



---

## THE GARLIKOV COMPANIES

### PART 2A OF FORM ADV

Brochure Date: May 31, 2016

### GARLIKOV ADVISORS, INC.

41 South High Street, Suite 3400

Columbus, OH 43215

(614) 221-0900

<http://www.garlikovcompanies.com>

This Brochure provides information about the qualifications and business practices of GARLIKOV ADVISORS, INC. If you have any questions about the contents of this Brochure, please contact us at 614.221.0900 or [twk@garlikovcompanies.com](mailto:twk@garlikovcompanies.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 GARLIKOV ADVISORS, INC. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

GARLIKOV ADVISORS, INC. is a Registered Investment Advisor. Registration as an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.



## Item 2 – Material Changes

The United States Securities and Exchange Commission (“SEC”) published updated Form ADV rules on July 28, 2010. These rules amend the disclosure document that we provide to clients. This Brochure dated May 31, 2016 is a new document prepared according to the SEC’s new standards. This Brochure is materially different in its structure and requires certain new information that our previous brochure did not require.

In 2016, the material change to the GARLIKOV ADVISORS, INC. business practices was a change of custodian from Schwab Institutional to Scottrade Advisor Services. This section will provide a summary of such changes. We will reference the date of our last annual update as well.

We offer to deliver our Brochure on a quarterly basis. Information to request our Brochure is located on the bottom of every quarterly memo mailed to clients. Pursuant to SEC rules, we will ensure you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year end, December 31. We will provide you without charge amended Brochures, as necessary, based on changes to our business.

Currently, our Brochure may be requested by contacting Michelle Johnson, Operations Coordinator, at 614.221.0900 or by email at [maj@garlikovcompanies.com](mailto:maj@garlikovcompanies.com).

**Item 3 – Table of Contents**

Item 2 – Material Changes .....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	4
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 – Disciplinary Information .....	6
Item 10 – Other Financial Industry Activities and Affiliations .....	6
Item 11 – Code of Ethics .....	8
Item 12 – Brokerage Practices .....	10
Item 13 – Review of Accounts .....	12
Item 14 – Client Referrals and Other Compensation .....	13
Item 15 – Custody .....	13
Item 16 – Investment Discretion .....	13
Item 17 – Voting Client Securities .....	14
Item 18 – Financial Information .....	14
Brochure Supplement(s) (none)	

**Item 4 – Advisory Business**

GARLIKOV ADVISORS, INC. provides investment advisory supervisory services. The majority of our clients give us discretion to trade their accounts. Clients may choose to follow our proprietary investment model (The GARLIKOV Model) or work with us to develop a personalized asset allocation strategy. Under The GARLIKOV Model, we trade accounts based on a capital preservation, conservative growth philosophy. Discretionary trades are based on technical indicators, fundamental analysis, and input from all members of the investment committee. GARLIKOV ADVISORS, INC. enters into trades under this model with a time horizon of greater than thirty (30) days. GARLIKOV ADVISORS, INC. does not “day trade”. Market events or circumstances may cause us to exit trades prior to thirty (30) days having elapsed.

GARLIKOV ADVISORS, INC. specializes in managing assets inside variable universal life (“VUL”) insurance contracts. GARLIKOV ADVISORS, INC. found that assets inside VUL contracts are often neglected to the detriment of the policyholder, which is why the GARLIKOV Model was initially developed. The Model is designed to preserve policy cash values during volatile or uncertain periods, and grow cash values when opportunities are present. GARLIKOV ADVISORS, INC. recognizes and tracks the issues that may arise if policy cash values fluctuate similar to the equity markets.

As of March 31, 2016, GARLIKOV ADVISORS, INC. has \$148,784,716 of discretionary assets under management.

GARLIKOV ADVISORS, INC. develops personalized investment strategies for clients who choose not to follow the firm's discretionary model. GARLIKOV ADVISORS, INC., at the request of a client, may also complement this strategy by allocating a portion of the client's assets into a sector rotation strategy. Customized portfolios are available to insurance clients who have \$100,000 or more in policy cash values. There is no account size restriction for advisory clients with assets under custody at Scottrade Advisor Services (“Scottrade”). The account custody was switched to Scottrade effective 5/10/16.

As of March 31, 2016, GARLIKOV ADVISORS, INC. has \$8,689,451 of customized portfolio assets under management.

GARLIKOV ADVISORS, INC. recommends Exchange Traded Funds (“ETFs”) mutual funds, and fixed income for clients with customized portfolios. GARLIKOV ADVISORS, INC. does not recommend individual stocks. GARLIKOV ADVISORS, INC. will consult with clients if they are interested in individual stocks and provide advice based on specific expressed interests.

Clients with discretionary or customized portfolios may consult with GARLIKOV ADVISORS, INC. on certain restrictions (client based restrictions) they would like to impose on their accounts. GARLIKOV ADVISORS, INC. retains discretion when determining whether or not to impose the client based restriction. GARLIKOV ADVISORS, INC. is likely to grant the client's request where the client has a customized portfolio. Any such client based restrictions must be recorded in writing



either in the client's investment management agreement or with a separate written correspondence acknowledged by GARLIKOV ADVISORS, INC.

Other services offered: GARLIKOV ADVISORS, INC. provides financial planning and charitable asset management.

GARLIKOV ADVISORS, INC. has existed since 1982 and is 100% owned by Donald E. Garlikov. Mr. Garlikov is an active participant of the GARLIKOV ADVISORS, INC. investment committee and is involved in the GARLIKOV ADVISORS, INC. day-to-day business operations.

## Item 5 – Fees and Compensation

Insurance Contract Accounts: GARLIKOV ADVISORS, INC. is entitled to an annual advisory fee for each Insurance Contract Account calculated on the total account value of the Insurance Contract. The management fees for Insurance Contract Accounts are billed in arrears as of the contract anniversary date. Fees will be prorated if the Insurance Contract or the executed management agreement has been in effect for less than a full year. This fee typically arises when the insurance contract management is started or stopped at a time different from the policy anniversary date.

All Other Managed Accounts: GARLIKOV ADVISORS, INC. is entitled to a quarterly advisory fee computed on the fair market value of the assets under management in All Other Managed Accounts. Fees for All Other Managed Accounts shall be billed quarterly, in advance, based on the fair market value of the All Other Managed Accounts as of the first day of each calendar quarter. The quarterly fee shall equal 25% of the Annual Fee set forth in chart below. Fees will be pro-rated if services commence or terminate on a day other than the first or last day of a calendar quarter. *Except for insurance and annuity managed accounts, client fees will be drafted automatically from their investment advisory accounts unless otherwise noted by the client. In all cases, the client affirms in writing, the Advisor's ability to draft fees from the client's account.*

Fixed Income Only Accounts: Insurance Contract Accounts and All Other Managed Accounts where 90% or more of the assets are permanently or passively invested in fixed income instruments, including individual bonds or CDs, fixed income mutual funds, or money market funds, are billed at a reduced rate. The management fee for Fixed Income Only accounts is 0.25% annually based on the fair market value of assets under management. This fee is subject to a minimum \$500 annual fee. The account's billing method will be based on whether the assets are in an Insurance Contract or Other Managed Account.

Financial Planning: GARLIKOV ADVISORS, INC. also offers financial planning advice on an hourly rate basis. GARLIKOV ADVISORS, INC. reserves the right to establish flat-fee arrangements for clients who wish to have ongoing planning services. The fee for these arrangements will be determined by the complexity of the planning



issue, the client's investable assets, the proposed number of client meetings, and the total estimated time each planning project will take. These arrangements will be made in advance and in writing.

For purposes of calculating the advisory fee for Insurance Contract Accounts, All Other Managed Accounts, and Fixed Income Only Accounts, the total account value is measured on the basis of the total household account value of the client. Connected household accounts must be identified and agreed on in advance by the client and GARLIKOV ADVISORS, INC. Any account for which fees are unpaid will not count toward the cumulative total account value base until all fees are paid.

GARLIKOV ADVISORS, INC. reserves the right to bill for finance charges on outstanding invoices that are greater than 30 days in arrears. GARLIKOV ADVISORS, INC. reserves the right to negotiate finance charges for late invoices.

The annual fee shall be determined in accordance with the following table:

Account Value	Fee on Account Value
Up to \$50,000	\$500
Between \$50,000 and \$1,000,000	1%
Between \$1,000,000 and \$2,000,000	1% on 1 <sup>st</sup> \$1M; 0.5% on excess
Between \$2,000,000 and \$3,000,000	1% on 1 <sup>st</sup> \$1M; 0.5% next \$1M; 0.3% on excess
Between \$3,000,000 and \$10,000,000	1% on 1 <sup>st</sup> \$1M; 0.5% next \$1M; 0.3% on next \$1M; 0.25% on excess
Over \$10,000,000	Fee mutually agreed upon by client and GARLIKOV ADVISORS, INC.

Fees charged by GARLIKOV ADVISORS, INC. are separate and distinct from the fees charged by mutual funds or ETFs. Fees for these investment vehicles are outlined in the fund's prospectus, which clients should review carefully. Mutual funds and ETFs will charge an annual operating expense that is deducted directly by the fund's manager prior to reporting performance. Mutual funds may also charge separate 12b-1 fees, which are not remitted to GARLIKOV ADVISORS, INC. in any form. The GARLIKOV ADVISORS, INC. custodian, Scottrade, may charge separate fees for custody of alternative assets, for wire transfers, and for other services.

Fees charged by GARLIKOV ADVISORS, INC. are separate and distinct from any commission, load, or other expense associated with the purchase of variable life insurance through GARLIKOV & ASSOCIATES, INC., M Holdings Securities, Inc. (MHS) or other insurance accounts or carriers.

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

GARLIKOV ADVISORS, INC. does not currently enter into any new performance-based fee agreements. Prior to 2005 GARLIKOV ADVISORS, INC. did enter into performance-based fee agreements, and plans to renew all such agreements under the current fee schedule as outlined in Item 5 above as soon as practical.

**Item 7 – Clients**

GARLIKOV ADVISORS, INC. generally will provide investment management and other services described above to individuals, trusts, pension plans and businesses. GARLIKOV ADVISORS, INC. provides investment management services for All Other Investment Accounts with a minimum \$50,000 in total assets or Insurance Contracts with a minimum \$250,000 in death benefit. GARLIKOV ADVISORS, INC. has the discretionary authority to lower these minimum account sizes on a case-by-case basis.

For All Other Investment Accounts, a minimum of \$50,000 is an aggregate or household requirement. There is no ongoing minimum account balance that clients must maintain to continue investment management services, however, clients are made aware that account balances in All Other Investment Accounts of less than \$50,000 may prohibit GARLIKOV ADVISORS, INC. from implementing specific trading programs. This is primarily due to trading commissions associated with the securities processed through the custodial. In addition, the client is made aware that trading fees and investment management fees may negatively impact the performance of smaller accounts.

The \$50,000 account minimum applies to all non-insurance investment advisory accounts regardless of whether the client follows The GARLIKOV Model or chooses a personalized asset allocation. Account value minimums do not apply to variable insurance policies sold by GARLIKOV & ASSOCIATES, INC. or MHS, and managed by GARLIKOV ADVISORS, INC. as there are no trading costs associated with variable insurance subaccounts.

As mentioned above, clients can request a customized portfolio allocation if their total account values, either in an Insurance Contract or an All Other Managed Account, exceeds \$100,000. GARLIKOV ADVISORS, INC. reserves the right to waive this minimum.

GARLIKOV ADVISORS, INC. provides investment management services for charities or endowments on a case-by-case basis.

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

Investing in securities involves the risk of loss. Clients should be prepared to accept the risks and losses associated with making investments into equities, fixed income, and other investments. There is no guarantee clients will realize a gain on their investments. The past performance of The GARLIKOV Model or customized portfolios does not guarantee future performance or market returns.

GARLIKOV ADVISORS, INC. employs two distinct investment strategies: The GARLIKOV Model and customized portfolios. There are separate and distinct risks associated with each investment strategy.

**The GARLIKOV Model**

This investment model is fully discretionary. Investment decisions are made by the GARLIKOV ADVISORS, INC. investment committee which meets at least monthly. When making investment decisions, the committee may consider various economic reports, including company earnings, Federal Reserve activity, or reports on employment, productivity, or consumer behavior. In addition, the committee uses technical analysis to gauge the performance of broad market indices or specific security instruments. Technical analysis may consider trading ranges, support and resistance levels, or trends in a security's behavior. Investment decisions require a majority vote, and each committee member receives one vote.

There are risks associated with this investment model. The Model itself is focused on capital preservation first, and then the conservative growth of assets. As such, there may be periods in strongly trending markets where the Model lags benchmark indices such as the S&P 500. There will be times where the Model performs in a way that does not correlate with the market—this is the objective when the markets are losing value. The Model generally invests into a maximum of seven securities so there are risks associated with concentrating assets into one or more investment. GARLIKOV ADVISORS, INC. does have procedures to limit the maximum that can be invested into any one investment instrument excluding money market funds. Finally, the Model may require frequent trading in some circumstances. Insurance Carriers will place limits on frequent trading which can limit the investment strategies associated with the Model. While frequent trading will not affect Insurance Contract costs, this will result in higher trading costs for All Other Managed Accounts.

**Customized Portfolios**

The risks associated with customized portfolios depend on the client's objective. GARLIKOV ADVISORS, INC. has clients who follow a more aggressive, equity-focused allocation that exposes the client to a higher risk or loss. These portfolios can be more volatile than the overall market. GARLIKOV ADVISORS, INC. has clients in fixed-income only portfolios that may fail to keep pace with the S&P 500. GARLIKOV ADVISORS, INC. believes the biggest risk associated with a customized portfolio is failing to adequately identify the client's investment objective.





GARLIKOV ADVISORS, INC. attempts to use ETFs or index mutual funds whenever possible in client portfolios. These investments have low internal operating costs, track a specific investment index, and are generally tax efficient. These investments eliminate the risks associated with investment managers, such as index underperformance, manager turnover and higher operating costs. Index mutual funds are not always available inside Insurance Contracts; in these instances, GARLIKOV ADVISORS, INC. uses Morningstar to assist in identifying the most appropriate investment option for its clients.

ETFs do have trading commissions which must be considered if an investment strategy requires significant trading. Some ETFs in customized client portfolios may be thinly traded which could affect the client's ability to enter into or exit from a position. During periods of extreme volatility, ETF prices may become disconnected temporarily from the price of their underlying securities. This could affect clients with stop and limit orders.

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

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of GARLIKOV ADVISORS, INC. or the integrity of management. GARLIKOV ADVISORS, INC. has no disclosures that need to be made or required information applicable to this item.

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

##### Overview of THE GARLIKOV COMPANIES

GARLIKOV ADVISORS, INC. is affiliated with THE GARLIKOV COMPANIES, which includes an incorporated insurance broker, GARLIKOV & ASSOCIATES, INC. Donald E. Garlikov is the 100% owner of the two corporations that comprise THE GARLIKOV COMPANIES. The principle business of Donald E. Garlikov is the sale and servicing of life insurance contracts through GARLIKOV & ASSOCIATES, INC. Mr. Garlikov spends approximately 80% of his time engaged in this activity. He is a member of the GARLIKOV ADVISORS, INC. investment committee.

GARLIKOV & ASSOCIATES, INC. is an insurance broker that is appointed with various insurance companies, which gives the company access to their life insurance products, both variable and fixed. GARLIKOV & ASSOCIATES, INC. sells variable insurance and variable annuity contracts through M Holdings Securities (MHS). Variable insurance and variable annuity clients of GARLIKOV & ASSOCIATES, INC. can elect to have GARLIKOV ADVISORS, INC. be the investment manager for their variable insurance or variable annuity. GARLIKOV & ASSOCIATES, INC. clients may also choose to have their contract managed by another entity or choose to manage the contracts themselves. The affiliations between GARLIKOV & ASSOCIATES, INC.



and GARLIKOV ADVISORS, INC. are all expressly communicated to clients before and at the time of sale as well as at the time any investment management arrangements are made with the client.

There are no commissions associated with transactions conducted through MHS or GARLIKOV & ASSOCIATES, INC. that are subsequently received by GARLIKOV ADVISORS, INC.

Affiliation with M Financial Group

GARLIKOV ADVISORS, INC. through its affiliation with GARLIKOV & ASSOCIATES, INC. (the M Member Firm) has a relationship with M Financial Group, which provides life insurance and investment services to Member Firms. M Financial Group does not deal directly with clients of GARLIKOV ADVISORS, INC. M Financial Group and its subsidiaries provide to Member Firms a variety of support services, including product design, marketing assistance, and access to securities-related products and services. Member firms are free to offer products and services provided by any financial service provider and are not required to offer products or services designed or promoted by M Financial Group. Member Firms and many of their affiliated producers are stockholders of M Financial Group.

As applicable to GARLIKOV ADVISORS, INC., M Financial Group derives revenue from the following sources:

- Solicitation fees, 12b-1 fees, sales and other forms of compensation paid to M Financial Group or its subsidiaries by financial service providers, including mutual funds and hedge funds that are investment options under variable insurance products sold by Member Firms.
- Investment advisory fees with respect to assets invested in the M Funds, a family of proprietary mutual funds that are available as investment options under variable insurance products.

Neither GARLIKOV ADVISORS, INC. nor GARLIKOV & ASSOCIATES, INC. receives any 12b-1 fees or compensation directly from managers of funds available as investment options under variable universal life insurance policies.

Clients are encouraged to discuss the GARLIKOV ADVISORS, INC. relationship with GARLIKOV & ASSOCIATES, INC., MHS and with M Financial Group. For M Financial Group's full disclosure, please visit [www.mfin.com/DisclosureStatement.htm](http://www.mfin.com/DisclosureStatement.htm).

**Potential Conflicts of Interest**

Donald E. Garlikov may engage in financial and investment transactions with clients that may pose a conflict of interest. For instance, a potential conflict of interest exists as GARLIKOV ADVISORS, INC. may recommend investing client assets in proprietary M Fund subaccounts. GARLIKOV ADVISORS, INC. may generate revenue for M Financial Group by investing in M Fund subaccounts. When evaluating variable insurance policy subaccounts, GARLIKOV ADVISORS, INC. makes a good faith effort to evaluate funds independently of their ties to M Financial Group. GARLIKOV ADVISORS, INC. has and will continue to invest in M Funds if it is determined that the M Fund is the better investment option to meet the client's investment needs. GARLIKOV ADVISORS, INC. will place the client's fiduciary interests above all else.

Clients are encouraged to discuss potential conflicts with GARLIKOV ADVISORS, INC., as well as its relationship with GARLIKOV & ASSOCIATES, INC., MHS or M Financial Group. For M Financial Group's full disclosure, please visit [www.mfin.com/DisclosureStatement.htm](http://www.mfin.com/DisclosureStatement.htm).

**Item 11 – Code of Ethics**

The GARLIKOV ADVISORS, INC. Code of Ethics includes provisions dealing with professional conduct, compliance with all applicable Federal and State security regulations, personal trading policies, gift acceptance, insider trading, and reporting policies. All supervised associates must acknowledge that they have been provided with, and intend to abide by, the Code of Ethics. The GARLIKOV ADVISORS, INC. Code of Ethics is based on the fundamental belief that the GARLIKOV ADVISORS, INC. fiduciary duty to clients must be placed above the GARLIKOV ADVISORS, INC. own interests. Full disclosure of all material facts and potential conflicts of interest will be made to clients before services are conducted. It is the GARLIKOV ADVISORS, INC. primary goal to avoid any material or perceived conflict of interest with clients. A copy of the GARLIKOV ADVISORS, INC. Code of Ethics is available upon request. Clients may request a copy of the Code of Ethics from Michelle Johnson, Operations Coordinator, at 614.221.0900 or by email at [maj@garlikovcompanies.com](mailto:maj@garlikovcompanies.com).



### Securities Trading

GARLIKOV ADVISORS, INC. and its associates may purchase securities recommended to its clients. GARLIKOV ADVISORS, INC. does not believe this poses a conflict of interest for several reasons:

- GARLIKOV ADVISORS, INC. may recommend the purchase of mutual funds. All mutual fund transactions are processed at day's end, and the valuation of the mutual fund is dependent upon factors not related to trading volume or timing of trades. As a result, Advisor-related trades have no impact on mutual fund prices.
- GARLIKOV ADVISORS, INC. may recommend the purchase of highly-liquid ETFs in client accounts. The decision to purchase or sell an ETF by GARLIKOV ADVISORS, INC. or its associates will have no material impact on the price of these ETFs. Furthermore, in the event of a block transaction of ETFs, a blackout period is implemented prior to the trade to prevent any appearance of improper trade activity. On the day of a block transaction, GARLIKOV ADVISORS, INC. and its associates may only purchase or liquidate shares of the ETF after the block transaction has been completed in full.
- In the event, GARLIKOV ADVISORS, INC. recommends individual equities or thinly-traded ETFs to clients who follow The GARLIKOV Model, GARLIKOV ADVISORS, INC. and its associates will be restricted from trading in these securities by a blackout period to prevent any appearance of price manipulation or front-running.

Under no circumstance will GARLIKOV ADVISORS, INC. or any associate trade personal or client accounts on the basis of insider information. GARLIKOV ADVISORS, INC. has extensive written policies and procedures in place to prevent the misuse of insider information. These policies and procedures require that the receipt of insider information should be disclosed to the GARLIKOV ADVISORS, INC. Chief Compliance Officer immediately.

### Privacy Policy

Client privacy is a paramount concern: clients entrust their personal information to GARLIKOV ADVISORS, INC. with the expectation that it will be kept private. The following are the major principles guiding the GARLIKOV ADVISORS, INC. privacy policy:

- We do not sell your personal information to anyone.
- We do not disclose personal information to third parties.
- We do collect personal information in the normal course of business in order to administer your accounts and serve you better.



- We may share personal information with affiliated third-parties and regulatory agencies.
- We protect the confidentiality and security of your personal information.
- We continue to evaluate our efforts to protect personal information and make every effort to keep your personal information accurate and up to date.
- We will provide notice of changes in our information-sharing practices.

If a client would like GARLIKOV ADVISORS, INC. to send her/his personal information to an unaffiliated third party, such as an attorney or accountant, the client must provide GARLIKOV ADVISORS, INC. with a signed written request to do so. If the client makes an oral request, GARLIKOV ADVISORS, INC. will copy the client on any correspondence sent to the unaffiliated third party.

GARLIKOV ADVISORS, INC. is affiliated with GARLIKOV & ASSOCIATES, INC., and with MHS through the registered representatives and IAR's of the Advisor. Information obtained by one affiliate may be shared with the other affiliated company, their associates and their broker-dealer (MHS) unless the client objects in writing. Clients retain the right to opt-out of any potential disclosures of their personal information by contacting GARLIKOV ADVISORS, INC.

A full copy of the GARLIKOV ADVISORS, INC. privacy policy may be requested at any time.

## **Item 12 – Brokerage Practices**

GARLIKOV ADVISORS, INC. does not have input about the choice of insurance carriers or the insurance carrier products or where a client's insurance policy will ultimately be placed. That decision is made solely by Donald E. Garlikov. GARLIKOV ADVISORS, INC. does receive soft dollar-like benefits from carriers; primarily through its affiliation with Donald E. Garlikov.

GARLIKOV ADVISORS, INC. may require that clients establish brokerage accounts with the Scottrade Advisor Services division of Scottrade ("Scottrade"), a FINRA-registered broker dealer, member SIPC, to maintain custody of client's assets and to effect trades for their accounts. Although GARLIKOV ADVISORS, INC. may request or require that clients establish accounts at Scottrade, it is the client's decision to custody assets with Scottrade. GARLIKOV ADVISORS, INC. is independently owned and operated and not affiliated with Scottrade.

Scottrade provides GARLIKOV ADVISORS, INC. with access to its institutional trading and custody services. These services are not contingent upon GARLIKOV ADVISORS, INC. committing to Scottrade any specific amount of business through new assets in custody or trading commissions. Scottrade's brokerage services



include the execution of securities transactions, custody, research, and access to mutual funds and other investments.

For client accounts maintained in its custody, Scottrade generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Scottrade or that settle into Scottrade accounts.

GARLIKOV ADVISORS, INC. is subject to the Scottrade's pricing guide which establishes the basic transaction-related fee structure for client transactions executed through Scottrade. GARLIKOV ADVISORS, INC. reserves the right to negotiate a more advantageous fee arrangement, either on a client by client basis or for all clients as GARLIKOV ADVISORS INC. asset size allows.

Scottrade also makes available to GARLIKOV ADVISORS, INC. other products and services that benefit the firm but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or a substantial number of the GARLIKOV ADVISORS, INC. accounts, including those not maintained at Scottrade.

Scottrade's products and services that assist GARLIKOV ADVISORS, INC. in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregate trade orders for multiple client accounts; (iii) provide research, pricing, and other market data; (iv) facilitate payment of the Advisor's fees from its clients' accounts; and (v) assist with back-office functions, record keeping, and client reporting.

Scottrade also offers other services intended to help GARLIKOV ADVISORS, INC. manage and further develop its business. These services may include: (i) compliance, legal, and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants, and insurance providers. Scottrade may make available, arrange, and/or pay third-party vendors for the types of services rendered. Scottrade may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to the firm.

Scottrade may also provide other benefits, such as educational events to GARLIKOV ADVISORS, INC. In evaluating whether to recommend or require that client's custody their assets at Scottrade, GARLIKOV ADVISORS, INC. may take into account the availability of the products and services and other arrangements commonly offered by Scottrade as part of the total mix of factors it considers and not solely the nature, cost, or quality of custody and brokerage services provided by Scottrade which may create a potential conflict of interest.



### Custodial Evaluation

As detailed below, GARLIKOV ADVISORS, INC. performs an annual assessment of Scottrade in order to ensure that Scottrade continues to meet the needs of, first and foremost, our clients as well as the needs of GARLIKOV ADVISORS, INC.

GARLIKOV ADVISORS, INC. considers, on an ongoing basis, several factors when evaluating a custodian and broker-dealer for its assets (listed in no particular order of importance):

- Commissions (trading charges and fees) charged to its clients, both for equities and mutual funds
- Quality and speed of executions
- Quality of research provided by the custodian
- Quality of customer service and assistance provided to clients
- Disposition toward compliance and regulatory matters
- Miscellaneous factors including robustness of trading platform, ability to handle block orders and special trading requests, compliance resources, continuing education resources, discounts for custodian or broker dealer affiliated software, back-office support, and integration of custodian and broker dealer services with firm software

Considering these factors, Scottrade Institutional was deemed to represent the best overall custodian and broker dealer for the GARLIKOV ADVISORS, INC. clients. Ongoing and no less than annually, we conduct a review of our custodian to ensure that clients are receiving reasonable commission charges, best execution, quality research, and other benefits that are comparable or superior to those found elsewhere in the industry. GARLIKOV ADVISORS, INC. recognizes that it may be able to leverage its client's assets in the future to obtain lower trading commissions.

### **Item 13 – Review of Accounts**

All accounts under management are reviewed no less than quarterly. During each review, an updated performance and holdings report is prepared along with a market commentary. The main purpose of this review is to ensure that all client accounts are performing as expected and that there are no urgent client matters to address. **All clients, regardless of account size, also have the opportunity for an annual review, which GARLIKOV ADVISORS, INC. strongly encourages.** Annual reviews are triggered by the calendar year for All Other Managed Accounts and the variable universal life insurance policy's anniversary date for Insurance Contract Accounts. Annual reviews may include the past performance of the client's account, how well the policy is staying together, or if any adjustments need to be made to the insurance policy, an update of the client's personal information and financial situation. Additionally, the annual reviews provide the opportunity to review the client's goals and risk tolerances and what to expect going forward. Annual review meetings may take place in person or via a teleconference. Clients reserve the right to forgo annual review meetings at their discretion.

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

GARLIKOV ADVISORS, INC. does not compensate clients for providing client referrals. At present, GARLIKOV ADVISORS, INC. does not use third-parties for referral or solicitation purposes.

**Item 15 – Custody**

GARLIKOV ADVISORS, INC. does not custody client assets.

Clients receive account statements from Scottrade or the insurance or annuity carrier where their assets are under custody no less than quarterly. GARLIKOV ADVISORS, INC. urges clients to carefully review these statements to compare these custodial records with the statements GARLIKOV ADVISORS, INC. provides to them. The GARLIKOV ADVISORS, INC. statements may vary from the custodial statements based on account procedures, report dates, or valuation methodologies of certain securities.

**Item 16 – Investment Discretion**

GARLIKOV ADVISORS, INC. may be granted full discretionary authority over a client's account under management. In this case, GARLIKOV ADVISORS, INC. has the authority to decide the securities to be purchased or sold, the number of shares or units to be purchased or sold, the time at which securities will be purchased or sold, and the price at which securities will be purchased or sold.

Clients may request that GARLIKOV ADVISORS, INC. consult with them prior to making any investment decisions. In addition, clients may make reasonable requests that limit THE GARLIKOV ADVISORS, INC. discretion, i.e. no purchases of certain stocks or use of transaction fee mutual funds. Unless overly burdensome, GARLIKOV ADVISORS, INC. will accommodate all such requests.

*Under no circumstance will GARLIKOV ADVISORS, INC. disburse funds from a client account without receiving permission from the client. Disbursement will be sent to the client's primary address of record unless GARLIKOV ADVISORS, INC. receives executed paperwork from the client with different instructions.*

If granted limited discretionary authority, GARLIKOV ADVISORS, INC. will exercise such authority consistent with the client's investment objectives and risk tolerances. Clients will be consulted and conclusions documented before GARLIKOV ADVISORS, INC. places any transactions in their account. Investment objectives and risk





tolerances are reviewed annually or upon client request as long as the client is actively engaged with us.

Full discretionary authority is limited to the movement within variable universal life, annuity, and advisory accounts. Certain transactions may have separate fees associated with them. For example, mutual funds may charge contingent deferred sales charges, ETFs and equities may have trading commissions, and fixed income securities may be subject to markups or markdowns. These fees are associated with the GARLIKOV ADVISORS, INC. broker dealer and custodian, Scottrade Advisor Services, and are not charged or collected by GARLIKOV ADVISORS, INC.

The client's investment management agreement will state whether the client has granted GARLIKOV ADVISORS, INC. limited or full discretionary authority over their account. Specific client request or restrictions will be noted in writing, whether in the client's investment management agreement or separately.

#### **Item 17 – Voting Client Securities**

Under no circumstance will GARLIKOV ADVISORS, INC. vote proxies for clients. If GARLIKOV ADVISORS, INC. receives proxy material on behalf of its client, it will promptly forward the information to the client. On a limited basis, GARLIKOV ADVISORS, INC. may assist clients in understanding matters presented on the proxy ballot; GARLIKOV ADVISORS, INC. may also provide the client with its opinion on the issues presented. However, the client is solely responsible for all proxy voting decisions.

#### **Item 18 – Financial Information**

Registered Investment Advisors are required to provide certain financial information or disclosures about their financial condition. GARLIKOV ADVISORS, INC. has no financial commitments that impair its ability to meet any contractual or fiduciary commitments to our clients.