

# TELEMUS

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## CAPITAL

### **Firm Brochure** **(Part 2A of Form ADV)** **September 1, 2015**

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Item 1: This brochure provides information about the qualifications and business practices of TELEMUS CAPITAL, LLC ("TC" or "Advisor"). If you have any questions about the contents of this brochure, please contact us at (248) 827-1800 or by email at [eoppenheim@telemus.com](mailto:eoppenheim@telemus.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about TC may also be obtained via the SEC's web site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for TC is 168794. The SEC's web site also provides information about any persons affiliated with TC who are registered, or are required to be registered, as investment adviser representatives of TC.

## Item 2: Material Changes

Our last Firm Brochure was dated May 1, 2015, and the last annual updating amendment to our Firm Brochure was dated March 20, 2015. Since the annually updating amendment to TC's Firm Brochure on February 28, 2014, the following material changes have occurred:

- Lloyd A. Perlmutter ("Perlmutter") joined TC on March 10, 2014 as its full-time, dedicated Chief Operating Officer. He is responsible for day-to-day management of TC and for executing its strategic and growth initiatives. He previously served as President of the Canadian division of Gap, Inc, where he oversaw a five-fold growth of the business to over \$1.2 billion. More recently Perlmutter advised CEO's and their teams on improving the client and employee experience and ensuring operational excellence as a hallmark of business organizations. He is a graduate of Harvard University.
- David Post ("Post") was formally named TC's Chief Investment Officer in October 2014. He continues as Chair of the firm's Investment Committee, a role he assumed in early 2014 when he joined TC as part of its acquisition of Concentric Capital LLC ("Concentric"). Post was Concentric's founder, CEO and Chief Investment Officer. Prior to founding Concentric, Post was a Partner and Portfolio Manager of CSI Capital Management, a San Francisco-based investment management firm he cofounded in 1983. Post is a graduate of the University of California, Berkeley. (Information about TC's investment management processes may be found in Item 8 of the Firm Brochure.)
- TC has been selected to participate in TD Ameritrade's AdvisorDirect program. Under the program TD Ameritrade refers its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors meeting certain selection criteria such as TC. Additional information about the program and TC's role may be found in Item 14.

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

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## Item 4: Advisory Business

Our advisory firm. Telemus Capital, LLC (“TC” or “Advisor”) (CRD #168794) is an investment adviser which succeeded to the advisory businesses of its predecessor advisers, Telemus Investment Management, LLC (SEC # 801-131580), Telemus Wealth Advisors, LLC (SEC # 801-64748), and Beacon Asset Management, LLC (SEC # 801-67441) as of August 1, 2013, thereafter continuing business under the name “Telemus Capital, LLC.” The predecessors’ advisory businesses were originally founded in 2005. The advisory services and management of TC remained the same; however, the successor application dated August 29, 2013, reflected new ownership by Focus Operating, LLC.

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

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

Types of clients. TC provides personalized and confidential investment management services primarily to individuals, trusts and estates, plan sponsors of pension, profit sharing, 401(k) and other retirement plans, charitable organizations and business entities.

TC also provides personalized and confidential asset management services to pension and profit sharing plans, charitable institutions including foundations and endowments, corporations and partnerships, corporate trusts, state and municipal government entities, pooled investment vehicles, and other investment advisers.

### Discretionary Investment Advisory Services:

TC provides personalized investment management services, generally on a discretionary basis.

Our advisory role. At the outset of each client relationship, TC evaluates each client’s financial circumstances, investment objectives and goals. TC employs a comprehensive process that involves a thorough understanding of the client’s needs and objectives. During the initial review stage, which is the basis for developing an investment strategy and a wealth management plan if desired, we

set up several meetings between the relationship manager and client, and assess the following as part of the review:

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

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

Based on the results of the client discussion and the information provided by the client, we prepare a final investment policy statement or otherwise document the agreed upon investment strategy. For clients using the Envestnet program (described below), we prepare and review with the client a customized Statement of Investment Selection ("SIS"). The SIS incorporates an investment profile summary, summarizes the information the client has provided us and makes recommendations for the client's portfolio based on the information provided. Using tools provided by Envestnet, we may recommend that the client's portfolio be allocated among various investment products.

After reviewing the client's final investment strategy or SIS (in the case of clients using the Envestnet program), the client enters into an investment advisory agreement ("Client Agreement") with us. The Client Agreement discusses the services to be provided to the client and other applicable terms and conditions.

Clients who participate in one of our managed programs may choose where to establish a brokerage account. The majority of our clients selects Pershing, LLC ("Pershing"), but collectively has chosen to establish accounts with more than a dozen firms including TD Ameritrade.

For most client accounts, TC constructs client portfolios generally in accordance with our model strategies, which are adjusted for the client's risk profile. The model strategies have four sleeves: Growth, Alternative, Income and Cash. Allocations are made to each of these sleeves depending upon the client's risk profile, which is categorized as conservative, moderate, balanced or aggressive. All of the model strategies include some combination of equities, bonds, mutual funds, ETFs, alternative investments and potentially other investment products.

TC also has relationships with external providers of investment management, research and due diligence services. One such service provider is Envestnet<sup>1</sup>, a registered investment adviser that provides independent investment advisers such as TC with proprietary research, due diligence of sub-advisers, asset allocation models, performance measurement reports, an asset management platform and related technology, as well as operational and administrative support services. TC uses some but not all of the services provided by Envestnet, specifically their Unified Managed Account (“UMA”) service, where managers of TC’s choosing select securities that Envestnet buys in the client’s UMA. In the case of these UMAs, Envestnet does all of the trading and manages the tax-loss selling in the account.

Clients should know that their assets in each model strategy are likely to be managed in a manner similar to other clients having similar investment objectives and risk tolerance.

#### Non-Discretionary Advisory Services:

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

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

TC also provides fee-based wealth advisory, wealth management consulting (including asset allocation) and other financial planning services to its clients on a non-discretionary basis.

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<sup>1</sup> We have in the past offered and in some cases continue to use for existing clients the services of certain sub-advisors, including those of Envestnet Asset Management, LLC, Evercore Wealth Management LLC, Keeley Asset Management Corp., Salient Partners and Robinson Capital Management (“RCM”), a firm founded by James Robinson (“Robinson”), TC’s former chief investment officer and former CEO of TC’s predecessors’ parent company. While RCM is no longer a sub-advisor to TC, TC may invest its clients in funds advised by RCM when appropriate. Also, Robinson now serves as a consultant to TC for a nominal fee.

TC offers a limited range of non-discretionary advisory services. Clients who utilize our discretionary advisory services may, as an accommodation, also be permitted to establish non-discretionary advisory accounts in which all securities transactions are client-directed. For these accommodation accounts, TC charges an annual fee of 20 basis points based on the average daily balance of the account market values for the 12 month period being billed. Additionally, certain accounts hold assets which the client has directed TC to hold for tax or other purposes. These assets are included in the calculation of TC's non-discretionary assets under management.

As of June 30, 2015, TC manages approximately \$1,914,225,176 in assets for approximately 1152 clients. Approximately \$1,446,215,541 is managed on a discretionary basis, and \$468,009,635 is managed on a non-discretionary basis.

## Item 5: Fees and Compensation

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

TC's standard fee schedule is set forth below. TC does not offer a "wrap fee" program; the schedule sets forth the standard amount for TC's services.

<u>Market Value of Client Asset</u>	<u>Annual Fee Rate (%)</u>
First \$1,500,000	1.25%
Next \$1,500,001 - \$3,000,000	1.00%
Next \$3,000,001 - \$5,000,000	0.90%
Next \$5,000,001 - \$10,000,000	0.80%
Next \$10,000,001 - \$20,000,000	0.70%
Next \$20,000,001 - \$50,000,000	0.60%
Next \$50,000,001 - \$100,000,000	0.55%
Over \$100,000,001	Negotiable

- \$3,750 minimum annual household fee

<u>Additional Account Types</u>	<u>Annual Fee Rate (%)</u>
ERISA Accounts (at plan sponsor level only)	0.50%
529 Accounts	0.50%
Public Charities/501(c)(3) and Institutional Accounts	0.50%
Client Directed Accounts	0.20%
Managed Individual Municipal Bond Only Accounts	0.35%
Alternative Investment Only Accounts	1.00%
Blended Fixed Income Only Accounts	0.75%
Investment Grade Taxable Fixed Income Only Accounts	0.50%

- All account management fees net of sub-advisory fees
- Fees generally include financial, life and retirement planning services as needed; however, exceptions may apply at TC's sole discretion

Envestnet Fees. For its advisory and administrative services, Envestnet receives fees. The advisory service fees typically range from approximately 0.15% to approximately 1.00% of client assets under management. The administrative service fees typically range from 0.08% to 0.14% of client assets under management. These amounts, which clients pay to Envestnet, are in addition to the fees clients pay to TC.

Brokerage Fees. For managed accounts custodied at Pershing through its PAS program and at TD Ameritrade through its institutional advisor program, there are no separate brokerage fees. There are also generally no custody fees or transaction fees except as described below. Mutual funds charge fees and expenses described in each fund's prospectus, which generally include management fees, other fund expenses, and may include distribution fees. These fees are in addition to TC's advisory fee. The custody fees that clients are charged in the PAS/Pershing program include fees for domestic and foreign

safekeeping and 401(k) plan custody. There are also special handling fees and fees for special banking services. (A detailed Managed Account Summary of Fees will be provided upon request.) TC also charges an annual fee for certain non-discretionary advisory accommodation accounts described in Item 4 above.

TC receives certain assistance from Pershing in the form of a credit which may be used for technology (including portfolio accounting) and marketing expenses for client assets custodied on the PAS/Pershing platform. The amount of the credit is equal to 2.35 basis points calculated annually on total assets under management in accounts held by PAS/Pershing but excluding assets of a retirement plan subject to Part I of ERISA. TC does not currently use any of these credits for payment of marketing expenses. This creates a conflict of interest and creates an incentive for TC to (i) recommend investment products based on compensation generated and (ii) recommend Pershing based on support services generated, rather than on a client's needs. TC addresses these conflicts through disclosure and additionally reviews the quality of services Pershing provides to clients.

In connection with TC's management of an account not custodied at Pershing through its PAS program or at TD Ameritrade through its institutional advisor program, a client may incur brokerage fees, custodian fees, transaction charges, mutual fund fees and other fees and expenses. The client is billed or charged directly and is responsible for any such fees and expenses.

In addition to the fees described above, clients may pay transfer taxes, wire transfer and electronic fund fees, inactivity fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to TC's fees, and TC will not receive any portion of these commissions, fees and costs.

TC receives a revenue sharing payment from Robinson Capital Management, LLC ("RCM") in exchange for providing certain consulting, client education and support services to RCM related to the Robinson Tax Advantaged Fund. The payment is equal to 20 basis points of the average daily net assets of the Robinson Tax Advantaged Fund held by TC's clients. It is paid from RCM's legitimate profits and not from the Fund (i.e., not an expense of the Fund). Clients should be aware that TC's receipt of compensation from RCM creates a conflict of interest since this payment could influence TC's choice of RCM's Fund instead of other investment products for which TC does not receive revenue sharing payments. However, TC's commitment to putting its clients' interests ahead of its own interests and the policies and procedures it has adopted are designed to limit any interference with TC's independent decision making when choosing the most appropriate investment product for its clients.

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

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

As of December 31, 2014, there are no performance based fees and no side by side management.

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

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

Client relationships vary in scope and length of service.

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

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

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular

underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

TC uses various methods of analysis and sources of information in formulating investment advice. The methods of analysis are primarily based on economic and company/fund fundamental analysis as well as economic cyclicity. Charting and technical analysis are used only as conformational tools. TC's main sources of information include Bloomberg, FactSet, Thompson Reuters, Baseline, Value Line, Investor's Business Daily, R4 Research, The Markets.com, Standard & Poor's and KDP Corporate Bond Research. Other sources of information include "street" research materials, financial periodicals and the internet.

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

In executing its investment management process, TC creates various model client portfolios. Clients with similar investment objectives and risk tolerances may receive substantially identical portfolio recommendations, depending upon each client's circumstances. TC seeks to minimize risk for a targeted return goal, that is, TC seeks to provide the least risky portfolio necessary to achieve each client's needs and objectives. TC believes in broadly diversified portfolios with exposures to traditional asset classes (i.e., global stocks, bonds and cash), non-traditional asset classes (e.g., infrastructure, natural resources, REITS), as well as absolute return strategies and opportunistic strategies.

TC divides client portfolios into four investment sleeves: Growth, Alternative, Income and Cash. TC populates the investment sleeves with various combinations of mutual funds, ETFs (exchange traded funds), SMAs (separately managed accounts), REITS, MLPs, private partnerships, individual equities and bonds, and other investment vehicles. TC uses the above approach to access global equity, global fixed income, commodities, real estate, absolute return, opportunistic and other investment strategies.

#### Institutional Clients

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

- Core Equity: Actively managed core equity strategy that focuses on large-cap companies with demonstrated consistent, above-average earnings growth and reasonable valuations. It is managed relative to the Russell 1000 and/or S&P 500 Indices as benchmarks. Evercore Wealth Management LLC currently serves as a sub-advisor for this strategy.
- Investment Grade Taxable Fixed Income: Actively managed intermediate taxable bond portfolio managed relative to the Merrill Lynch 1-10 year Gov't/Corp Index as its benchmark.

- **High Yield Taxable Fixed Income:** Actively managed fixed income portfolio that focuses exclusively on the highest quality (BB) component of the high yield universe. The portfolio is managed relative to the Merrill Lynch 1-10 year BB Index as its benchmark.
- **Blended Taxable Fixed Income:** Actively managed fixed income portfolio that combines TC's investment grade capability with its high yield (BB) capability. The portfolio is managed relative to a broad market investment grade benchmark such as the Merrill Lynch Domestic Index and/or a blended index.
- **Tax-Exempt Fixed Income:** Actively managed strategy that focuses on investment grade, intermediate municipal bonds. The strategy is customized to maximize the after-tax returns for each individual client.
- **Diversification Sleeve:** TC created a diversification sleeve to complement its traditional separately managed balanced portfolio. The sleeve is comprised of mutual funds and/or ETFs that invest in small- and mid-cap domestic stocks, international stocks and bonds, natural resources, energy infrastructure and REITs.

Investment strategies used by TC are implemented to satisfy the intermediate and long-term goals of clients and, as such, investment recommendations are made with intermediate and long-term investment horizons.

### Wealth Management Services

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

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

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

measurement reports. The third party consultants also provide economic information and current event information relative to the financial markets.

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

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

## **Item 9: Disciplinary Information**

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

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

TC is affiliated with Telemus Insurance Services, LLC, a Delaware LLC ("TIS"). TIS is licensed as an insurance agency in Michigan and in other jurisdictions as required. TIS recommends, where appropriate, life, disability and long-term care policies to clients in need of such products and services. TIS receives compensation (i.e., commissions) for these products and services. TIS has also entered into a referral arrangement with Ari Fischman and Fischman Insurance Group, LLC (the "Fischman Entities"). Under the arrangement TIS and TC will refer clients and prospective clients to the Fischman Entities for various insurance products and services. If insurance policies are placed for the client as a result of such a referral, TIS will share in the initial and reoccurring policy commissions as a referral fee.

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

Focus Operating & Focus Partners. TC is part of the Focus Partners network. As such, TC is a wholly-owned subsidiary of Focus Operating, LLC which is a wholly-owned subsidiary of Focus. (See Item 4 above for a complete discussion of the ownership of TC). Focus also owns other registered investment advisory firms, as well as broker-dealer firms, pension consultant firms, insurance firms,

and other financial services firms (collectively, the "Focus Affiliates"). Focus Affiliates provide wealth management, benefit and investment consulting services serving individuals, families, employers, and institutions. Some Focus Affiliates also manage or advise limited partnerships, private funds or limited liability companies as disclosed in their respective Forms ADV Schedule D.

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

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

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

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

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

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

Subject to restrictions in the Code of Ethics, TC's employees may under some circumstances buy and sell the same securities that may be recommended to

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

As described above in Item 10, TC recommends to its clients investments in pooled investment vehicles managed by TAM Aircraft Management, LLC, an entity under common control by Gary Ran, a TC related person. TC addresses this conflict of interest primarily through disclosure of the relationship to clients.

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

## **Item 12: Brokerage Practices**

### **General**

As described above, TC recommends that clients, and the majority of TC's clients choose to, custody their accounts at Pershing through its PAS advisor program or at TD Ameritrade through its institutional advisor program. Clients who choose this custody arrangement are not charged separate brokerage fees, custody fees, and generally are not charged transaction fees. Mutual funds charge a management fee for the investment adviser to the mutual fund, and this is separate from TC's investment advisory fees. In connection with TC's management of an account not custodied at Pershing through its PAS program or at TD Ameritrade through its institutional advisor program, a client may incur brokerage fees, custodian fees, transaction charges, mutual fund fees and other fees and expenses. The client is billed or charged directly and is responsible for any such fees and expenses.

TC believes that Pershing's and TD Ameritrades's execution capabilities qualify, and their processes for monitoring the same, to be well within applicable industry standards and requirements. TC will seek to obtain, through Pershing or TD

Ameritrade, the best combination of price and execution when effecting brokerage transactions for client accounts. TC has retained Global Trading Analytics, LLC to assist it in conducting quarterly trading analyses to help ensure TC is meeting its fiduciary obligation with respect to each advisory client's securities transactions (i.e., best-execution obligations).

Some broker-dealers may charge fees and commission rates that are lower than those charged by Pershing or TD Ameritrade. Because TC believes that the brokerage services offered by PAS/Pershing and TD Ameritrade (including such factors as custodial services, execution capability, financial stability and clearance and settlement capability offered through and provided by Pershing and TD Ameritrade as clearing brokers) are of high quality, TC will not solicit competitive execution fees or commission rates from other brokers.

PAS/Pershing and/or TD Ameritrade may not necessarily (i) deal directly with market makers in over-the-counter or fixed income securities transactions, (ii) always bundle the transactions of an account with transactions of other accounts in order to receive volume discounts, or (iii) execute transactions at the lowest fees or commission rates available. Accordingly, transactions will not always be executed by PAS/ Pershing or TD Ameritrade at the best price or lowest available execution fee or commission rates and in some instances the charges may be higher.

For TC clients with custody arrangements on the PAS platform, PAS/Pershing may receive compensation for administrative, distribution or shareholder related services from the sale of securities or other investment vehicles that TC may recommend to its clients. These include shareholder servicing fees and distribution payments from the sale of mutual funds. For those same client assets, TC receives assistance from Pershing in the form of a credit which may be used for technology (including portfolio accounting) and marketing services concerning client accounts maintained at PAS. The amount of the credit is equal to 2.35 basis points calculated annually on total assets under management in accounts held by PAS/Pershing but excluding assets of a retirement plan subject to Part I of ERISA. TC does not currently use any of these credits for payment of marketing services. These practices present conflicts of interest by creating incentives to (i) recommend investment products based on compensation generated and (ii) recommend PAS custodial services based on support services generated, rather than on a client's needs. TC addresses these conflicts through disclosure and additionally reviews the quality of services PAS provides to clients.

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

some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14 below.)

Except for the benefits described in the above two paragraphs and the referenced disclosure in Item 14 below, TC does not receive products or services other than execution from broker-dealers.

For discretionary portfolio management services, TC has the authority to determine which securities are to be bought and sold, the amount of securities to be bought or sold, the timing of such transactions, the broker-dealer to be used, and the commission rate to be paid.

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

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

Any trade errors will be rectified to make the client whole as if the error did not occur. TC has the responsibility to effect orders correctly, promptly and in the best interests of our clients. In the event any error occurs in the handling of any client transactions, due to TC's actions, or inaction, or actions of others, TC's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting TC in any way. In all circumstances

involving trade errors made by TC, clients are “made whole.” If the error is the responsibility of TC, any client transaction will be corrected and TC will be responsible for any client loss resulting from an inaccurate or erroneous order.

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

### Order of Trading

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

### Trade Aggregation

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

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

## Cross Trades

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

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

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

In most instances, the broker-dealer selected by a client directed account for execution of transactions has referred that client to TC as an advisory client. Such directed accounts may pay brokerage commissions in excess of that which PAS/Pershing, TD Ameritrade or another broker might have charged. TC reserves the right to approve the broker-dealer selected by a directed account. In some instances, TC may recommend that a client utilize another broker-dealer for execution of transactions. Clients with directed brokerage accounts should recognize that they may be able to obtain discounts from published brokerage commission rate schedules. Clients with outside accounts must seek such discounts themselves, and TC will not seek such discounts on their behalf.

## Item 13: Review of Accounts

The TC Investment Committee (the "IC") is comprised of David Post (TC's Chief Investment Officer), Gary Ran and Mary Bakhaus, with David Post serving as IC Chair. These individuals are the voting members of the IC. The IC is supported by TC's Research and Trading Team (the "RTT") consisting of David Post, Maurice Furman, Jeff Cheek and Brian Babcock. Messrs. Furman, Cheek and Babcock are also ex-officio members of the IC. The IC has responsibility for

setting investment policy guidelines, risk model asset allocations, and all portfolio investment selections, as well as monitoring and updating the investment models as warranted. The IC meets at least monthly and more frequently as needed. The RTT meets weekly to review model investments and to review prospective investments, either requested by or for proactive submission to the IC.

In certain cases TC engages external managers to sub-advise a portion of client portfolios. The IC conducts due diligence on each of these managers using various research tools and services, including the due diligence services provided on the Envestnet platform. The IC focuses its due diligence on each prospective sub-advisor's investment strategy, people, process and performance in making its decision to retain the sub-advisor. All sub-advisory relationships are monitored for adherence to strategy, portfolio construction and performance on a quarterly basis. Quarterly communication is also maintained between the RTT and the sub-advisor to further evaluate the investment.

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

As part of its basic Wealth Management service, TC provides clients with a goal based financial plan. After an initial review with the client, basic financial plans are not reviewed on a regular or consistent basis, unless requested by the client. To the extent that the client subsequently establishes account(s) with TC, the account review practices described above will apply.

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

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

From time to time, TC may enter into agreements providing cash compensation to persons who refer clients to them. These agreements are governed by, and require that the solicitor meet the disclosure and other requirements of Rule

206(4)-3 under the Investment Advisers Act. The terms of the agreements may differ somewhat depending upon the circumstances, but generally TC pays a portion of the fees it receives from the introduced clients directly to the solicitor. However, clients will not pay a greater advisory fee or any other fee to TC or any of its affiliates as a result of such arrangements.

As disclosed under Item 12 above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its clients, although Advisor 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 Advisor 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 Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its client accounts. These products and services may assist Advisor in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor 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 Advisor, and there is no employee or agency relationship

between them. TD Ameritrade has established AdvisorDirect 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 Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor 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 Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor 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.

Advisor'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, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor 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. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

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

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

## **Item 15: Custody**

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

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

## **Item 16: Investment Discretion**

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

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

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

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

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, TC has adopted and implemented written policies and procedures governing the voting of client securities. Proxies that TC receives will be treated in accordance with these policies and procedures.

TC has engaged the services of Broadridge's ProxyEdge platform to vote and maintain records of all proxies. The Broadridge open architecture platform allows TC to choose from several different proxy advisory firms to make recommendations on how our firm should vote the proxies. TC has selected Egan-Jones Proxy Services as the current advisor, who considers the reputation, experience, and competence of a company's management and board of directors when it evaluates an issuer.

In addition, TC has also contracted with Broadridge as provider to file class action "proof of claim" forms on behalf of its client accounts.

TC's complete proxy voting policy, procedures, and those of its proxy voting service providers, are available for client review. In addition, our complete proxy voting record is available to our clients. Clients should contact us if they have any questions or would like to review any of these records.

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

## **Item 18: Financial Information**

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

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

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

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

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. PAS/Pershing may also assist, depending on the type of disaster, with back office and trading assistance for accounts custodied with them. Both PAS/Pershing and TD Ameritrade have their own disaster recovery plans with backup facilities in different parts of the U.S. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location for a period of time.

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

TC maintains an information security program to reduce the risk that your personal and confidential information may be breached. TC is committed to

maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

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

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

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

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

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

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

## Conclusion

If you have any questions concerning TC's services or this brochure, please contact us at (248) 827-0103 or by email to [eoppenheim@telemus.com](mailto:eoppenheim@telemus.com).