

# Wrap Fee Program Brochure

This wrap fee program brochure provides information about the qualifications and business practices of FormulaFolio Investments, LLC. If you have any questions about the contents of this brochure, please contact us via telephone at 888-562-8880 or via email at [Support@FormulaFolios.com](mailto:Support@FormulaFolios.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 FormulaFolio Investments, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

---

## ITEM 2 - MATERIAL CHANGES

---

The following material changes have occurred since the last update to the Wrap Fee Program Brochure on January 19, 2015.

Shareholder Information has been added to Item 9.

---

## ITEM 3 - TABLE OF CONTENTS

---

Item 1 - Cover Page .....	1
Item 2 - Material Changes .....	2
Item 3 - Table of Contents.....	3
Item 4 - Services, Fees, and Compensation .....	4
Terminology.....	4
General Program Overview .....	4
FormulaFolio Accounts.....	4
Portfolio and Supervisory Services.....	5
Client Costs.....	5
Account Maintenance Fees, Share Prices and Ticket Charges.....	5
Additional Compensation .....	5
Item 5 - Account Requirements and Types of Clients.....	6
Item 6 - Portfolio Manager Selection and Evaluation .....	6
Manager Selection .....	6
Model Manager Allocation Changes .....	6
Portfolio Managers.....	6
Methods of Analysis .....	6
Related Persons Disclosure .....	6
Item 7 - Client Information Provided to Portfolio Managers.....	6
Item 8 - Client Contact with Portfolio Managers .....	6
Item 9 - Additional Information .....	7
Disciplinary Information .....	7
Other Financial Industry Activities and Affiliations .....	7
Code of Ethics.....	7
Participation or Interest in Client Transactions.....	7-8
Review of Accounts .....	8
Client Referrals.....	8
Exhibit 1 .....	9

---

## ITEM 4 - SERVICES, FEES, AND COMPENSATION

---

### Terminology

The following definitions are essential to understanding the explanations contained within this disclosure document.

**American Stock Exchange (AMEX):** The second-largest stock exchange in the United States, after the New York Stock Exchange (NYSE). In general, the listing rules are a little more lenient than those of the NYSE, and thus the AMEX has a larger representation of stocks and bonds issued by smaller companies than the NYSE. Some index options and interest rate options trading also occurs on the AMEX. The AMEX started as an alternative to the NYSE. It originated when brokers began meeting on the curb outside the NYSE in order to trade stocks that failed to meet the Big Board's stringent listing requirements, but the AMEX now has its own trading floor. In 1998 the parent company of the NASDAQ purchased the AMEX and combined their markets, although the two continue to operate separately.

**Aggregate:** The total or the sum.

**Cross Transactions:** A transaction in which a person acts as an investment adviser in relation to a transaction in which such investment adviser, or any person controlling, controlled by, or under common control with such investment adviser, acts as broker for both such advisory client and for another person on the other side of the transaction.

**Custodian:** An agent, bank, trust company, or other organization which holds and safeguards an individual's assets for them.

**NASDAQ:** A capitalization weighted index that tracks the performance of domestic common stocks traded on the regular NASDAQ markets as well as the National Market System traded foreign common stocks and American Depositary Receipts (ADRs). The NASDAQ is a computerized system established by the FINRA to facilitate trading by providing broker/dealers with current bid and ask price quotes on over-the-counter stocks

and some listed stocks. Unlike the Amex and the NYSE, the NASDAQ (once an acronym for the National Association of Securities Dealers Automated Quotation system) does not have a physical trading floor that brings together buyers and sellers. Instead, all trading on the NASDAQ exchange is done over a network of computers and telephones. An investor cannot invest directly in the index.

**New York Stock Exchange:** The oldest and largest stock exchange in the United States, located on Wall Street in New York City. The NYSE is responsible for setting policy, supervising member activities, listing securities, overseeing the transfer of member seats, and evaluating applicants. It traces its origins back to 1792, when a group of brokers met under a tree at the tip of Manhattan and signed an agreement to trade securities. Unlike some of the newer exchanges, the NYSE still uses a large trading floor in order to conduct its transactions. It is here that the representatives of buyers and sellers, professionals known as brokers, meet and shout out prices at one another in order to strike a deal. This is called the open outcry system and it usually produces fair market pricing. In order to facilitate the exchange of stocks, the NYSE employs individuals called specialists who are assigned to manage the buying and selling of specific stocks and to buy those stocks when no one else will. Of the exchanges, the NYSE has the most stringent set of requirements in place for the companies whose stocks it lists, and even meeting these requirements is not a guarantee that the NYSE will list the company.

**Proxy:** A written authorization given by a shareholder for someone else, usually the company's management, to cast his/her vote at a shareholder meeting or at another time. **Rebalancing:** Making adjustments to counteract the fact that different assets have performed differently and now comprise different percentages of the portfolio than originally intended.

**Soft Dollars:** Payments to a financial institution in terms of commission revenue, rather than actual cash payments.

---

### General Program Overview

FormulaFolio Investments, LLC, (herein referred to as "FormulaFolios," "us," "we" and "our") is a registered investment adviser with the Securities and Exchange Commission ("SEC"). We provide investment portfolio advice and supervisory services to our clients utilizing equities, index mutual funds, and exchange traded funds (ETFs). We allocate your assets in accordance with your specific goals, financial situation and any investment limitations you may impose.

The trade name for our portfolios is "FormulaFolios" and each portfolio is built as a "FormulaFolio Custom Allocation." We offer multiple investment portfolios, some of which are managed through application of our proprietary investment model. We also utilize outside Model Managers which are blended with FormulaFolio Strategies to create the Multi-Manager Allocation Series. Each FormulaFolio Allocation is different, and you should choose the FormulaFolio Allocation that best suits your investment goals and objectives. Our FormulaFolio accounts are discretionary; however, our discretionary authority is limited. This means that you authorize the firm to engage solely in implementing your FormulaFolio Allocation's specific investment criteria and account rebalancing. Rebalancing is accomplished by reallocating assets to achieve original asset targets. The rebalancing process does not involve investment supervisory services. Please keep in mind that the rebalancing process is done without regard to how long you have held the securities or various tax consequences from purchases or sells. If you are concerned about how the tax consequences may affect your unique situation, please consult a tax professional.

### FormulaFolio Accounts

We use our proprietary securities screening models to determine our investment recommendations. The equities, mutual funds, and exchange traded funds (ETFs) that comprise our portfolios are chosen by a formula to help eliminate human emotion from the investing process.

Each account is established with a minimum four percent cash position, and the remaining percentage is fully invested in the selected FormulaFolio Custom Allocation. We then implement our proprietary model to identify and direct which securities to own. Throughout the course of your participation in this program, the proprietary model will dictate how long to hold each security, and when to sell. You will always be able to identify what securities you own inside your account.

Your account holdings are then updated by reapplying the formula and rebalancing the account to achieve the original asset allocation on an annual basis. Each FormulaFolio Custom Allocation will only accept securities that specifically meet the qualification of our proprietary investment model. It may be possible that no securities will qualify for the FormulaFolio Custom Allocation during a given period of time. This may result in an account maintaining a full cash position for a given amount of time. Since FormulaFolio Custom Allocations are derived by the application of a statistical model, it is important investors understand portfolio management decisions are made entirely via investing formulas (computer models) and not by an individual or committee.

If you decide to remove your funds from a FormulaFolio Custom Allocation, or, if you do not wish to participate in market fluctuations, you may direct us to place your funds in our money market account. However, we do not recommend this as a long-term strategy since you will be charged the standard account fees while your funds are sitting in the money market account (please see "Program Fees" section below for a detailed description of the fees associated with the FormulaFolio strategies).

A proprietary asset allocation model recommends each FormulaFolio Custom Allocation, which is entirely separate from the proprietary securities screening models. The asset allocation model helps us determine the most suitable FormulaFolio Custom Allocation based on investor financial goals, risk tolerance, and tax qualification of their accounts. This asset allocation process can be updated at any time by request to the client's advisor. It is possible that in the future, we may decide to change an asset allocation based on economic research concerning the various formulas and portfolios. It is extremely important to understand that past performance of an investment is no indication of that investment's future performance.

Our services are introduced exclusively by solicitors who are typically associated with brokerage firms and/or other investment advisers. We pay these solicitors a portion of the advisory fee we collect from clients referred to us by the solicitors.

## SERVICES, FEES, AND COMPENSATION CONT.

AssetLock is a tracking software used to monitor the performance/growth of a clients' portfolio, and to predetermine the amount of downside the client/s is/are willing to tolerate. It is NOT an actual stop loss, and will NOT automatically sell the individual securities in the portfolio. Therefore, the AssetLock value is a reference point to encourage a conversation between FFI and the client/s, and to determine if the client/s would like to liquidate the portfolio and move the assets into cash, reset the Assetlock percentage or reallocate to a different risk profile. If the client/s cannot be located, and the portfolio has reached the AssetLock value, by initialing the AssetLock Agreement the client/s authorizes FFI to liquidate the portfolio and move all the assets into cash.

During any liquidation process, there is no guarantee the exact AssetLock value will be captured, nor that the assets will be sold the very same day, but rather the notification will alert both the client/s and FFI that the portfolio needs to be sold and moved into a cash account at FFI's earliest opportunity. Also, by initialing below, the client/s are approving their AssetLock downside percentage, the correlating investment profile and any possible tax implications that may result due to the liquidation of the investment holdings.

### Portfolio and Supervisory Services

Fees for portfolio and supervisory services, including most transactional charges, will be a percentage of assets under management. These account management fees will be calculated, accrued and due monthly in arrears. The account management fees for portfolio advice and supervisory services are calculated and billed in U.S. dollars as follows:

#### Tactical and Multi-Manager Allocation Series *(Custodian: TD Ameritrade, Fidelity, and Charles Schwab)*

Amount Under Mgmt.	FF Investments Mgmt Fee.	Rep Fee
First: <\$100,000	0.80%	(0% to 1.5%)
Next: \$100,000 - \$249,999	0.75%	
Next: \$250,000 - \$499,999	0.70%	
Next: \$500,000 - \$999,999	0.65%	
Next: > \$1,000,000	0.60%	

#### Tactical and Complete Allocation Series *(Custodian: Folio Institutional)*

Amount Under Mgmt.	FF Investments Mgmt Fee.	Rep Fee
First: <\$100,000	0.75%	(0% to 1.5%)
Next: \$100,000 - \$249,999	0.70%	
Next: \$250,000 - \$499,999	0.65%	
Next: \$500,000 - \$999,999	0.60%	
Next: > \$1,000,000	0.55%	

#### Multi-Manager Allocation Series *(Custodian: Folio Institutional)*

Amount Under Mgmt.	FF Investments Mgmt Fee.	Rep Fee
First: < \$250,000	0.95%	(0% to 1.5%)
Next: \$250,001 - \$500,000	0.90%	
Next: \$500,001 - \$1,000,000	0.85%	
Next: \$1,000,001 - \$2,000,000	0.75%	
Next: > \$2,000,001	Please Contact FFI	

Account management fees are calculated monthly, in arrears, based on the average daily market value as reported by your account custodian, FOLIO Institutional Investments, Inc. ("Folio Institutional"), TD Ameritrade Institutional, Fidelity Investments, or Charles Schwab as of the preceding month's end. Under some circumstances, our account management fees may be lower than this rate schedule. For example, in determining fees, rates, and minimums, we may aggregate related accounts and, for billing purposes, treat them like one account. This is done at our discretion and should not be considered the normal order of business. Other factors may include reduced fees for managing the accounts of employees and employees' immediate family members.

Account management and custodian fees will be billed to you by the account custodian on a monthly basis and will be reflected on your official statement issued electronically by the custodian. You can also access your custodian issued statements directly by logging into:

- **Folio Institutional :** [www.folioclient.com](http://www.folioclient.com)
- **TD Ameritrade :** [www.advisorclient.com](http://www.advisorclient.com)
- **Fidelity :** [www.fidelity.com](http://www.fidelity.com)
- **Charles Schwab :** <https://client.schwab.com>

The custodian will deduct the fees directly from your account. The statements will detail the account value upon which our fees are calculated and the amount of the fee. The statement is sent to you electronically at the end of the billing cycle, and the fees will be deducted from your account approximately 10-15 days later. You may object to the deduction of fees from the account by notifying us at the address or telephone numbers shown on each billing invoice. Please keep in mind that in addition to the monthly electronic statements you receive, you will receive a detailed quarterly performance report directly from FormulaFolio Investments in the mail.

### Client Costs

The strategies provided in the FormulaFolios Wrap-Fee Program may be greater or less than the client would otherwise pay if they purchased each service separately.

### Account Maintenance Fees, Share Prices and Ticket Charges

In addition to the fees mentioned above, you will pay a annual custodian charge on all retirement accounts (IRAs, Roth IRAs, SEP IRAs, etc) in the amount of \$25, and other ancillary fees based upon actions you take, such as wire transfers out. The schedule of such ancillary charges is subject to change at any time and is available by logging into the custodian. We may, from time to time, amend our fees and billing procedures. Changes will become effective after 30 days prior notice. Our fees are not based on the financial performance, capital gains or losses experienced by your account. Lower fees for comparable services (bundled or unbundled) may be available from other sources. Based on the factors explained above, some clients may pay lower fees than the fees described above.

### Additional Compensation

Our firm does not receive "soft dollars" from any vendor or service provider, such as an insurance company or broker-dealer, in exchange for our placement of brokerage transactions. We may enter into agreements with brokerage, investment advisory, or insurance firms, which permit us to enter into solicitor agreements with the firm's salespersons. We may also enter into agreements with individuals, corporations, or partnerships to act as solicitors. These solicitor agreements are structured according to SEC Rule 206(4)-3 under the Investment Advisers Act of 1940. We pay referral fees to persons who solicit clients for our firm. If the individual solicitor is a registered representative of a brokerage firm, we pay the referral fees to the brokerage firm and the brokerage firm pays a substantial portion of the referral fees to the individual who referred the client to us.

---

## ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

---

The firm requires a minimum account size of \$50,000 for portfolio asset management. Exceptions may be made, solely at the firm's discretion, based on a variety of factors, including but not limited to, prior or anticipated investment activity and family or employment

relationships. We may, at our discretion, aggregate related accounts in the same household in determining whether the account minimum has been met. Minimums may be negotiated depending on your personal circumstances.

---

## ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION

---

### Manager Selection

Mr. Jason Wenk, the Chief Investment Officer of FormulaFolio Investments, LLC, heads our quantitative investment management team. The quantitative investment management team is directly responsible for the review, due-diligence, and inclusion into the FormulaFolios Wrap-Fee Program.

When vetting new managers, the following criteria is considered for induction into the program:

- Track Record
- Volatility
- Methodology
- Tenure
- Education
- Assets Under Management
- Relative Cost

If, after meeting all of our requirements, the manager is inducted into the program, FormulaFolio Investments continues to monitor the performance of all Model Managers to make certain they are continually providing the performance and value for which they were selected.

### Model Manager Allocation Changes

The performance returns of the selected Model Managers is monitored by FormulaFolio Investments. At FormulaFolios' discretion, a Model Manager who is under-performing may be eliminated from the platform. In the event that a Model Manager needs to be replaced, FormulaFolio Investments has the sole discretion to hire a new Model Manager and adjust the weighting of the allocation accordingly.

When hiring selected Model Managers, we utilize the performance numbers provided to us by said manager and other third-party reporting sources.

### Portfolio Managers

In addition to hiring outside Model Managers, FormulaFolio Investments runs its own proprietary models. A client's assets in one these allocations may be managed solely by FormulaFolio Investments. A lower client fee is charged for allocations using only FormulaFolio Investments. We recognize that this may create a conflict of interest. We try to mitigate this conflict of interest by using a proprietary proposal system and allowing Financial Professionals who are part of the program to make the proper recommendations based off of the client's suitability and financial situation. FormulaFolio Investments is committed to the fiduciary standard which adheres us to make decisions in the client's best interest before our own. FormulaFolios strives to provide a high-standard of satisfaction to both financial professional and clients.

### Methods of Analysis

As stated above, we use our proprietary asset allocation model in addition to our proprietary securities screening model to build a FormulaFolio Custom Allocation for each client. Using the proprietary models, we follow a formulaic process to help eliminate human emotion and automate the investing process. The asset allocation, equities, mutual funds, and ETFs that comprise our portfolios are chosen by a proprietary model and not by an individual or committee.

### Related Persons Disclosure

FormulaFolio Investments acts as both the portfolio manager for all accounts as well as the Wrap Fee Program Sponsor. This creates a potential conflict of interest, as outside money managers are not considered as part of client portfolios.

---

## ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

---

Financial Professionals who act as solicitors on behalf of FormulaFolio Investments will be required to identify the financial situation and suitability of the client in order to implement the appropriate allocation selection. With that being said, financial professionals will need to gather information related to a client's net worth, risk tolerance, time horizon,

income distribution requirements. The client's financial professional should review these items on an annual basis and immediately notify FormulaFolio Investments if any changes have occurred that will directly impact the client's allocation.

---

## ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS

---

Clients primary contact will be the financial advisor that acts as a solicitor on behalf of FormulaFolio Investments. However, should a client wish to contact the Portfolio Manager they are welcome to do so via email at [support@formulafolios.com](mailto:support@formulafolios.com) or via telephone at 888-

562-8880. In the case of outside Model Managers, FormulaFolios will serve as the line of communication between the client and the Model Manager.

---

## ITEM 9 - ADDITIONAL INFORMATION

---

### Disciplinary Information

FormulaFolio Investments is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. FormulaFolio Investments does not have any required disclosures to this Item.

### Other Financial Industry Activities and Affiliations

FormulaFolio Investments is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

#### *Jason Wenk*

Jason Wenk is a shareholder and Chief Investment Strategist of FormulaFolio Investments, LLC. In addition to Mr. Wenk's duties for FormulaFolio Investments, LLC, he is also: 1) a shareholder and President of Retirement Wealth Advisors, Inc., an SEC Registered Investment Advisor; 2) a shareholder and partner in 521, LLC, a real estate development and management company; 3) a shareholder of Kasia Insurance Agency, Ltd., a Property and Casualty Insurance Agency. Mr. Wenk is not licensed as an insurance agent nor does he offer clients insurance services. His role in Kasia is strictly as an investor shareholder only.

#### *Gerald Sikkenga*

Gerald Sikkenga is a shareholder and acting Chief Operations Officer of FormulaFolio Investments, LLC. In addition to Mr. Sikkenga's duties for FormulaFolio Investments, LLC, he is also: 1) a shareholder and Chief Operations Officer of Retirement Wealth Advisors, Inc., an SEC Registered Investment Advisor; and 2) a shareholder of Altruistic Financial Planning, LLC, an Insurance Agency.

#### *Jason Crump*

Jason Crump is a shareholder of FormulaFolio Investments, LLC. In addition to Mr. Crump's duties for FormulaFolio Investments, LLC, he is also: 1) a shareholder and Director of 401ks and Alternative Investments for Retirement Wealth Advisors, Inc., an SEC Registered Investment Advisor; 2) a shareholder of Altruistic Financial Planning, LLC, an Insurance Agency; and 3) a licensed life insurance agent.

#### *Joel VanWoerkom*

Joel VanWoerkom is a shareholder of FormulaFolio Investments, LLC. In addition to Mr. VanWoerkom's duties for FormulaFolio Investments, LLC, he is also: 1) a shareholder and Director of Financial Planning for Retirement Wealth Advisors, Inc., an SEC Registered Investment Advisor; 2) a shareholder of Altruistic Financial Planning, LLC, an Insurance Agency; and 3) a licensed life insurance agent.

Stephen Odom, Steven Craig, Andrew Craig, Brandon George, Edward Nolan, Ford Stokes and Stephen A. Ashton are shareholders of FormulaFolio Investments, LLC and Retirement Wealth Advisors, Inc. Their roles in these two firms are as investor shareholders only. Stephen Odom, Steven Craig, Andrew Craig, Brandon George, Edward Nolan, Ford Stokes, and Stephen A. Ashton are also owners of The Impact Partnership, LLC, an Insurance Marketing Organization (IMO) headquartered in Kennesaw, Georgia.

### Code of Ethics

FormulaFolio Investments and persons associated with FormulaFolio Investments ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with FormulaFolio Investment's policies and procedures.

FormulaFolio Investments has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics").

In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by FormulaFolio Investments or any of its associated persons. The Code of Ethics also requires that certain of FormulaFolio Investment's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in FormulaFolio Investment's Code of Ethics, none of FormulaFolio Investment's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of FormulaFolio Investment's clients.

When FormulaFolio Investments is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when FormulaFolio Investments is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact FormulaFolio Investments to request a copy of its Code of Ethics.

### Participation or Interest in Client Transactions

FormulaFolio Investments and persons associated with FormulaFolio Investments ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with FormulaFolio Investment's policies and procedures.

FormulaFolio Investments has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by FormulaFolio Investments or any of its associated persons. The Code of Ethics also requires that certain of FormulaFolio Investment's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in FormulaFolio Investment's Code of Ethics, none of FormulaFolio Investment's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of FormulaFolio Investment's clients.

When FormulaFolio Investments is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when FormulaFolio Investments is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.



---

**ITEM 9 - ADDITIONAL INFORMATION CONT.**

---

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact FormulaFolio Investments to request a copy of its Code of Ethics.

**Review of Accounts**

FormulaFolio Investments monitors client portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of FormulaFolio Investment's investment advisor representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the firm and to keep FormulaFolio Investments informed of any changes thereto. FormulaFolio Investments contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Clients also receive a report from FormulaFolio Investments that may include such

relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from FormulaFolio Investments. The firm will furnish a supporting schedule for capital gains and losses realized in the account for the year, as requested by the client.

**Client Referrals and Other Compensation**

FormulaFolio Investments may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

In addition, FormulaFolio Investments is required to disclose any direct or indirect compensation that it provides for client referrals. If a client is introduced to FormulaFolio Investments by either an unaffiliated or an affiliated solicitor, FormulaFolio Investments may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from FormulaFolio Investment's investment management fee, and does not result in any additional charge to the client. If the client is introduced to FormulaFolio Investments by an unaffiliated solicitor, the solicitor provides the client with a copy of FormulaFolio Investment's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of FormulaFolio Investments discloses the nature of his/her relationship to prospective clients at the time of the solicitation

**(Remainder of page intentionally left blank.)**



---

## EXHIBIT 1 - MODEL PORTFOLIO INFORMATION

---

### FormulaFolio Investments/ Tactical Growth

This strategy employs ETFs to focus on broad-growth investment categories which include the total stock, market, the total bond market, real estate, commodities, and International Equity. The overall goal of the Tactical Growth strategy is to accentuate the asset classes that show the greatest potential for return with minimal risk.

### FormulaFolio Investments/Tactical Income

This strategy is a tactical asset allocation model using only income-based ETFs. Everyday, the bond markets in the illustration to the right are analyzed to determine to what degree they should be invested in or if they should be invested in at all. The ultimate goal of the Tactical Income is to produce consistent results while minimizing risk.

### FormulaFolio Investments/Total Return Growth

This strategy is a diversified total return model that analyzes markets in a unique way. Sometimes, the model will be fully invested to take advantage of upward market movements. Other times, it will utilize inverse index funds to hedge against market risk. The result is a portfolio that has the ability to produce non-market correlated returns, as well as the potential to produce positive returns in spite of falling equity markets.

### FormulaFolio Investments/Total Return Income

This strategy employs a unique investment model that uses long-term Treasury Bill price fluctuations to create total returns. To accomplish this, the model analyzes various technical indicators to help predict the short, intermediate, and long-term direction of U.S. Treasury Bond interest rates. The result is a portfolio that has the potential to produce positive returns using Treasury linked index funds, even in times of rising interest rates (which normally hurts bond investors).

### FormulaFolios/ Multi-Cap Equity

The Multi Cap Equity strategy is a flexible strategy designed to choose a group of 20 top ranked, individual equities. The model uses a “multi-market” approach to top down fundamental analysis. When the model determines the market or economy is weak, it only selects stocks from defensive sectors of the economy, and when it is strong, it selects stocks from all sectors of the economy. This feature helps the portfolio limit downside risk in poor market conditions while still participating in strong market conditions.

### Redwood Investments/ Redwood Managed Risk

The objective of Redwood Managed Risk is to react to actual market downturns. When the price of high yield bond funds decline by an abnormal fluctuation, Redwood allocates your assets into the safety of money market. Alternatively, when the trend reverses and the funds’ indicate significant relative strength, Redwood allocates your assets back into high yield bond funds. In general, these moves are based on momentum of the markets and not on subjective judgments.

### Good Harbor Financial/ Good Harbor Tactical US

The underlying premise of the Good Harbor tactical model is that equity prices are driven by changes in investor risk premiums and that these premiums vary with the business cycle. By gauging a combination of momentum measures, economic data and yield curve dynamics, the model seeks to assess changes in risk premiums in order to participate in equities during rallies and move defensively to bonds when weaker market conditions are anticipated.

### BCA: Brian Carruthers & Associates/BCA Managed Income

The BCA Managed Income is a “tactically” managed bond portfolio which invests 100% in bond mutual funds, such as treasury, government, corporate (including high yield bonds) and international bond funds. Money market funds may also be utilized during defensive periods.