

FIRM BROCHURE  
(Part 2A of Form ADV)



**Quad City Investment Advisors, LLC**  
**3551 7<sup>th</sup> Street, Suite 104 | Moline, Illinois 61265**

**309.743.7756**  
**[www.qcbt.com](http://www.qcbt.com)**

This brochure provides information about the qualifications and business practices of QUAD CITY INVESTMENT ADVISORS, LLC. If you have any questions about the contents of this brochure, please contact us at: (309) 743-3580. 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 QUAD CITY INVESTMENT ADVISORS, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

February 23, 2016

## **MATERIAL CHANGES**

---

### **Annual Update**

The Material Changes section of this brochure will be updated when material changes occur since the previous release of the Firm Brochure. During the annual update these changes will be recorded in this section.

---

### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. This document is designed to meet this requirement and will be updated annually.

Since our last Firm Brochure dated September 30, 2015, no material changes have been made.

---

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (309)743-7756.

# Table of Contents

<b>Material Changes .....</b>	<b>i</b>
Annual Update .....	i
Material Changes since the Last Update .....	i
Full Brochure Available .....	i
<b>Advisory Business .....</b>	<b>1</b>
Firm Description .....	1
Principal Owners .....	1
Types of Advisory Services .....	1
Tailored Relationships .....	2
Types of Agreements .....	2
Investment Management Agreement .....	2
Retirement Plan Services Investment Agreement .....	2
Asset Management .....	3
Termination of Agreement .....	3
<b>Fees and Compensation .....</b>	<b>3</b>
Description .....	3
Fee Billing .....	4
Other Fees .....	4
Expense Ratios .....	4
Past Due Accounts and Termination of Agreement .....	5
<b>Performance-Based Fees .....</b>	<b>5</b>
Sharing of Capital Gains .....	5
<b>Types of Clients .....</b>	<b>5</b>
Description .....	5
<b>Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>5</b>
Methods of Analysis .....	5
Investment Strategies .....	5
Risk of Loss .....	6
<b>Disciplinary Information .....</b>	<b>7</b>
Legal and Disciplinary .....	7
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>7</b>
Financial Industry Activities .....	7
Affiliations .....	7
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>8</b>
Code of Ethics .....	8
Participation or Interest in Client Transactions .....	8
Personal Trading .....	8

<b>Brokerage Practices .....</b>	<b>8</b>
Selecting Brokerage Firms .....	8
Best Execution.....	9
Soft Dollars .....	9
Order Aggregation .....	10
<b>Review of Accounts .....</b>	<b>11</b>
Periodic Reviews .....	11
Review Triggers.....	11
Regular Reports.....	11
<b>Client Referrals and Other Compensation .....</b>	<b>11</b>
Incoming Referrals.....	11
Referrals Out .....	11
Other Compensation.....	11
<b>Custody .....</b>	<b>12</b>
Account Statements .....	12
Performance Reports .....	12
<b>Investment Discretion.....</b>	<b>12</b>
Non-Discretionary Authority for Trading .....	12
Limited Power of Attorney .....	12
<b>Voting Client Securities.....</b>	<b>12</b>
Proxy Votes .....	12
<b>Financial Information .....</b>	<b>13</b>
Financial Condition .....	13

## ADVISORY BUSINESS

---

### Firm Description

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA), was originally founded in 2000 as CMG Investment Advisors, LLC. In 2008 CMG was purchased by Quad City Bank & Trust. In 2010, the firm was renamed Quad City Investment Advisors, LLC.

QCIA provides investment management and personalized confidential financial planning to individuals, pension and profit sharing plans, corporations, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial issues, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Investment advice is provided, with the client making the final decision on investment selection. The client maintains asset control. QCIA places trades for clients under a limited power of attorney.

Periodic reviews are communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

---

### Principal Owners

Quad City Investment Advisors, LLC is a wholly owned subsidiary of Quad City Bank & Trust as of 2008.

---

### Types of Advisory Services

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) provides investment services, also known as asset management services to clients. QCIA also offers Retirement Plan Services.

As of December 31, 2015, QCIA manages approximately \$144,000,000 in assets for approximately 289 accounts. All of the \$144,000,000 is managed on a non-discretionary basis.

---

## **Tailored Relationships**

Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

---

## **Types of Agreements**

The following agreements define the typical client relationships.

---

### **Investment Management Agreement**

Quad City Investment Advisors, LLC (QCIA) offers Investment Management services to clients. Within the scope of the Investment Management Agreement arrived upon through consultations, financial and investment goals are set and objectives to reach those goals are defined. As financial and investment goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Investment Management Agreement is provided to the client in writing prior to the start of the relationship in the signed Investment Management Agreement. The service includes investment management for individuals and firms on a non-discretionary basis. Recommendations are based on the client's needs, investment objectives, financial and tax status, and their risk tolerance among other factors.

Although the Investment Management Agreement is an ongoing agreement and adjustments may be required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

---

### **Retirement Plan Services Investment Agreement**

QCIA provides investment management to individuals, pension and profit sharing plans, corporations, trusts, estates, charitable organizations and small businesses. Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies.

QCIA will develop portfolios and fund selections for participants of [the plan]. These investment options are reviewed at least annually as part of the due diligence process – this ensures that participants of [the plan] will have effective and well-managed options available to them throughout the lifetime of this plan.

---

### **Asset Management**

Assets are invested primarily in no-load or low-load mutual funds and exchange-traded funds. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Quad City Investment Advisors, LLC (QCIA) provides certain Asset Management Services in conjunction with the Synervest Portfolio and Synervest Advantage Program offered by Loring Ward, Inc. (LWAS). When utilizing the Synervest program, QCIA recommends portfolios of SA Funds

which are administered by LWAS. SA Funds are modeled fund packages of DFA Funds. LWAS provides quarterly reports of account holdings, historical performance and transactional data to clients and QCIA. LWAS receives a fee as the administrator of the SA Funds. These fees and other LWAS program services are described in LWAS's ADV Part 2 Brochure that will be provided to clients using the program. QCIA and LWAS are not affiliated. The Synervest Advantage Program allows the client to hold both SA Funds and non-SA Funds in their portfolio. LWAS charges a separate management fee on the non-SA Funds held in the Synervest Advantage account.

When not utilizing the LWAS Synervest Advantage Program for clients, QCIA recommends for implementation the services of LPL Financial, Charles Schwab & Company, Inc. ("Schwab"), Fidelity Brokerage Services, LLC ("Fidelity") and TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC as custodians. In rare circumstances outside assets can be held at the client's direction outside of the managed model portfolio.

Initial public offerings (IPOs) are not available through QCIA.

---

## Termination of Agreement

The Agreement may be terminated by any party effective upon receipt of written notice to the other parties. If the advisory agreement is terminated before the end of the quarterly period, client is entitled to a pro-rated refund of any pre-paid quarterly advisory fee based on the number of days remaining in the quarter after the termination date.

## FEES AND COMPENSATION

---

### Description

#### Asset Management

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) charges fees based on the type of service provided to each client:

The annual Investment Management fee is based on a percentage of the investable assets per client household according to the following schedule:

\$100,000 - \$250,000	1.05%
\$250,000 - \$500,000	1.00%
\$500,000 - \$1,000,000	0.90%
\$1,000,000 - \$2,000,000	0.80%
\$2,000,000 - \$3,000,000	0.70%
\$3,000,000 - \$5,000,000	0.60%
Above \$5,000,000	negotiable

This fee schedule is "break pointed," which means that as the investable amounts included in a client household reach a stated level all assets get the reduced fee. This fee is not adjusted without notification to the client, and fees are generally reviewed during client meetings. As client assets approach breakpoints, it may be in the clients' best interest to make sure the amount stays above the breakpoint in order to pay the minimal amount of advisory fees.

Fee schedules may be negotiated based on the complexity of the client situation, overall relationship, etc. Existing client relationships may be in place where the fees are higher or lower than the current fee schedule above.

The minimum account size is \$100,000 of assets under management, which equates to an annual fee of \$1,050. Quad City Investment Advisors, LLC has the discretion to waive the account minimum and/or minimum fee.

### **Retirement Plan Services**

Quad City Investment Advisors, LLC (QCIA) charges fees based on assets under management and will not exceed 1.5%

QCIA bills the investment management fee quarterly. An invoice will be sent to the plan sponsor within 30 days after the end of each calendar quarter.

---

### **Fee Billing**

Investment management fees are billed quarterly, in advance. The Custodian is responsible for calculating and deducting advisory fees from client accounts. Client must provide the Custodian with written authorization to deduct fees and pay the advisory fees to QCIA. QCIA will then share the advisory fee with its investment advisor representatives. In certain limited cases, including some 401(k) accounts, fees are calculated by QCIA and fees are sent to the plan sponsors.

---

### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security. QCIA receives no income from brokerage trading commissions.

Clients may purchase many of the securities recommended by QCIA directly through nonaffiliated broker-dealers without paying an advisory fee.

QUAD CITY INVESTMENT ADVISORS, LLC, 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, etc.).

---

### **Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. Mutual fund expense ratios also reflect a number of other expenses the fund absorbs internally, including trading and custody fees, legal and accounting expenses, share registration fees, transfer agent fees, and possibly 12b-1 fees. These fees and expenses are borne internally by the fund itself, and are not charged to individual shareholders though the effect is felt by all shareholders in the form of lower investment returns. These fees are in addition to the fees paid by clients to QUAD CITY INVESTMENT ADVISORS, LLC.

QCIA generally offers no-load advisory class shares of all mutual funds that are recommended. These same funds can typically be bought through a broker-dealer without paying an advisory fee,



but the client may have to pay a sales charge or buy shares with a contingent deferred sales charge or other form of acquisition expense.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

---

## **Past Due Accounts and Termination of Agreement**

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) reserves the right to stop work on any account that is more than 90 days overdue.

## **PERFORMANCE-BASED FEES**

---

### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

QUAD CITY INVESTMENT ADVISORS, LLC does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **TYPES OF CLIENTS**

---

### **Description**

QUAD CITY INVESTMENT ADVISORS, LLC generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

---

### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, and technical analysis.

The main sources of information that Quad City Investment Advisors, LLC may use include research from LPL Financial, Dimensional Fund Advisors, and Loring Ward model portfolios, Morningstar Principia mutual fund information, Morningstar Principia stock information, Charles Schwab & Company's "SchwabLink" service, Advisor Intelligence, and the World Wide Web.

Other sources of information may include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

---

### **Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that Quad City Investment Advisors, LLC (QCIA) uses passively-managed indexed mutual funds and exchange-traded funds as the core investments, and then adds actively-managed funds where there are greater opportunities to make a difference. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

QCIA practices the strategy of long-term purchases in client accounts, where positions are purchased and held for a year or longer. QCIA also has the capability of handling margin transactions for clients on an as-needed basis. This strategy is rarely used.

---

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. 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 last 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.

## DISCIPLINARY INFORMATION

---

### Legal and Disciplinary

QCIA, via the annual compliance update process, discovered an oversight in that it had employed two individuals to act on its behalf as Investment Adviser Representatives at a time when they were not in compliance with the registration requirements of the Investment Adviser's Act of 1940. The firm, QCIA, has always been properly registered. This oversight regarding the Investment Advisers Representatives was brought forward to the Illinois State Securities Department by QCIA for resolution. QCIA entered into a Stipulation and Consent Order on June 22, 2011, paid the appropriate fines, and the matter was closed with no further proceedings.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

---

### Financial Industry Activities

QUAD CITY INVESTMENT ADVISORS, LLC is registered as a Registered Investment Advisor with the Securities and Exchange Commission.

---

### Affiliations

QUAD CITY INVESTMENT ADVISORS, LLC has arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, and a banking or thrift institution. Most advisors are dually licensed, which means that they are registered both with a broker-dealer and with a registered investment advisory firm.

The dually registered advisors are affiliated with broker-dealer LPL Financial. There is no conflict of interest at this time as advisors are dually registered to provide the appropriate service to their clients regardless of their needs. The service is client driven.

Representatives of our firm are also licensed as insurance agents/brokers. They may offer insurance products and receive commissions as a result of insurance sales. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn and may not necessarily be in the best interests of the client. Such potential conflicts of interest are subject to review by the Chief Compliance Officer.

The affiliated banking institution is Quad City Bank & Trust. There is no conflict of interest at this time because both the bank trust department and QCIA refer customers to one another depending on the client's own needs and without any compensation to one another. The fact that the same affiliated person manages both entities helps assure that the referral process is two-way and client driven.

Due to a contractual obligation, one Advisor is dually registered with an outside Registered Investment Advisory Firm (RIA). Activity is monitored to assure no conflict of interest for QCIA exists.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

---

### Code of Ethics

The employees of QUAD CITY INVESTMENT ADVISORS, LLC have committed to a Code of Ethics that is available for review by clients and prospective clients upon request.

The Code of Ethics focuses on the firm's responsibility to clients. It states the avoidance of conflicts of interest, the confidentiality requirements for nonpublic client information, and restrictions on outside business activities. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

---

### Participation or Interest in Client Transactions

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades.

Employees comply with the provisions of the QCIA *Compliance Manual*. Those provisions state that the firm and advisers do not recommend trades to clients where the adviser or firm has a material interest in the issue. QCIA does not allow the firm or advisers to trade in the same non-exempt securities as clients (i.e. non-open end mutual funds).

Most client trades are in open ended mutual funds, which are exempt from employee trade reporting because the volume and timing of client trades can have no impact on the employee trade results. Internal controls to prevent contemporaneous trading by employees and clients in the same securities consist of quarterly reviews by the CCO. High standards of training for employees and standards of client care also help prevent abuse.

---

### Personal Trading

The Chief Compliance Officer of QUAD CITY INVESTMENT ADVISORS, LLC is Cynthia Carlson. She reviews employee trades each quarter. Her trades are reviewed by John Anderson, President of QCB&T. The investments reviewed do not include open ended mutual funds, government liabilities, cash accounts, or CDs. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Small mutual fund trades or exchange-traded fund trades do not affect the securities markets.

## BROKERAGE PRACTICES

---

### Selecting Brokerage Firms

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. QCIA recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

QCIA will recommend the use of several broker-dealers, including, but not limited to LPL Financial, Charles Schwab & Company, Inc. ("Schwab"), Fidelity Brokerage Services, LLC ("Fidelity") and TD

Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") (collectively, the "Custodians"). QCIA is independently owned and operated and not affiliated with any of the aforementioned broker-dealer. QCIA also provides certain asset management services in conjunction with the Synervest and Synervest Advantage program offered by Loring Ward, Inc. (LWAS).

QCIA may receive support services and/or products from LPL Financial, Schwab, Fidelity and/or TD Ameritrade, many of which may assist QCIA to better monitor and service program accounts maintained on behalf of QCIA's clients. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate, and may include the following:

- investment-related research
- pricing information and market data
- software and other technology that provide access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products and services used by Advisor in furtherance of its investment advisory business operations

QCIA does not receive fees or commissions from any of these arrangements. Not all investment advisory firms recommend specific broker-dealers.

---

## Best Execution

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) reviews the execution of trades at each custodian monthly. The review is documented in the QCIA *Compliance Manual*. Trading fees charged by the custodians are reviewed on an annual basis. QCIA does not receive any portion of the trading fees.

Support services provided by the Custodians to QCIA are based on the overall relationship between QCIA and the Custodians. It is not the result of soft dollar arrangements or any other express arrangements with the Custodians that involve the execution of client transactions as a condition to the receipt of services. QCIA will continue to receive the services regardless of the volume of client transactions executed with the Custodians. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by the QCIA to the Custodians or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of the arrangement.

---

## Soft Dollars

QCIA has an arrangement with the Custodians. The Custodians offer to independent investment advisers non-soft dollar services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some non-soft dollar benefits from the Custodians through our participation in the program.

The Custodians may make certain research and brokerage services available at no additional cost to QCIA. These services may be directly from independent research companies, as selected by QCIA (within specific parameters). Research products and services provided by the Custodians may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services;

quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by the Custodians to QCIA in the performance of our investment decision-making responsibilities.

Although the non-soft dollar investment research products and services that may be obtained by QCIA will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

As a result of receiving the services QCIA may have an incentive to continue to use or expand the use of the Custodians services. QCIA examined this potential conflict of interest when we chose to enter into the relationship with the Custodians and we have determined that the relationship is in the best interest of QCIA's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

The Custodians charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). The Custodians enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The Custodians commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by the Custodians may be higher or lower than those charged by other custodians and broker/dealers.

Clients may pay a commission to the Custodians that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Neither we nor any of QCIA's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. We routinely recommend that a client directs us to execute through a specified broker-dealer. After considering each client's situation, QCIA may recommend the use of one or more of the broker-dealers identified above. Each client will be required to establish an account with a Custodian. Please note that not all advisers have this requirement.

---

## Order Aggregation

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit. Occasionally QCIA may encounter a situation where it could aggregate client orders. If this situation does occur, since QCIA does not aggregate trades clients may pay transaction costs that are higher than they would have been if the orders had been aggregated.

Clients may direct their brokerage transactions at a firm other than the Custodians. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices. Likewise, client directed brokerage accounts may also result in more favorable prices, depending on each client's individual situation.

## REVIEW OF ACCOUNTS

---

### Periodic Reviews

Account reviews are performed at least annually or as determined necessary and/or requested by clients. Account reviews are performed more frequently when market conditions dictate.

---

### Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

---

### Regular Reports

Investment Management clients receive periodic communications on at least a quarterly basis, which typically consist of statements from their custodian.

## CLIENT REFERRALS AND OTHER COMPENSATION

---

### Incoming Referrals

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) may from time-to-time accept client referrals from outside professional service providers, such as CPAs. When accepting such referrals, QCIA may pay fees to the firm or individual person making the referral pursuant to a Solicitor's Contract. The fee may be a fixed amount or a percentage of the fees earned by QCIA or its advisory representative for managing the referred account. When the referral fee is based on account management fees earned by QCIA and its advisory representative, the fee will be in the range of approximately 10% to 25% of the fee collected per year depending upon the account size that QCIA advises. In all situations where a referral fee is paid to an outside firm or individual, the referral fee is paid out of the management fee on the account and does not result in the client paying fees that are higher than they would be if the referral fee was not paid. Also, when a firm or person is paid for making a client referral to QCIA, that firm or person may have a conflict of interest and there can be no assurances that the referral is in the client's best interest.

---

### Referrals Out

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them. From time to time, as the client's situation requires, QCIA may refer clients to its principal owner Quad City Bank & Trust.

---

### Other Compensation

QCIA and employees may receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings with investment advisor representative, client workshops or events, marketing events or advertising initiatives, including services for identifying prospective clients. Product sponsors

---

may also pay for, or reimburse QCIA for the costs associated with, education or training events that may be attended by QCIA employees and investment advisor representatives and for QCIA sponsored conferences and events.

## **CUSTODY**

QCIA does not have custody of client funds. LPL Financial, Schwab and TD Ameritrade will serve as the custodians of client assets on behalf of QCIA.

---

### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly, sometimes monthly based on activity.

It should be noted that as QCIA has the right to deduct its management fees directly from the account, it is deemed by rule to have a form of custody over the account. However, in such situations, all account assets will remain in the possession of a qualified custodian who is independent of QCIA.

### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by QUAD CITY INVESTMENT ADVISORS, LLC.

## **INVESTMENT DISCRETION**

---

### **Non-Discretionary Authority for Trading**

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) does NOT accept discretionary authority to manage securities accounts on behalf of clients.

Trades will be placed in client accounts under the following circumstances: when trades are directly requested and/or agreed to by clients, annual rebalancing of accounts as per the agreement, when an asset class deviates more than 5% to 10% from the asset allocation plan and/or pre-approved utilization of the automatic rebalancing feature available through the custodians.

This is non-discretionary authority as all trades are agreed upon, in writing, before placing of trades.

---

### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. The client signs a limited power of attorney so that Quad City Investment Advisors, LLC may execute the trades that the client has approved.

## **VOTING CLIENT SECURITIES**

---

### **Proxy Votes**

QUAD CITY INVESTMENT ADVISORS, LLC does not vote proxies on securities. Clients are expected to vote their own proxies. Clients may contact QCIA to discuss any questions they may have with a particular solicitation.



## FINANCIAL INFORMATION

---

### Financial Condition

QUAD CITY INVESTMENT ADVISORS, LLC (QCIA) does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because QCIA does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.