should you terminate investment advisory services during a calendar quarter you will be issued a pro-rated refund of the advisory fee. The refund will be calculated from the date of receipt of your written notice to terminate to the end of the calendar quarter less an administration fee per account for each program as follows.

<i>Program</i>	<i>Administration Fee Charged Per Account</i>
Portfolio Monitoring	\$100.00
Tactical Allocation Service	\$300.00
Private Management Account	\$125.00

### **Vision2020 Wealth Management Platform – Advisor Managed Portfolios Program**

We offer Advisor Managed Portfolios in two ways:

1. as an account where no separate transactions charges apply and a single fee is paid for all advisory services and transactions ("Wrap Account").
- or
2. with separate advisory fees and transaction charges ("Non-Wrap Account"). As such, in addition to the quarterly account fee described below for advisory services, you will also pay separate per-trade transaction charges.

It is Phase III's discretion to select the type of program. There is an incentive to select the non-wrap account option since client will pay transaction charges in addition to Phase III's fee. Further, traditionally, wrap accounts pay a higher management fee to help cover transaction costs than clients in a non-wrap accounts. There is an incentive to attempt to reduce the number of trades in a wrap account or conduct transaction in no-transaction fee securities to reduce Phase III's costs.

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. You will receive a full account fee refund in the event that you terminate your client agreement with us within five business days of signing. If you terminate after the first five days, the account fee will be credited back to you on a pro-rata basis for the unused portion of the quarter.

Additional, ancillary fees may apply. Please see the Advisor Managed Portfolios Wrap Fee Program Brochure for further details.

Our Advisor Managed Portfolios account fee schedule is as follows:

<b>Account Size</b>	<b>Max Annual Fee</b>
\$0 to \$249,999	1.90%
\$250,000 to \$499,999	1.70%
\$500,000 to \$749,999	1.45%
\$750,000 to \$1,249,999	1.20%
\$1,250,000 and above	1.00%



For further Advisor Managed Portfolios fee details, please see the Advisor Managed Portfolios Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in Advisor Managed Portfolios. Please read it thoroughly before investing.

### **Financial Planning and Consultative Services**

You are advised that fees for planning services are strictly for planning services. Therefore, you may pay fees and/or commissions for additional services obtained such as asset management or products purchased such as securities or insurance.

### **Comprehensive and Segmented Financial Plan**

Fees for preparing the comprehensive plan will be billed on quarter hour basis at the rate of \$320 per hour. Other advice and coordination with other professionals will be billed at the hourly rate of \$320 per hour. Financial Planning services will typically be quoted to the client a fixed fee taking into consideration Phase III's hourly fee, time estimated to provide the requested services, complexity of the client's situation, number of meetings anticipated and amount of research required.

Fees will be agreed upon at the gathering of the financial planning data. Fees are negotiable. Your fee will be dependent on several factors including time spent with Phase III, number of meetings, complexity of your situation, amount of research, services requested and staff resources. You will be provided a quote of the expected fee based on the number hours Phase III anticipates spending on your case.

Fixed Fee: A deposit of one-half (50%) of the quoted fee will be collected in advance upon your execution of the planning agreement. The balance of the fee will be due upon presentation of the plan.

### **College Action Plan**

The fee for this service is \$800. The fee is payable upon execution of the agreement with Phase III.

### **Portfolio Analysis**

Fees for this service will be billed on quarter hour basis at the rate of \$320 per hour. Fees are due and payable upon presentation of the portfolio analysis.

### **Dynamic Notification Service**

You will pay a quarterly fee in advance of the calendar quarter. Your fee will be determined based on the value of your managed accounts on the last business day of the just completed calendar quarter. Fees are negotiable.

## Phase III Advisory Services, Ltd

Account Value	Quarterly fee
Up to \$100,000	\$200.00
\$100,001 to \$200,000	\$250.00
\$200,001 to \$300,000	\$375.00
\$300,001 to \$500,000	\$525.00
\$500,001 to \$750,000	\$750.00
\$750,001 to \$1,000,000	\$900.00
Accounts over \$1,000,000	\$1,000.00

No fee adjustments are made for additions to the retirement account or for withdrawals or loans taken from the account.

### Termination Provisions

You may terminate advisory services obtained from Phase III, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Phase III. Thereafter, you may terminate advisory services upon receipt by Phase III of your written notice to terminate. In the event of termination prior to completion and presentation of the plan or services, a refund of pre-paid fees will be calculated based on time expended by Phase III.

### **Third Party Managed Programs**

#### **GFWM Platform**

Phase III's portion of the advisory fee will not exceed 1.95%.

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

This section is not applicable to Phase III since Phase III does not charge performance based fees.

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

Phase III's services are geared toward individuals both high net worth (i.e. clients with a net worth of \$2,000,000) and other than high net worth, trusts, estates, or charitable organizations and corporations and other business entities.

Phase III generally requires a minimum amount of assets be deposited to an account for the purpose of obtaining asset management services or to participate. Minimums apply to per account and are not based on an aggregate of assets in multiple accounts or programs.

<i>Program</i>	<i>Account Minimum</i>
Private Management Account	\$100,000
Phase III Morton Tactical Allocation Service	\$25,000
Fund Allocation Service	\$50,000
Variable Annuity Sub-Account Advisory Services	\$50,000

Dynamic Notification Service	No minimum
------------------------------	------------

Phase III may elect to waive the minimum account size requirement or make an exception and accept accounts less than the above stated minimums. Such circumstances may include but not be limited to additional assets will soon be deposited, you have other accounts under management with Phase III, multiple family members are clients, and you are a long time client. You are advised performance may suffer due to difficulties with diversifying smaller accounts and due to risk controls potentially being compromised. Therefore, the performance of smaller accounts may vary from the performance of accounts with more dollars invested.

#### GFWM Platform

The minimum investment required in the GFWM Platform, depends upon the Investment Solution chosen for a client's account. The minimum is generally \$50,000 for Mutual Fund and Variable Annuity accounts and \$100,000 for ETF Accounts and from \$50,000 to \$500,000 for Privately Managed and Unified Managed Accounts, depending on the investment strategy selected for the account, as described in more detail in the Schedule H Platform Disclosure Brochure attached hereto. Accounts below the stated minimums may be accepted on an individual basis at the discretion of Phase III and the Platform sponsor.

#### Third Party Managed Programs

Third party managed programs may set their own account minimums. The minimums are established by the third party manager and are disclosed in the third party manager's disclosure brochure.

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

Phase III analyzes securities using several methods including technical, charting and fundamental. Phase III's methodology tends to lean toward a value approach rather than momentum. Economic analysis forms the asset class allocation targets. Securities are screened using a fundamental approach. Buy and sell decisions are filtered through technical analysis. Phase III has an investment committee that works together to evaluate securities, model portfolios and investment decisions.

Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure.

Technical analysis generally involves studying trends and movements in a security's price, trading volume, and other market-related factors in an attempt to discern patterns.

Charting is a form of technical analysis in which various factors are diagrammed in order to illustrate patterns

Phase III may aggregate ("bunch") transactions in the same security on behalf of more than one client in an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients. However, aggregated or bunched orders will not reduce the transaction costs to

participating clients. Phase III conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. Participating clients will obtain the average share price per share for the security executed that day. To the extent the aggregated order is not filled in its entirety, the following procedure will be applied:

- If less than 25% of the shares are executed in a day, the allocation is random on an all or non basis per account.
- If 25% or more of the order is filled, then allocation is on a pro-rata basis across all participating accounts.

### **Tactical Allocation Service**

This is a flexible investment strategy that seeks to position assets that appears best suited for working toward your investment objectives at any given time. The strategy strives to realize and preserve gains by allocating your assets between widely diverse investment strategies. For example, bond mutual funds during periods of rising bond prices, and/or equity mutual funds during period of rising equity prices, and/or money market mutual funds during periods of falling prices. Phase III will pursue a high total return (dividends and capital gains). The risk with the strategy is mutual funds and variable contracts may impose trading restrictions that will limit asset movement or impose short term transactions costs or penalties.

Rebalancing occurs monthly.

### **Fund Allocation Service**

Generally accounts will be rebalanced annually. However, if an asset class has moved more than 25% in either direction, reallocation will occur.

### **GFWM Platform**

Phase III uses model portfolios of mutual funds, Exchange Traded Funds (ETF's) and Variable Annuity sub-accounts provided by a number of institutional investment strategists and based on the information, research, asset allocation methodology and investment strategies of these institutional strategists.

Privately Managed Account or Unified Managed Account Investment Solutions – Phase III also introduces you to, and advises on the selection of, independent investment managers who provide discretionary management of individual portfolios using a variety of different securities analysis methods, sources of information and investment strategies. You will receive separate disclosure from such investment managers regarding any such investment manager's advisory services.

Phase III does not represent, warrant or imply that the services or methods of analysis used by Phase III can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Phase III will provide a better return than other investment strategies.

Phase III uses a variety of securities types in its managed portfolios. The holdings in your account will be customized to you based on your risk tolerance, investment goals and objectives, investment time horizon and investment experience.

The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of managers, and fund straying from its objective. Open ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. The risks associated with general securities and individual issues include constant market fluctuation since the securities are purchased and sold auctionable format and availability of a market.

The risk with option contracts is that they are a “wasting” asset. In other words, options have value only through the date on which the contract expires. If call option contracts are sold in conjunction with securities held in your account (i.e. covered call) the cash received on the sale of the option may have the effect of temporarily increasing the net equity value of your account. Thus, the fee you pay to Phase III will be increased.

You are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the management programs offered by Phase III will require you to be prepared to bear the risk of loss and fluctuating performance.

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

There is no reportable disciplinary information required for Phase III or its management persons that is material to your evaluation of Phase III, its business or its management persons.

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

Advisory Representatives of Phase III are dually registered as advisory representatives of Phase III and as registered representatives of Royal Alliance. You are under no obligation to purchase or sell securities through Royal Alliance. However, if you choose to implement investment advice or the financial plan, commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at Royal Alliance than at other broker/dealers. Advisory Representatives may have a conflict of interest in having you purchase securities and/or insurance related products through Royal Alliance in that the higher their production with Royal Alliance the greater potential for obtaining a higher pay-out on commissions earned.

Phase III attempts to mitigate the conflict of interest of Phase III's potential receipt of commissions if recommendations are implemented by providing you with these disclosures. Further, you are encouraged to consult other professionals and may implement recommendations through other financial professionals. Furthermore, as registered representatives with Royal Alliance, Advisory Representatives are subject to a supervisory structure at Royal Alliance for their securities business.

Under the rules and regulations of the Financial Industry Regulatory Authority (“FINRA”), Royal Alliance has an obligation to perform certain supervisory functions regarding certain activities

engaged in by its Registered Representatives. For such supervisory functions, Phase III may pay Royal Alliance a portion of the advisory fees it receives.

As stated above, Phase III offers you access to several third party managed programs. As a result, Phase III will receive compensation if you participate in one or more programs. This is considered a conflict of interest. You are advised there may be other third party managed programs offering similar services at a lower cost and do not provide compensation to Phase III. However, should you select another third party manager, you will not receive the advisory services offered by Phase III.

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

Phase III and its associated persons may buy or sell securities identical to those securities recommended to you. Therefore, Phase III and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to you. Phase III and its associated persons will not put their interests before your interest. Phase III and its associated persons may not trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients.

Phase III is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

You have the right to decline any investment recommendation. Phase III and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

#### **Code Of Ethics**

Phase III has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. Phase III takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Phase III's policies and procedures. Further, Phase III strives to handle your non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides you with Phase III's Privacy Policy. As such, Phase III maintains a code of ethics for its Advisory Representatives, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about your transactions. Further, Phase III's Code of Ethics establishes Phase III's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.

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

As previously stated, Phase III Advisory Representatives are registered representatives of Royal Alliance Associates, Inc. ("Royal Alliance"). As a result they are subject to FINRA Conduct Rule

3040 which may restrict such them from conducting securities transactions away from Royal Alliance unless Royal Alliance provides them with written authorization. The Advisory Representatives have obtained approval to offer you the ability to maintain accounts through Royal Alliance at its clearing firm Pershing, LLC and TD Ameritrade. Phase III is independently owned and operated and not affiliated with Royal Alliance or TD Ameritrade.

You are advised that not all investment advisers require you to maintain accounts at a specific broker/dealer. You are advised you may maintain accounts at another broker/dealer. However, the services provided by Phase III will be limited to advice only and will not include implementation. If you who select another brokerage firm for custodial and/or brokerage services you will not be able to receive asset management services from Phase III.

In initially selecting Royal Alliance and TD Ameritrade, Phase III conducted due diligence. Phase III's evaluation and criteria included ability to service you, staying power as a company, industry reputation, ability to report to you and to him, trading platform, products and services available, technology resources, and educational resources.

Periodically, Phase III will review alternative broker/dealers and custodians in the marketplace to ensure Royal Alliance and TD Ameritrade and its custodians are meeting Phase III's duty to provide best execution. The review will include a comparison to Royal Alliance and TD Ameritrade which involves evaluating criteria such as overall expertise, cost competitiveness and financial condition. The quality of execution by Royal Alliance and TD Ameritrade will be reviewed through trade journal evaluations. However, best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

You are advised there is an incentive for Phase III and the Advisory Representatives to recommend a broker/dealer over another based on the products and services that will be received rather than your best interest.

#### Royal Alliance

Royal Alliance has a wide range of approved securities products for which Royal Alliance performs due diligence prior to selection. Advisory Representatives are required to adhere to these products when implementing securities transactions through Royal Alliance. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Royal Alliance also provides Advisory Representatives, and therefore the Phase III, with back-office operational, technology, and other administrative support. Other services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. Such services are intended to help Advisory Representatives and Phase III manage and further develop their business enterprise.

Royal Alliance and its clearing broker/dealer, Pershing, LLC also make available to Phase III other products and services that benefit Phase III but may not directly benefit you. Some of these other products and services assist Phase III with managing and administering your accounts. These include software and other technology that provide access to your account data (such as trade

confirmation and account statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of Phase III's fees from your accounts; and assist with back-office functions; recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Phase III's accounts, including accounts not held through Royal Alliance.

As previously stated, Advisory Representatives may receive trail commissions (i.e. 12b-1 fees) for a period of time as a result of directing securities transactions through Royal Alliance. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. 12b-1 fees may be initially paid to Royal Alliance and a portion passed to the Advisory Representative of record. The receipt of such fees could represent an incentive for Advisory Representatives to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest.

#### TD Ameritrade

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

There is no direct link between Phase III's participation in the program and the investment advice it gives to you, although Phase III 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 adviser 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 Phase III by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Phase III's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Phase III but may not benefit its client accounts. These products or services may assist Phase III in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Phase III manage and further develop its business enterprise. The benefits received by Phase III or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of Phase III's fiduciary duties to its clients, Phase III endeavors at all times to put the interests of its clients first. You should be aware, however, that the receipt of economic benefits by Phase III or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Phase III's choice of TD Ameritrade for custody and brokerage services.



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

#### Asset Management Services

You will be invited to participate in at least an annual review. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place.

On an ongoing basis, Phase III will monitor for changes or shifts in the economy, changes to the management and structure of a security in which your assets are invested, and market shifts and corrections. Additionally, Phase III conducts its screening for monitoring performance of the securities contained in your portfolio.

You are advised that you must notify your Advisory Representative promptly of any changes to your financial goals, objectives or financial situation as such changes may require him review the portfolio allocation and make recommendations for changes.

You will be provided statements at least quarterly direct from the account custodian. Additionally, you will receive confirmations of all transactions occurring direct from the account custodian. If you are participating in the Phase III Morton Tactical Allocation Service, Private Management Account or the Fund Allocation Service, Phase III will prepare and provide you a quarterly report. If you are participating in the Portfolio Monitoring Service, you will receive a quarterly consolidated report. The report will reflect all investment accounts under your name for which Phase III is able to receive downloaded information. You should compare the report with statements received direct from the account custodian. Should there be any discrepancy the account custodian's report will prevail.

#### Financial Planning and Consultative Service

Depending on the type of plan and your financial complexity periodic reviews may be necessary. Reviews are at your request based on changes in your financial situation. You will not receive regular reviews. Phase III recommends you have at least an annual review and update to any plans. However, the time and frequency of the reviews is solely your decision. Additionally, you will be charged review fees based on the fee schedule disclosed under the program. Other than the initial plan or analysis, there will be no other reports issued.

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

Phase III does not directly or indirectly compensate any person who is not a supervised person of Phase III for referrals. Further, Phase III does not receive an economic benefit from a non-client for providing investment advice or advisory services to you.

Product vendors recommended by Phase III may provide monetary and non-monetary assistance with client events, provide educational tools and resources. Phase III does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. Phase III's due diligence of a product does not take into consideration any assistance it may receive. Therefore, this is not considered a conflict of interest but a benefit for you and Phase III.

Phase III receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect (the “referral program”). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Phase III may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Phase III and there is no employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Phase III and has no responsibility for Phase III’s management of client portfolios or Phase III’s other advice or services. Phase III pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Phase III (“Solicitation Fee”). Phase III will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Phase III from any of a referred client’s family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Phase III on the recommendation of such referred client. Phase III will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Phase III’s participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Phase III may have an incentive to recommend to clients that the assets under management by Phase III be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Phase III has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Phase III’s participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

### **GFWM Platform**

Phase III may, subject to negotiation with GFWM, receive certain allowances, reimbursements or services from GFWM in connection with Phase III’s investment advisory services to its clients, as described below and in the Schedule H Platform Disclosure Brochure attached hereto.

Under GFWM’s Gold/Platinum Premier Consultant Program, Phase III is entitled to receive a quarterly business development allowance for reimbursement for qualified marketing/practice management expenses incurred by the Phase III. These amounts range from \$5,000 to \$105,000 annually, depending on the amount of the Phase III’s client assets managed within the Platform.

GFWM may also bear the cost of airfare for firms such as Phase III to attend GFWM’s annual conference or to conduct due diligence visits to GFWM’s offices. In addition, GFWM may, from time to time, contribute to the costs incurred by participating firms such as Phase III in connection with conferences or other client events conducted by such firms and their representatives.

GFWM may also provide opportunities for participating firms such as Phase III to receive fee reductions and/or allowances in amounts ranging from .02% to .07% of the amount of client assets invested through the Platform. These arrangements are entered into between GFWM and a firm such as Phase III on an individually negotiated basis. Phase III may agree to provide GFWM with introductions to and information concerning its advisory representatives, provide the representatives with information concerning GFWM's Platform and products, and permit GFWM to participate in broker dealer meetings and workshops. In addition to the fee reductions and/or allowances granted Phase III by GFWM, GFWM may agree to provide the firm or its representatives with organizational consulting, education, training and marketing support.

### **Item 15 - Custody**

With the exception of deduction of Phase III's advisory fees from your accounts, Phase III does not take custody of your funds or securities.

### **Item 16 - Investment Discretion**

You may grant Phase III authorization to manage your account on a discretionary basis. You will grant such authority to Phase III by execution of the advisory agreement. Discretionary authority will be limited to Phase III determining the securities to buy, sell and exchange, when to execute the transaction and the amount of each transaction. You may terminate discretionary authorization at any time upon receipt of written notice by Phase III.

Additionally, you are advised that:

- 1) You may set parameters with respect to when account should be rebalanced and set trading restrictions or limitations;
- 2) Your written consent is required to establish any mutual fund, variable annuity, or brokerage account;
- 3) Phase III requires the use of the broker/dealer with which your Advisory Representative is registered for sales in commissionable mutual funds or variable annuities, if you elect to implement recommendations through your Advisory Representative;
- 4) With the exception of deduction of Phase III's advisory fees from the account, if you have authorized automatic deductions, Phase III will not have the ability to withdraw your funds or securities from the account.

### **GFWM Platform**

Phase III does not take any independent discretionary authority over client accounts. Phase III does, however, offer clients participation in the GFWM Platform, an asset allocation Platform more fully described in the Schedule H- Platform Disclosure Brochure attached hereto. Asset allocations composed by a group of independent investment strategists ("Portfolio Strategists") are offered under the Platform, with the different model allocations designed to satisfy a gradient of risk/return objectives. The Portfolio Strategists have no direct relationship with Phase III or client, make no analysis of and do not consider the clients' individual circumstances or objectives, and do not tailor

the model asset allocation to any specific client's needs, circumstances or objectives, but only to the stated risk/return objectives.

Phase III assists the client in selecting the risk/return objective and Portfolio Strategist that best suit the client's objectives. The client then specifically directs the account to be invested in accordance with the chosen asset allocation. When the client selects the asset allocation, the client further directs that the account be automatically adjusted to reflect any adjustment in the asset allocation by the selected Portfolio Strategist. This client authorization results in the purchase and sale of certain mutual funds or ETFs (or transfers between variable annuity sub-accounts) without further authorization by the client or any other party at such time as the Portfolio Strategist changes the composition of the selected model asset allocation.

The client receives confirmation of all transactions in the account and is free to terminate participation in the Platform and retain or dispose of any assets in the account at any time. Phase III has no authority to cause any purchase or sale of securities in any client account, or change the selected model asset allocation or to direct the account to be invested in any manner other than as previously authorized by the client.

#### **Item 17 - Voting Client Securities**

Phase III does not vote your securities.

#### **Item 18 - Financial Information**

Phase III will not require you to prepay more than \$1,200 and six or more months in advance of receiving the advisory service.

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

This section is not applicable to Phase III. Phase III is not state registered. Phase III is registered with the Securities and Exchange Commission.