

Part 2A of Form ADV: MDK Brochure

Item 1

Cover Page

# MDK Financial Group, Inc.

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Houston, TX 77098**

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**IARD#116334**

<http://www.mdkfinancialgroup.com/>

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This brochure provides information about the qualifications and business practices of MDK Financial Group, Inc. It is prepared pursuant to regulatory requirements. If you have any questions about the contents of this brochure, please contact us at the phone number or website listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. MDK Financial Group, Inc. is a registered investment adviser with the SEC under the Investment Advisers Act of 1940 (the "Advisers Act"). However, such registration does not imply a certain level of skill or training. Additional information about MDK Financial Group, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Dated: March 8, 2016**

## Item 2 Material Changes

This Form ADV, Part 2, also known as the “Brochure”, requires disclosure on distinct topics, and answers must be presented in the order of the items in the form, using the headings in the form. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

### **Summary of Material Changes:**

Item 4- Updated Advisory Business

Item 5- Updated Termination

Item 7- Updated Conditions for Account Management

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## Item 4 Advisory Business

### INTRODUCTION

This ADV Part 2A provides information about the qualifications and business practices of MDK / “Michael D. Krost” - Advisor. If you have any questions about the contents of this ADV Part 2A, please contact Gina N. Sprinkle at 713-665-3880 at extension 202 or at [gsprinkle@mdkfinancialgroup.com](mailto:gsprinkle@mdkfinancialgroup.com). The information in this ADV Part 2A has not been approved or verified by the United States Securities and Exchange Commission (SEC), State of Texas Securities Commissioner or by any state securities authority.

MDK Financial Group, Inc. (herein referred to as “MDK”, “Firm,” “we,” “our,” “us”) is a registered Investment Advisory MDK registered with the U.S. Securities and Exchange Commission (SEC) since October 11, 2006. We are noticed filed in our home state of Texas, which means we are registered to do business in this state. We may conduct business in other states by claiming an exemption from registration. Our registration as an Investment Adviser does not imply any level of skill or training.

The oral and written communications we provide you, including this Brochure, is information you can use to evaluate us and other advisers, which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship. This Brochure provides information about our qualifications and business practices.

Additional information about MDK also is available on the SEC’s website at [www.sec.gov](http://www.sec.gov).

### OWNERSHIP

MDK Financial Group, Inc. is a privately owned corporation headquartered in Houston, Texas. Michael D. Krost founded MDK Financial Group, Inc. on November 14, 1990 and is the sole owner of the business.

### ADVISORY SERVICES OFFERED

MDK Financial Group, Inc. is an investment advisory MDK providing:

- Investment Management Services on a Discretionary and Non-Discretionary basis
- Portfolio Monitoring and Performance Appraisal
- Financial Planning Services
- Third Party Manager Referral Program
- Retirement Plan Consulting Services
- Consulting / Asset Allocation Services
- Seminar / Educational Training

### INVESTMENT MANAGEMENT SERVICES

We use an analytic approach to asset allocation utilizing products with low expenses for the bulk of client investments. Our investment philosophy focuses on diversification, and periodic portfolio rebalancing.

We provide portfolio management services on a discretionary and non-discretionary basis. On a discretionary basis, we design, revise and reallocate a custom portfolio for you. On a non-discretionary basis, we provide periodic recommendations to you and if such recommendations are approved, we will ensure that the authorized recommendations are carried out. MDK is guided by the client’s stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income). During our data gathering process via personal communications we tailor the client’s account and our services to the client specific financial profile. The profile is designed to determine the client’s objectives, time horizons, risk tolerance, liquidity needs and current financial needs. We then formulate an investment plan and financial strategy. As appropriate, we also review and discuss a client’s prior investment history, as well as family composition and background. Written recommendations are prepared based on this profile. We rely upon you for accuracy and completeness with regard to a significant amount of the initial financial profiling data. We will discuss with you the initial investment plan and agree to the financial strategy.

Although we offer comprehensive wealth management advice, our advice is neither legal nor accounting advice. We encourage you to coordinate and discuss the impact of our advice with your attorney and accountant. We also rely on you to inform us promptly anytime there are significant changes in your

financial situation, goals, or objectives. Although we offer comprehensive wealth management advice, we rely on clients to engage actively in the process. Failure to participate actively in the process may result in our recommendations failing to meet your needs.

For 403(b) client accounts, we make available a strategy which selects, allocates, monitors, and rebalances institutionally approved mutual funds. For non-403(b) client accounts, in addition to the aforementioned strategy, we make available equities, bonds and certificates of deposits, ETF's, unit investment trust, no-load mutual funds and load waived mutual funds.

If it is determined by us that adjustments need to be made to the portfolio, you will be contacted for authorization. On an annual basis and/or as needed basis, we will communicate with you to reevaluate financial status, needs, objectives and other pertinent information.

We may also offer investment advice concerning investments in cable TV, equipment leasing, mortgages, other partnerships, Real Estate Investment Trusts (REITS) and Unit Investment Trusts (UITs).

MDK manages clients' assets primarily utilizing load waived mutual funds and no-load mutual funds, taking into consideration the overall management style selected by the client. The mutual funds are selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Portfolio weighting between funds and market sectors is determined by each client's individual needs and circumstances.

We may also, when appropriate, sub-advise certain portions of a client portfolio to independent third-party managers or recommend direct investment with independent third-party managers, typically when those managers demonstrate knowledge and expertise in a particular investment strategy.

Custody of Investment Management Service client accounts for both securities and funds will be maintained at Fidelity Investments, Inc., or Pershing. Neither MDK nor its advisory agents are affiliates of Fidelity Investments, or Pershing.

#### **PORTFOLIO MONITORING AND PERFORMANCE APPRAISAL**

Once we complete our analysis of your situation, we will work with you to determine which of our programs is best suited to your needs. We will determine an asset allocation customized to your financial goals, objectives and risk tolerance. Your portfolio allocation will take into consideration your limitations or restrictions, the market and economy at the time and your financial situation, goals and objectives.

We will schedule a meeting with you and present the recommended portfolio allocation. Upon your approval, we will implement the initial portfolio allocation. After we implement the initial portfolio allocation, we will provide monitoring services (your account is not actively managed on a continuous basis). We emphasize personal contact and interaction with you rather than continuous and regular account supervision. We will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time. No changes will be made to the allocation of your account without prior consultation with you and your expressed agreement for each transaction. Depending on your specific goals and objectives, most accounts will not be actively managed and a buy and hold strategy will generally be used.

We primarily use open ended mutual funds, including no-load and load waived or mutual funds purchased at net asset value (NAV), and Exchange Traded Funds (ETFs). However, managed accounts are not exclusively limited to mutual funds and ETFs and may include stocks, bonds, annuities and other products as are suitable based on your goals and objectives.

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

As further described below, MDK has entered into a relationship to offer you brokerage services

through Royal Alliance Associates Financial, Inc. ("Royal Alliance Associates"). There is no affiliation between MDK and Royal Alliance Associates. If you select another brokerage service other than MDK for custodial and/or brokerage services, you will not be able to receive portfolio monitoring and performance appraisal services from MDK.

Advisory representatives of MDK may be associated with Royal Alliance Associates as Registered Representatives. Royal Alliance Associates is a diversified financial services company registered with the Financial Industry Regulatory Authority ("FINRA") as a broker-dealer engaged in the offer and sale of securities MDK Financial Group, Inc. products. Our Advisory Representatives may recommend the purchase of securities offered by Royal Alliance Associates. If you purchase these products through them, they will receive normal commissions, which will be in addition to customary advisory fees. As such, they may have an incentive to sell you commissionable products in addition to providing you with advisory services when such commissionable products may not be suitable. Alternatively, they may have an incentive to forego providing you with advisory services when appropriate, and instead recommend the purchase of commissionable investments, if they deem that the payout for recommending the purchase of these investments would be higher than providing management advice on these products for an advisory fee. Therefore, a conflict of interest exists between their interests and your best interests.

While our Advisory Representatives' security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives they have to sell certain securities products and are encouraged to ask them about any conflict presented.

Please be aware that you are under no obligation to purchase products or services recommended by our Advisory Representatives in connection with providing you with any advisory service that we offer.

Under our portfolio monitoring and performance appraisal services, MDK offers the following wrap fee program: Vision2020 Wealth Management Platform - Advisor Managed Portfolios Program. The Advisor Managed Portfolios Program is available as a non-wrap fee or wrap fee program. A wrap fee program is a fee-based account for which you will pay a single fee for asset allocation, portfolio management, and brokerage services. MDK and Advisory Representatives of MDK will receive a portion of the wrap fee for providing these advisory services.

#### **VISION2020 WEALTH MANAGEMENT PLATFORM - Advisor Managed Portfolios Program**

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

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

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

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

#### **FINANCIAL PLANNING SERVICES**

We provide a variety of financial planning services to you regarding the management of your financial resources, based upon an analysis of your needs. Generally, such financial planning services will involve

preparing a financial program for you based on your financial circumstances and objectives. This information typically covers present and anticipated assets and liabilities, including insurance, savings, investments and anticipated retirement or other employee benefits.

Our financial planning typically includes general recommendations for a course of activity or specific actions that you should take. For example, recommendations may be made that the Clients obtain insurance or revise existing coverage, establish an individual retirement account, increase or decrease funds held in savings accounts or to invest funds in certain securities.

Other financial planning services that we may provide include ongoing financial counseling, account review, securities research and other advisory services related to investments.

Financial planning services to be provided to you will be outlined on the client agreement that you sign with us.

### **THIRD PARTY ADVISORY REFERRAL SERVICES**

We offer our clients the services of various third party investment advisors ("Third-Party Advisory Services") for the provision of certain investment advisory programs including mutual fund wrap and separately managed account programs.

As part of this service, we perform management searches of various unaffiliated registered investment advisers. Based on a client's individual circumstances and needs we will determine which selected third party manager's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected third-party manager. We will provide and encourage clients to review each third-party manager's disclosure document regarding the particular characteristics of any program and managers selected by us.

Once we determine which third-party manager(s) are most appropriate for the client, we will provide the selected third-party managers with the client's suitability. Each selected third-party manager will then create and manage the client's portfolio based upon the client's individual needs as exhibited in the client's suitability.

We will regularly and continuously monitor the performance of the selected third-party manager(s). If we determine that a particular selected third-party manager is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's suitability, we will discuss removing the client's assets from that third-party manager.

MDK advisors will conduct appropriate due diligence on all independent third-party managers, making reasonable inquiries into their performance calculations, policies and procedures, Code of Ethics, and other operational and compliance matters deemed important to account performance and risk management.

If you are interested in learning more about any of these services, please note that a complete description of the programs, services, fees and payment structure, and termination features is available via the applicable Third Party Advisory Service's disclosure brochures, investment advisory contracts, and account opening documents.

In connection with these arrangements, we will provide assistance in the selection and ongoing monitoring of a particular Third-Party Advisory Service. Factors that we consider in the selection of a particular third-party advisor may include but may not be limited to:

- i) our assessment of a particular Third-Party Advisory Service;
- ii) your risk tolerance, goals, objectives and restrictions, as well as investment experience; and,
- iii) the assets you have available for investment.

You should know that the services provided by us through the use of Third-Party Advisory Services are under certain conditions directly offered by them to you. The fees charged by Third-Party Advisory Services who offer their programs directly to you may be more or less than the combined fees charged by the Third Party Advisory Service and us for our participation in the investment programs. However, when using the services of Third-Party Advisory Services directly, you do not receive our expertise in developing an investment strategy, selecting a Third-Party Advisory Service, monitoring the performance of your account and changing a Third-Party Advisory Service provider when appropriate.

We retain an independent third-party account administrator (LWI Financial Inc. or "LWIF") that performs certain services such as account administration, portfolio allocation analysis, asset-class investment strategy, back-office fulfillment, report and statement production, and fee debiting. Such services are paid directly through advisory fees billed to you or are indirectly paid by us. LWIF is an investment adviser registered with the Securities and Exchange Commission.

We may recommend, where appropriate, that clients invest in shares of the SA Funds - Investment Trust (the "SA Funds"), a family of nine asset class mutual funds advised, managed and administrated by LWIF. Fees are not charged directly upon investments in the SA Funds. LWIF receives certain fees and expenses directly from the SA Funds for its services as disclosed in that Fund's prospectus.

MDK may execute transactions through a broker-dealer, Loring Ward Securities Inc. ("LWSI"), that is affiliated and under common ownership with LWIF. LWSI is a securities broker-dealer, member of FINRA/SIPC that introduces all transactions to its correspondent clearing MDK, Fidelity, on a fully-disclosed basis. MDK may incur additional brokerage commissions, ticket charges or other similar expenses that are collected by LWSI, or another broker-dealer and/or custodian of record.

#### **RETIREMENT PLAN CONSULTING SERVICES**

We offer retirement consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor (the "Company") in meeting their management and fiduciary obligations to the plan under ERISA. Retirement consulting services will consist of general or specific advice, and may include any one or all of the following:

1. Strategic Planning and Investment Policy Development/Review.
2. Plan Review.
3. Plan Fee and Cost Review.
4. Acting As Third Party Service Provider Liaison.
5. Assessment of Plan Investments and Investment Options.
6. Plan Participant Education and Communication.

The Company may also engage us to provide the following additional services, for separate compensation:

1. Review of Executive Benefits.
2. Assist With Plan Conversion.
3. Merger and Acquisition Assistance.
4. Assist With Corrective Actions to Comply With Applicable Regulations.
5. Coordination with Other Advisers.

We will determine with the Company in advance the scope of services to be performed and the fees for all requested services. Prior to engaging us to provide pension consulting services, the Company will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the relevant fees and fee paying arrangements. The services outlined above that we provide are explained in more detail in the written agreement.

When we perform our agreed upon services, we will not be required to verify the accuracy or consistency of any information received from the Company.



We will serve in a fiduciary capacity with respect to some of the services that we provide which will be further explained in the written agreement we sign with the Company. The Company is always free to seek independent advice about the appropriateness of any recommendations made by us.

#### **CONSULTING / ASSET ALLOCATION SERVICES**

MDK also offers various consultation services to clients that have not engaged MDK for portfolio management services. MDK provides this more targeted service to address specific investment and financial concerns of the client, which may include advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance, and/or annuity advice. MDK will gather information on a client's current financial status, future goals and attitudes towards risk.

Based upon these personal consultations and the client's goals and objectives, MDK will analyze and make recommendations to a client about an appropriate allocation of available investments which may include, but are not limited to, stocks, bonds, and mutual funds. Once MDK has determined an asset allocation that is appropriate, based on the client's investment goals and strategies suitable for a particular client, MDK may suggest the use of an independent investment adviser to manage the client's portfolio to attain those particular goals. MDK will not manage these client portfolios.

Consulting recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. Please note that any advice given verbally or any advice provided in a written deliverable involving an Adviser's judgment cannot be guaranteed for accuracy. There are no express or implied guarantees of performance for securities-related recommendations. All recommendations are of a generic nature.

#### **SEMINARS / EDUCATIONAL TRAINING**

MDK may hold investment-related seminars and/or educational events to existing clients, prospective clients, and the general investing public. The seminars feature general investment-related advice for educational purposes and may include both securities and non-securities topics. No specific individualized investment advice regarding investment objectives or investment related needs of the attendees, listeners, or audience is rendered during seminars. However, participants are free to schedule meetings with the Adviser(s) in an effort to obtain personalized investment advice.

#### **WRAP FEE PROGRAMS**

We do not sponsor or act as a portfolio manager for any wrap fee programs.

#### **ASSETS UNDER MANAGEMENT**

As of December 31, 2015 MDK Financial Group, Inc. has approximately \$166,283,000 of non-discretionary assets under management and no discretionary assets under management.

## Item 5 Fees and Compensation

### INVESTMENT MANAGEMENT PROGRAM FEE SCHEDULE:

#### ESTABLISHMENT FEE:

At the onset of each investment management relationship, we retain the discretion to charge a one-time fixed fee ranging from \$250 - \$1000 determined by the complexity and scope of your financial profile. The advisory agent assigned to your account will fully discuss and disclose the amount of the establishment fee at the time of the signing of the investment management agreement. The establishment fee if imposed is due and payable upon presentation of the financial profile.

We do not participate in performance based fees. We do charge an hourly fee of \$350.00 per hour for financial planning services. We also charge an asset based fee for investment management services, as per fee schedule below.

#### INVESTMENT MANAGEMENT FEE:

We are compensated for the ongoing quarterly management of the client's account through a quarterly fee based on an annual percentage of the assets managed by us, charged at the end of each quarter. The fee is assessed on the market value of the account on the last calendar day of the preceding quarter, in arrears.

Monies added during the quarter including contributions thru payroll reduction, dividends, interest, capital gains, all sources of income regardless of timing will be included in the fee computation at the end of the quarter as if invested during the entire period.

Rollovers and transfers directly from Fund Company to Fund Company that are added during the quarter will be prorated from the date of deposit to the end of that quarter.

Fees charged by us are negotiable. There is no minimum account size for opening an investment managed account with us.

Advisory clients are subject to MDK's advisory fee Agreement A, B or C in effect at the time the client entered into the advisory relationship. Pre-existing advisory client's maybe engaged in agreements A, or C; MDK created and renovated the Agreements dependent on the client's asset size, currently MDK utilizes Agreement B as the primary Agreement. However all advisory client accounts are managed under the same Code of Ethics.

The range of Investment Management Advisory Fees is as follows:

Total Account Value	Maximum Advisory Fee
First \$0 - \$250,000	1.50%
Next \$250,001 - \$500,000	1.25%
Next \$500,001 - \$1,000,000	1.00%
Next \$1,000,001 - \$2,000,000	1.00%
Next \$2,000,001 - \$3,000,000	0.80%
Next \$3,000,001 - \$4,000,000	0.60%
Over \$4,000,001	negotiable

Fees will range according to size and account, complexity, services rendered, etc and are negotiable upon request.

Portfolio Management fees will be billed in one of three ways.

- (1) Fees will be directly deducted from your account at the custodian quarterly in arrears from your accounts within thirty (30) days following the end of the quarter. We will send the qualified custodian

written notice of the amount of the fee to be deducted from your account.

We and/or the custodian shall provide written notice/invoice documentation reasonably supporting the determination of the investment advisor fees upon request. The Custodian will send to you a quarterly Account statement that shows the amount of our advisory fee, the value of your assets upon which the fee was based, and the specific manner in which the fee was calculated. We will verify that the Custodian sends Account statements on a quarterly basis.

You should compare invoices for advisory fees to the corresponding custodian statement. Statements should be received from the custodian no less than quarterly. If statements are not received, contact us immediately.

- (2) Fees will be directly invoiced on a quarterly basis within (30) days following the end of the quarter. (For clients wishing to be billed must have approval and arrangements being made in advance).
- (3) If no Advisory fee deduction is available from an authorized account, fees will be debited from the client's account that allows fee deduction.

#### **TERMINATION:**

The Agreement shall be continual from the date of the Agreement until canceled. The Agreement may be canceled at any time by either party, for any reason upon receipt of thirty (30) days written notice by the non-canceling party. Upon termination, any earned, unpaid fees will be due and payable. Fees will be pro-rated for any partial calendar quarter. The Client has the right to terminate the Agreement without penalty within five (5) business days after entering into the Agreement.

#### **VISION2020 WEALTH MANAGEMENT PLATFORM - Advisor Managed Portfolios Program**

We offer Advisor Managed Portfolios as an account where no separate transactions charges apply and a single fee is paid for all advisory services and transactions ("Wrap Account").

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

Our fees for this program range from 1.00% to a maximum of 1.35% inclusive of administrative fees for a Wrap Fee Account. Your advisory agreement will set forth the annual agreed upon account fee. Additional, ancillary fees will apply. Please see the Model Program Wrap Fee Program Brochure for further details.

Our Advisor Managed Portfolios advisory fee schedule is as follows:

Total Account Value	Maximum Advisor Fee
\$0 - \$1,000,000.00	1.35%
\$1,000,001.00 +	1.00%

For further details on the Program, including costs please refer to the VISION2020 Advisor Wrap Fee Brochure.

#### **ADDITIONAL TYPES OF FEES OR EXPENSES:**

Mutual fund investments in the programs that we offer are no-load or load at NAV. Your mutual fund investments will be subject to early redemption fees, 12b-1 fees and mutual fund management fees as well as other mutual fund expenses. These fees are in addition to the fees and expenses referenced above. Please review the mutual fund prospectus for full details.

In addition to the per-trade transaction charges referenced above, you will also be subject to per-trade confirmations fees as disclosed on your trade confirmations (typically \$4.00 per trade) and an additional fee of \$1.50 for each trade confirmations that you do not elect to receive electronically. You will also be subject to an additional, per-trade transaction charge on the selling of certain securities as disclosed on your trade confirmations (generally less than \$1.00 on trades of \$50,000 or less). These fees are not shared with us but are transaction charges paid to Royal Alliance and our custodian. Please see Item 10 which explains our relationship with Royal Alliance.

There are additional fees relating to IRA and Qualified Retirement Plan accounts that you will incur such as maintenance and termination fees. You will find these fees disclosed in the account application paperwork provided to you associated with these accounts.

You will be charged an additional fee of \$1.50 for each trade confirmations that you do not elect to receive electronically. You will also be subject to an additional, per-trade transaction charge on the selling of certain securities as disclosed on your trade confirmations (generally less than \$1.00 on trades of \$50,000 or less). These fees are not shared with us but are transaction charges paid to Royal Alliance and our custodian. Please see Item 10 which explains our relationship with Royal Alliance.

There are additional fees relating to IRA and Qualified Retirement Plan accounts that you will incur such as maintenance and termination fees. You will find these fees disclosed in the account application paperwork provided to you associated with these accounts.

In addition to providing advisory services, our Advisory Representatives will likely also sell you securities products and other investment and insurance products in their capacity as registered representatives of Royal Alliance Associates and as licensed insurance agents. We will receive additional compensation in connection with this activity and the amount of compensation will depend on the type of product purchased. We will have a greater financial incentive to sell certain products as opposed to others for example, in the case of mutual funds those that have a higher 12b-1 fee than others. As a result, there is a conflict of interest because the receipt of compensation provides an incentive to recommend investment products based on the compensation received, rather than on your needs. While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentive we have to sell certain securities products and are encouraged to ask us about any conflict presented.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our MDK in connection with providing you with any advisory service that we offer.

#### **FINANCIAL PLANNING FEE SCHEDULE:**

When you receive financial planning services you may also purchase securities or insurance products offered through Royal Alliance Associates, Inc. pursuant to the plan or consultation. Agents of our MDK will receive commissions as Registered Representative's of Royal Alliance Associates, Inc. or as insurance agents in connection with such transactions. Thus, we may have a conflict of interest when providing financial planning services to you as there may be an incentive for us to recommend specific courses of action through our financial planning services that will lead to members of our MDK receiving additional compensation.

Please be aware that you are under no obligation to purchase products or services recommended by us or agents of our MDK in connection with our providing you with financial planning services, or any advisory service that we offer.

The Agreement shall be continual from the date of the Agreement until canceled. The Agreement may be canceled at any time by either party, for any reason upon receipt of thirty (30) days written notice by the non-canceling party. Upon termination, any earned, unpaid fees will be due and payable. Fees will be pro-rated for any partial calendar quarter. The Client has the right to terminate the Agreement without penalty within five (5) business days after entering into the Agreement.

**THIRD PARTY ADVISORY SERVICES FEE SCHEDULE:**

Compensation in connection with Third Party Advisory Services generally consists of five elements: i) management fees paid to Third Party Advisory Services ii) management fees paid to us as outlined below iii) transaction costs - if applicable - which will be paid to purchase and sell such securities; iv) custody fees; v) revenue sharing compensation paid to Royal Alliance Associates, Inc. ("Royal Alliance") the securities broker-dealer to which agents of our MDK are associated with; and vi) fees paid to Royal Alliance for administrative and supervisory services.

For more complete fee details, please see the applicable Third Party Advisory Service's disclosure brochures, investment advisory contracts, and account opening documents. Please see below for our fee schedule:

Model Internal Expense Ratios	
SA Models	
LW Global Defensive	.83%
LW Global Conservative	.90%
LW Global Balanced	.964%
LW Global Moderate	1.03%
LW Moderate Growth	1.07%
LW Global Equity	1.18%
LW Global Capital Appreciation	1.12%

MDK's fees for this program is 1.00% inclusive of administrative fees for a Wrap Fee account. Your advisory agreement will set forth the annual agreed upon account fee. Additional, ancillary fees will apply.

Your total advisory fee is comprised of the Third Party Advisory Service's fee and MDK's fee. This total fee will not exceed 2.18% of your assets under management. Client advisory fees will not be increased as a result of compensation being separately charged by both MDK and the Third Party Advisory Service. MDK's advisory fees are negotiable but fees charged by the Third Party Advisory Service in connection with their services are not. Fees are not based on a share of capital gains or capital appreciation of the funds or any portion of the funds.

Fees are payable quarterly, in advance, based upon the average market value of the assets held in your account of the preceding calendar quarter. Your advisory fee will be debited each quarter from your account by the Third Party Advisory Service who will provide you with an account statement reflecting the deduction of the advisory fee.

**For more complete fee details, please see the applicable Third Party Advisory Service's disclosure brochures, investment advisory contracts, and account opening documents.**

**RETIREMENT PLAN CONSULTING SERVICES FEE SCHEDULE:**

We will bill the Company (Employer) for Retirement Plan Consulting Services at a pre-determined hourly rate. The exact fee is negotiated in advance of services rendered and is disclosed in the executed written agreement that we sign with the Company. Fees will be billed quarterly in "in arrears". In special circumstances, other fee paying arrangements may be negotiated.

**Hourly Rate:**

MDK hourly fee is \$350.00 per hour for retirement plan consulting services.

**CONSULTING / ASSET ALLOCATION SERVICES**

For clients who engage MDK for consulting and/or asset allocation services, MDK charges an hourly fee ranging from \$150.00 to \$350.00 per hour depending on the nature and complexity of the client's circumstances and the MDK associate providing the service.

For administrative and clerical time, MDK will charge between \$75.00 and \$125.00 per hour. For our consulting/asset allocation time, we charge between \$150.00 and \$350.00 per hour. These hourly rates may be negotiable under certain circumstances, are billed monthly and are due and payable as incurred.

**TERMINATION:**

The Agreement shall be continual from the date of the Agreement until canceled. The Agreement may be canceled at any time by either party, for any reason upon receipt of thirty (30) days written notice by the non-canceling party. Upon termination, any earned, unpaid fees will be due and payable. Fees will be pro-rated for any partial calendar quarter. The Client has the right to terminate the Agreement without penalty within five (5) business days after entering into the Agreement.

**OTHER COMPENSATION RECEIVED:**

In addition to providing advisory services, our Advisory Agents may also sell you securities products and other investment and insurance products in their capacity as registered representatives of Royal Alliance Associates, Inc., member FINRA/SIPC and as licensed insurance agents. We will receive additional compensation in connection with this activity and the amount of compensation will depend on the type of product purchased. We will have a greater financial incentive to sell certain products as opposed to others (for example, in the case of mutual funds those that have a higher 12b-1 fee than others). While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

Please be aware that you are under no obligation to purchase products or services recommended by us or Advisory Agents of MDK in connection with providing you with any advisory service that we offer.

**ERISA AND THE PENSION PROTECTION ACT OF 2006 (PPA)**

If this Agreement is entered into by a trustee or other fiduciary, including but not limited to someone meeting the definition of "fiduciary" under the Employee Retirement Income Security Act of 1974 ("ERISA") of an employee benefit plan subject to ERISA, such trustee or fiduciary represents and warrants that Client's participation in the Account is permitted by the relevant governing instrument of such plan, and the Client is duly authorized to enter into this Agreement. Client agrees to furnish IAR or Adviser with such documents, as they shall reasonably request with respect to the foregoing. Client further agrees to notify Adviser and IAR of any event which might affect this authority or the validity of the Agreement.

Client additionally represents and warrants (i) that the governing instruments provide that an "investment adviser" as defined under ERISA may be appointed, and (ii) that the person executing and delivering this Agreement on behalf of Client is a "named fiduciary" (as defined under ERISA) who has the power under the plan to appoint an investment manager. If Client is a corporation, the party executing this Agreement on behalf of Client, represents that execution of this Agreement has been duly authorized by appropriate corporate action.

In order for the investment advice to be deemed "eligible", Adviser has taken the required steps as set forth in Title VI, Section 601 Disclosures to meet the requirements of the Act.

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

We do not charge performance based fees nor do we provide side by side management services.

## Item 7 Types of Clients

### Client Base

Our customer base consists of individuals and high net worth individuals, trusts, estates, corporations and other business entities (companies) and pension profit sharing plans. These are the types of clients that we service, but we may not have all these types as current clients at any one time.

### Conditions for Account Management

The account minimum is generally \$40,000. However, under certain circumstances, MDK may waive the minimum account size requirement and accept accounts less than the required amount. Such circumstances may include but not be limited to the addition of assets to your account in the future, or the fact that you and or family may have other accounts under management with us. Your performance may suffer due to difficulties with diversifying smaller accounts and due to risk controls potentially being compromised. Performance of smaller accounts may vary from the performance of accounts with more dollars invested since fluctuations in the market may affect smaller accounts more.

Each Third Party Advisory Service that we offer will have their own account minimums. Their account minimums are disclosed to you through their own Form ADV Brochure and associated paperwork that will be presented to you.

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

### Methods of Analysis & Investment Strategies

Retirement savings and personal investments are allocated in line with the MDK's recommended portfolios with the intent of accomplishing the highest probability of achieving and maintaining financial independence.

When analyzing investments that may be right for you, we use both Fundamental and Technical Analysis. Fundamental analysis is security analysis grounded in basic factors such as company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Information such as interest rates, GNP, inflation and unemployment may be used to predict the direction of the economy and therefore the stock market. Technical analysis is the practice of using statistics to determine trends in security prices and make or recommend investment decisions based on those trends. Technical analysis focuses on matters such as trade volume, demand, and volatility to help determine the market forces at work on a certain security or on the securities market as a whole.

In addition to those methods, sources and strategies listed we use a broad range of information in formulating its recommendations. We are not, however, solely dependent upon one source in including newspapers, magazines, newsletters and news services to evaluate the economic environment and the prospects for specific securities including mutual funds. In addition, we also rely upon outside consultants to provide evaluations of specific securities and the prospects of various sectors of the economy. In some cases, we may visit the corporate headquarters of investment sponsors, or the sites of investment projects to refine its understanding of sponsors, investments, and the investment environment. Additionally, we may obtain information from websites. Product information and due diligence research are provided by Royal Alliance Associates, Inc.

### Investment Strategies:

Subject to suitability requirements, we generally advise the long-term purchase of mutual funds to our clients. Long-term purchases are typically defined as the purchase of securities held for at least a year.

### Methods of Analysis Risks:

Fundamental Analysis - When using Fundamental Analysis, we generally rely on, among other things, company earnings, balance sheet variables and management quality which are used to predict the future

value of an investment. Data we review is generally considered reliable but we cannot guarantee nor have we verified its accuracy. In addition, the data that we review is sometimes subjective in nature and open to interpretation. Even if our data and interpretation of the data is correct, there may be other factors that determine the value of securities other than those considered in Fundamental Analysis.

Technical Analysis - When using Technical analysis we review statistics to determine trends in security prices and make our investment decisions based on those trends. This analysis may only be able to predict how an investment will perform short-term. In addition, this analysis does not take into account, the more fundamental properties of what an investment may be worth such as company performance and balance sheet variables which may play a part in determining the value of an investment.

#### Investment Strategy Risks:

Long-term purchases - Using a long-term purchase strategy generally assumes the Financial Markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall Financial Markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Short-term purchases - Using a short-term purchase strategy generally assumes that we can predict how Financial Markets will perform in the short-term which may be very difficult. There are many factors that can effect Financial Market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Short sales - A short sales strategy is profitable when the price of the security that is "sold short" declines. If you purchase a security, the maximum amount of money you can lose is the value of the investment (the price goes to \$0). If you "sell short" the same security, and the price of the security increases, your potential for loss is unlimited.

Margin - Using margin involves the use of leverage by borrowing money to purchase securities. If the price of the purchased security decreases, you risk losing significantly more money than your initial investment. Further risks are disclosed in the margin agreement you will sign before we engage your account in this activity.

#### Security Type Risks:

Stocks - Investing in stocks involves the assumption of risk including:

- Financial Risk: which is the risk that the companies we recommend to you may perform poorly which will effect the price of your investment.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities we recommend to you with it.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.
- Political and Governmental Risk: which is the risk that the value of your investment may change with the introduction of new laws or regulations.

Bonds - Investing in bonds involves the assumption of risk including:

- Interest Rate Risk: which is the risk that the value of the bond investments we recommend to you will fall if interest rates rise.
- Call Risk: which is the risk that your bond investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.
- Default Risk: which is the risk that the bond issuer may be unable to pay you the contractual interest or principal on the bond in a timely manner or at all.
- Inflation Risk: which is the risk that the rate of price increases in the economy



deteriorates the returns associated with the bond.

Mutual Funds - Investing in mutual funds involves the assumption of risk including:

- Manager Risk: which is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities contained within the mutual funds we recommend to you.
- Industry Risk: which is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the mutual fund.

Associated Risks:

When using Fundamental Analysis, we generally rely on, among other things, company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Data we review is generally considered reliable but we cannot guarantee nor have we verified its accuracy. In addition, the data that we review is sometimes subjective in nature and open to interpretation. Even if our data and interpretation of the data is correct, there may be other factors that determine the value of securities other than those considered in Fundamental Analysis.

When using Technical Analysis we review statistics to determine trends in security prices and make our investment decisions based on those trends. This analysis may only be able to predict how an investment will perform short-term. In addition, this analysis does not take into account, the more fundamental properties of what an investment may be worth such as company performance and balance sheet variables which may play a part in determining the value of an investment.

When pursuing our long-term purchases strategy, we are assuming the Financial Markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall Financial Markets advance. In addition, purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

We primarily recommend mutual funds to you. Investing in mutual funds involves the assumption of risk including:

- Manager Risk: which is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities contained within the mutual funds we recommend to you.
- Industry Risk: which is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the mutual fund.

Listed above are some of the primary risks associated with the way we recommend investments to you, please do not hesitate to contact us to discuss these risks and others in more detail

**Investing in securities involves risk of loss that you should be prepared to bear.**

You need to understand that investing in securities involves risk of loss, including the potential loss of the

principal money you are investing. Therefore, your participation in any of the management programs offered by MDK requires you to be prepared to bear the risk of loss as well as the fluctuating performance of your accounts. Market values of investments will always fluctuate based on market conditions. In order to help minimize some of the risk, MDK uses the following disciplines: portfolio rebalancing, pure asset classes, tax harvesting and minimal overlap.

## Item 9 Disciplinary Information

On April 19, 2006, a Management Person within MDK was the subject of a consent administrative proceeding brought by the Texas State Securities Board ("TSSB") involving certain registration and advertising restriction issues raised during a routine inspection. MDK fully cooperated and promptly complied with all requests made by the staff of the TSSB regarding these issues. MDK was not accused of any fraudulent activity but was cited for distributing to clients certain performance data by email in alleged violation of section 116.15(2)(D) and (3) of the TSSB's Rules regarding advertising restrictions. This regulatory matter was resolved without litigation. No clients of the MDK suffered any losses as a result of the email correspondence and MDK has received no related customer complaints. Prior to distributing the foregoing email correspondence, MDK sought and obtained approval to disseminate the email correspondence from the Registered Advertising Principal for Royal Alliance Associates Inc. who was retained by MDK, for a fee, to provide supervisory duties which included the review of outgoing email correspondence. MDK has strengthened its procedures to ensure that all future outgoing correspondence is reviewed for compliance with the advertising restrictions contained in the TSSB's rules prior to disseminations to clients. MDK has also strengthened its procedures to ensure proper compliance with the investment advisor representative registration provisions of Section 14.a (5) (b) of the Texas Securities Act. MDK consented to the administrative order without adjudication of any finding of fact or conclusion of law and in the spirit of cooperation agreed to a reprimand and the payment of a \$10,000 fine.

### *Management Person:*

Anyone with the power to exercise, directly or indirectly, a controlling influence over your RIA's management or policies, or to determine the general investment advice given to the clients of your MDK.

## Item 10 Other Financial Industry Activities and Affiliations

### **FINANCIAL INDUSTRY RELATIONSHIPS:**

#### **Unaffiliated relationships:**

MDK's President and investment adviser agents (IAR) are also registered Broker Dealer representatives of Royal and insurance agents/brokers of various insurance companies. In such capacities, MDK's Advisory Agent's will receive the normal brokerage or insurance commissions and/or other compensation. Royal and the various insurance companies are not related entities of MDK.

Investment adviser representatives of MDK are registered securities representatives of Royal, a registered broker-dealer, member of the Financial Industry Regulatory Authority, ('FINRA'), SIPC and a registered investment adviser. Royal is a diversified financial services company engaged in the sale of specialized investment products. Advisory Agents of MDK may recommend securities or insurance products offered by Royal, and receive normal commissions if products are purchased through them. Thus, a conflict of interest exists between the interest of the advisory representatives and you. If you purchase these products through them, they will receive normal commissions in addition to customary advisory fees. As such, Advisory Agents may have an incentive to sell you commissionable products in addition to providing you with advisory services when such commissionable products may not be suitable. Alternatively, they may have an incentive to forego providing you with advisory services when appropriate, and instead recommend the purchase of commissionable investments, if they deem that the payout for recommending the purchase of these investments would be higher than providing management advice on

these products for an advisory fee. Therefore, a conflict of interest may exist between their interests and your best interests.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented. You are under no obligation to purchase products recommended by these advisory representatives or to purchase products either through these agents of Royal.

Under the rules and regulations of FINRA, Royal has obligations to maintain records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives in relation to certain advisory accounts for which its registered representatives provide investment advice. These obligations require Royal to coordinate with, and have the cooperation of the account custodian. In order to fulfill its obligation, Royal has established a list of custodian and brokerage MDKs which it has arranged to obtain the required cooperation, and which therefore may be utilized for custody of accounts directly advised either by registered representatives of Royal who are investment advisers or other investment advisory entities which are affiliated with registered representatives of Royal.

In certain instances, Royal will collect, as paying agent for MDK, the investment advisory fee remitted to MDK by the account custodian. Royal will retain a portion as a charge to the investment adviser (not the client) for the functions Royal is required to carry out by the FINRA. This fee will not increase execution or brokerage charges to the client or the fee the client has agreed to pay to the MDK pursuant to the client's advisory agreement. A portion of the fee retained by Royal may be re-allowed to other registered representatives of Royal who, as registered representatives of Royal, are responsible for the supervision of the other representatives and assist Royal with the functions described above.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our MDK in connection with providing you with any advisory service that we offer.

For those associates described above, approximately 10% of each business day is devoted to review and sales of securities and insurance.

### **THIRD PARTY ADVISERS RELATIONSHIPS:**

We currently have third party advisory relationships with Royal Alliance Associates, Inc. and LWI Financial Inc.

You will receive a Solicitor's Disclosure Statement, pursuant to SEC Rule 206(4)-3. The Solicitor's Disclosure Statement provides, among other things, disclosure regarding the affiliation, if any, between our MDK and the third-party adviser: the terms of the solicitation agreement between our MDK and the third-party adviser, including the amount of compensation to be paid to our MDK for the solicitation; and the additional cost to you if any, as a result of the solicitation agreement.

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

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS / PERSONAL TRADING:**

We may recommend you the purchase of investment products in which we or a related entity may have some financial interest, including the receipt of compensation. Certain mutual funds (and/or their related persons) in which you invest could make payments to broker-dealers. Such payments may be distributed pursuant to a 12b-1 distribution plan or pursuant to another arrangement as compensation for distribution or administrative services will be paid out of the fund's assets. Advisory agents of MDK in their capacity as registered representatives of Royal Alliance Associates, Inc. will receive such fees or other compensation to the extent permitted by applicable law.

MDK and/or its advisory agents are registered representatives of Royal Alliance Associates, Inc, the sponsor of the Vision2020 Wealth Management Program. We will receive higher fees as a result of recommending the Vision2020 Wealth Management Program to you than other programs or services

which are offered by us.

A fund that imposes a front-end sales load but which waives that front-end sales load for purchases made on behalf of the client's account (a 'front-end load' fund at net asset value) may bear 12b-1 distribution or service fees in excess of .25% of a client account's net assets invested in such fund (the maximum allowed for no-load funds). The 12b-1 fee, deferred sales charges and other fee arrangements will be disclosed upon your request and are typically described in the applicable fund's prospectus. Because of these compensation arrangements, a conflict of interest exists in connection with the recommendation of particular mutual fund investments for a client's account.

At times the interests of MDK or its advisory agents accounts may coincide with the interest of your accounts, however, at no time will or any advisory agent receive an added benefit or advantage over you with respect to these transactions. We will maintain a record of personal securities transactions. All rules and regulations of the Investment Adviser's Act of 1940 will be strictly enforced. We do not permit insider trading.

We may recommend securities to you or buy or sell securities for your account at or about the same time we may buy or sell the same securities in our own account. As such, there may be instances where our interests may appear to be placed ahead of yours. To mitigate this conflict, our MDK policy prohibits us from receiving a better price on our order, if you and we invest in the same security on the same side of the market on the same day.

#### **CODE OF ETHICS:**

We have adopted a Code of Ethics (the "Code") to address securities-related conduct. As required by Rule 204A-1 under the Investment Advisers Act of 1940. The Code of Ethics contains provisions that remind employees of their obligations to clients and obligations to comply with federal securities laws, set forth standards of conduct, restrict personal securities trading, conflicts of interest, gifts, and require reporting of personal securities transactions and holdings.

MDK does not buy and sell securities for its own accounts and does not permit the purchase or sale of securities on a principal basis from its clients, however it may from time to time effect trades on a riskless principal basis allowing for mark-ups and mark-downs. Financial Advisors may buy or sell securities identical to those securities recommended to clients and therefore may have an interest or position in certain securities that are also recommended and bought or sold to Clients.

MDK has implemented policies designed to ensure that its employees will not put their interests before a client's interest. For example, employee trading is monitored to ensure that Financial Advisors do not trade ahead of clients or obtain a better price for themselves than for a client for the same securities traded on the same day. MDK is required to maintain a list of all securities holdings for its associated persons. MDK employees are prohibited from trading on non-public information or sharing such information.

The MDK conducts its securities and investment advisory business in accordance with all applicable Federal and State securities regulations. MDK and its subsidiaries do not maintain an inventory of investments for resale and does not buy or sell securities for itself that it recommends to (or purchases or sells for) clients.

The Code includes our policies and procedures developed to protect your interests in relation to the following topics:

- The duty at all times to place your interests first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the Code and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of your security holdings and financial

circumstances are confidential; and

- The principle that independence in the investment decision-making process is paramount.

Clients and prospective clients may request a copy of the MDK's Code of Ethics by contacting the MDK, either through their Financial Advisor or by use of the number or e-mail on the front of this brochure.

## **Item 12 Brokerage Practices**

Our Advisory agents are also Registered Representatives of Royal Alliance Associates, Inc, a FINRA registered broker-dealer. In order to meet its FINRA supervisory obligations, Royal Alliance requires that all investment advisory activities that we conduct are processed through Royal Alliance's clearing relationships with Pershing LLC ("Pershing"). As a result, we do not have the discretion to choose the broker-dealer or commission rates to be paid. However, we do believe that Pershing's blend of execution services, commission and transaction costs as well as professionalism will allow us to seek best execution and competitive prices.

In connection with the provision of Third Party Advisory Services, our choice of custodian will be limited to those choices offered by the Third Party Advisory Service.

We may aggregate your orders with those of other clients in a bunched trade or trades when securities are purchased or sold. For each account that we include in the bunched trade, we must reasonably believe that the bunched order is consistent with our duty to seek best execution and may benefit you and each client participating in the aggregated order. The average price per share of each bunched trade is allocated to each account that participates in the bunched trade. Accounts that participate in the same bunched trade are charged transaction costs, if applicable, in accordance with their advisory contracts.

If a bunched order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation. Partial fills will be allocated in a way that does not consistently advantage or disadvantage particular client accounts and are generally filled pro-rata among participating accounts.

We may execute transactions through a broker-dealer, Loring Ward Securities Inc. ("LWSI"), that is affiliated and under common ownership with LWIF. LWSI is a securities broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA") that introduces all transactions to its correspondent clearing MDK, Fidelity, on a fully-disclosed basis. MDK may incur additional brokerage commissions, ticket charges or other similar expenses that are collected by LWSI, or another broker-dealer and/or custodian of record.

## **Item 13 Review of Accounts**

We generally provide investment advice, financial planning services and investment management services. Investment advisory client accounts with on-going contributions have their contributions verified monthly. Investment advisory client accounts are reviewed quarterly and/or as contracted for, however continuous daily reviews are made of all accounts. MDK management will also review on an as needed basis client accounts that may be flagged for various reasons such as over concentration in a single security, heavily traded accounts or significant increases/decreases in performance. The reviews will confirm quality standards and continued suitability with client investment objectives. The MDK does not verify performance data provided to it by third parties. Clients will receive (at a minimum) annual performance reports, which may be written or accessed electronically (or both) and will receive either quarterly or monthly account statements and confirmations in paper form or electronically through on-line access. Account statements reflect all securities and cash transactions in the account as well as current positions and values. Each individual advisory agent is responsible for the review and subsequent follow-up. Michael D. Krost, advisory agent and President of MDK, reviews all recommendations and reports

prepared the investment company prior to presentation by MDK Advisory Agent's.

All client transactions by MDK are reviewed for suitability on a next day basis by a designated supervisory principal. Subsequently, on at least a quarterly basis, we review and analyze the suitability, performance, and other aspects of the account. On at least an annual basis the Financial Advisor will contact the client to update financial and personal information and to determine if there have been any changes in the client's investment objectives or personal circumstances that could impact the ongoing suitability of the Account. Although no written report is sent to you, holdings across client accounts are continuously reviewed. Account reviews are performed at least quarterly and may be performed more frequently if triggers such as changes in the tax laws, significant changes in economic or market conditions, new investment information, and changes in a client's personal and/or financial circumstances or investment objectives takes place.

Although the client may engage their advisor to review their plan at any time, the advisor encourages the client to at least meet for an annual review.

Investment management clients receive statements or account and transaction confirmations from the accounts custodian. More frequently reports may be provided by us upon your request. You will additionally receive portfolio statements no less frequently than quarterly, and confirmations upon any transaction in a portfolio from the custodian of the account (usually a brokerage MDK, or a mutual fund company).

Other than the performance reports from such third parties using the custodian's data, the MDK will not provide its own account statements to the client.

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

### **Client Referrals:**

The MDK does not receive economic benefits from any non-client for providing investment advice or other advisory services to clients. The MDK does not compensate any person or entity for client referrals.

### **Other Compensation:**

As discussed previously, all our Advisory agents are Registered Representatives of Royal Alliance Associates, Inc., a registered broker dealer. This arrangement requires us to offer you advisory services and programs sponsored or approved by Royal Alliance. Royal Alliance sets limits on how much we can charge you for these advisory services. Some advisory programs have higher fee limits than others. As such, there may be an incentive for us to recommend to you advisory services or programs with higher limits. In addition, Royal Alliance will charge us certain usage fees and expenses to use their advisory programs which may decrease the amount of money we make when offering investment advice to you. Therefore, there may be an incentive to provide you with advisory programs and services that may be cheaper for us to use, but not as suitable to your needs as other advisory programs that Royal Alliance sponsors which may be more expensive for us to use.

In addition, Royal Alliance offers our Advisory agents educational, training and incentive programs for those Advisory agents that meet certain sales production goals. There may be an incentive for us to manage your account in ways that assist us in meeting these production goals even if such strategies may not always be suitable for your account.

Certain Third Party Advisory Service programs may provide our Advisory agents with the opportunity to attend training or education conferences. Such conferences include the payment or reimbursement of travel, meals and lodging expenses for attendees. Payment/reimbursement of expenses is not contingent upon sales targets or contests, but rather on total assets managed on their respective Third Party Advisory Service platforms. We may have an incentive to recommend Third Party Advisory Service programs that provide us with the above referenced opportunities over those that do not.

Our choice of custodian may be influenced by the services that the custodians available to us provide but do not necessarily benefit your account. Such services include software and technology that assist in the management and administration of your account and a mix of services to manage and further develop our business. A conflict of interest may exist because when we evaluate whether to recommend or require that you custody your assets at Pershing, LLC, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely factors that are beneficial to you such as nature, cost or quality of custody and brokerage services.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

Additionally, for those that elect to purchase insurance products, our advisory agents holding insurance licenses will receive normal commissions.

LWIF may also sponsor educational seminars for the benefit of MDK and our clients. Such educational seminars provide us with access to information and ideas regarding practice development, client servicing, investment strategy, relationship management and financial planning. Attendance expenses associated with such educational seminars may be paid or reimbursed, either in whole or in part, by LWIF.

We try at all times to put the interest of you first as part of our fiduciary duty. However, you should be aware that the receipt of additional compensation creates a potential conflict of interest and may affect judgment when making these recommendations.

## **Item 15 Custody**

Your funds and securities will be maintained with a “qualified custodian” as required under Rule 206(4)-2 under the Advisers Act and we will not take physical possession of any funds or securities. Custody of your accounts for both securities and funds will be maintained at Pershing, LLC, the designated custodian and clearing MDK for Royal Alliance Associates, Inc. or another qualified designated custodian. Account statements are sent quarterly from the custodian and you should carefully review those statements.

### **Third Party Advisory**

Loring Ward (LW) does not take direct custody of Client assets, but does have the ability to withdraw or direct the payment of advisory, administrative, and account trading fees and expenses. Such fees are reflected on the statement Clients receive from the broker-dealer, bank, recordkeeper, or other qualified custodian that holds Client assets.

## **Item 16 Investment Discretion**

You may have granted us sole and absolute discretion in the management of your portfolio and periodic re-balancing to the asset class target percentages as outlined in your Advisory Agreement except with respect to payment of the Firm's Fees. In the exercise of this authority, we are fully authorized and empowered to place orders to brokers, dealers, mutual funds, or other persons with respect to the purchase, sale, exchange, disposition or liquidation of any assets held in your portfolio.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the clients for which we advise. Investment guidelines and restrictions must be provided to us in writing.

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

We do not have the authority to vote proxies solicited by, or with respect to, the issuers of securities held in your account. Typically, proxy materials will be forwarded to you by our custodian. We will forward proxy materials that we may receive to you. You can contact Gina N. Sprinkle at 800-490-7020 or 713-665-3880 at extension 202 or at [gsprinkle@mdkfinancialgroup.com](mailto:gsprinkle@mdkfinancialgroup.com) for any questions about a particular solicitation.

### **Item 18 Financial Information**

MDK does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. MDK has not been the subject of a bankruptcy proceeding.

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

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

Not applicable, we are an SEC registered investment adviser.