

## **Howard Capital Management, Inc.**

**1145 Hembree Rd.  
Roswell, GA 30076**

**phone: 770.642.4902  
fax: 770.642.4906**

**[www.howardcm.com](http://www.howardcm.com)  
[www.hcm401optimizer.com](http://www.hcm401optimizer.com)**

**August 4, 2016**

### **FORM ADV PART 2A BROCHURE**

**This brochure provides information about the qualifications and business practices of Howard Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 770.642.4902. 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 Howard Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Howard Capital Management, Inc. is 118070.**

**Howard Capital Management, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated March 3, 2015, we amended our brochure to disclose that the firm is the investment adviser to another registered investment company, the HCM Dividend Sector Plus Fund. We have also updated our brochure to reflect that we are affiliated with The Optimized Advisor, a company that provides marketing services for our HCM 401(k) Optimizer, and The Optimized RIA, Inc., a registered investment adviser that provides client referrals to our firm and other money managers.

### Item 3 Table Of Contents

Item 1 Cover Page	Page 1
Item 2 Summary of Material Changes	Page 2
Item 3 Table Of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 8
Item 6 Performance-Based Fees and Side-By-Side Management	Page 8
Item 7 Types of Clients	Page 8
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 9
Item 9 Disciplinary Information	Page 11
Item 10 Other Financial Industry Activities and Affiliations	Page 11
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 11
Item 12 Brokerage Practices	Page 12
Item 13 Review of Accounts	Page 15
Item 14 Client Referrals and Other Compensation	Page 15
Item 15 Custody	Page 16
Item 16 Investment Discretion	Page 16
Item 17 Voting Client Securities	Page 16
Item 18 Financial Information	Page 17
Item 19 Requirements for State-Registered Investment Advisers	Page 17
Item 20 Additional Information	Page 17

## Item 4 Advisory Business

### Description of Services and Fees

Howard Capital Management, Inc. is a registered investment adviser based in Roswell, Georgia. We are organized as a corporation under the laws of the State of Delaware. We have been providing investment advisory services since 1999. Ronald Vance Howard is our firm's principal owner through Howard CM Holdings, Inc. Currently, we offer the following investment advisory services:

- **Diversified Portfolio Development/Management/Ongoing Monitoring**
- **Sub-Advisory Services**
- **Pension Consulting Services**
- **HCM 401(k) Optimizer**
- **Mutual Fund Advisory Services**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Howard Capital Management, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term "Associated Person" throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Diversified Portfolio Development/Management/Ongoing Monitoring

We will review, analyze, recommend, develop plan(s) concerning, and, as directed by you, supervise the purchase and sale of, your financial assets. You will authorize our firm to exercise discretion to determine the securities, and amount of securities, to be purchased or sold for your account, in accordance with the terms and conditions of the advisory agreement between you and our firm (hereinafter the "Advisory Agreement").

We may provide any number of services, including but not necessarily limited to: asset management, portfolio analysis and asset allocation services, in each case based on your investment objectives and financial circumstances.

Many clients are referred to our firm by an outside, unaffiliated person, such as registered representatives of broker-dealers, financial planners and CPAs (each a "Referring Entity"), with whom the client has an established relationship. Please refer to the "Client Referrals and Other Compensation" section of this Brochure for information regarding such arrangements.

We ask clients to complete our Investor Profile (investor questionnaire) at the beginning of our engagement; however, if you have been referred to our firm by a Referring Entity, the Referring Entity may have used a questionnaire separate from our Investor Profile and has determined suitability based on the information contained therein. In such instances, we rely upon the Referring Entity and you to determine the goals and objectives of the portfolio in question. In any case, it is the Referring Entity's and/or your responsibility to promptly notify our firm of any changes in your financial condition that would necessitate a change in your investment objectives.

In limited circumstances, we may offer non-continuous asset management services. Under these arrangements, while your accounts may be periodically monitored on a regular basis for performance and adherence to your stated objectives, our understanding of your stated objectives may be formed without consideration of your other assets, investments, insurance and other obligations.

**Fees:** Fees are negotiable depending upon your individual facts and circumstances (i.e., size of account, length of time with our firm, etc.) and at our sole discretion. Our typical fee schedule, based on the percentage of your assets we manage, is as follows:

<b>Assets Under Management</b>	<b>Annual Fee</b>
Up to \$500,000	2.2%*
Next \$500,000	1.7%
Above \$1,000,000	1.2%

*\*The highest advisory fee rate charged (2.2% of assets under management) may be higher than the rates charged by other advisers for comparable services.*

The advisory fee will be based upon the total asset value of the securities under management in the account. Fees will be charged according to the Advisory Agreement. In the event fees are paid in advance in order to retain our services, we agree to provide you with a refund of any unearned fees upon request and upon termination of the Advisory Agreement. Therefore, any fees payable by you shall be for services actually rendered by our firm. We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

Fees may be negotiable under certain circumstances, at our sole discretion. Depending on individual arrangements made, fees paid by one client may be higher or lower than fees paid by another client under similar circumstances.

There may be transaction charges involved with the purchasing or selling of securities which are separate and distinct from advisory fees paid to our firm; however, at our sole discretion, we may assume your transaction and custodial costs. In such cases, we will provide you with a Wrap Fee Program Disclosure Brochure.

**Termination of Advisory Relationship :** You or our firm may terminate these services at any time and for any reason, upon thirty (30) days written notice to the other party. Upon notice of termination, we will await further instructions from you as to what steps you request to liquidate and/or transfer the portfolio and remit the proceeds. Upon instructions received, we will instruct brokers, dealers, mutual fund sponsors, and others to liquidate and/or transfer the portfolio and remit proceeds to you. Upon request, a refund of our unearned advisory fee, if any, will be made on a prorated basis as determined by our firm. Additionally, you may terminate our services within five (5) business days of signing the Advisory Agreement without incurring any charges.

### **Sub-Advisory Services**

We offer sub-advisory services to unaffiliated third party investment advisers (the "Primary Investment Adviser"). As part of these services, we will manage assets delegated to our firm by the Primary Investment Adviser. While we are responsible for the overall management of the assets delegated to our firm, we will not communicate investment recommendations or selections directly to the Primary Investment Adviser's individual clients. Fees and payment arrangements are negotiable and will vary on a case-by-case basis.

## **Pension Consulting Services**

We offer pension-consulting services to employee benefit plans of small- to medium-sized companies and their fiduciaries based upon an analysis of the needs of the plan. In general, these services may include an existing plan review, asset allocation advice, money management services, communication and education services where we will assist the plan sponsor in providing meaningful information regarding the retirement plan to its participants, investment performance monitoring, and/or ongoing consulting. We may have agreements with third party administrators ("TPAs") to provide some of these services as part of the TPA's agreement with the plan. In other instances, we may be introduced to a plan through a TPA and will provide service directly to the plan. Our firm and the TPA may share in fees charged to the plan for their respective services rendered to the plan. We may hold annual educational seminars for the plan employees and provide information on the plan specifics and allocation choices.

The compensation arrangement for these services will be based on the same provisions as disclosed above in the portfolio management section. The type and amount of the fees charged to the client, subject to negotiation, will be based on the scope and complexity of the qualified plan and the requested services. An estimate of the total cost will be determined at the start of the advisory relationship. We require the payment of fees for pension consulting services quarterly in advance.

All accounts to which we provide pension consulting services are regulated under the Employee Retirement Income Securities Act ("ERISA"). We will provide consulting services to the plan fiduciaries as described above. The plan fiduciary is free to seek independent advice about the appropriateness of any recommended services for the plan.

If this Brochure is not delivered to the client at least 48 hours prior to the client entering into the pension consulting agreement, the client may terminate the agreement within five business days of the date of acceptance without penalty. If the client received the disclosure documents 48 hours in advance or if the five-day grace period has expired, either party may terminate the agreement upon written notice to the other party. The pension consulting fees will be pro-rated for the quarter in which the cancellation notice was given and any unearned fees will be refunded to the client.

## **HCM 401(k) Optimizer**

We offer assistance to plan participants who are seeking advice in choosing and allocating investments within their 401(k) or similar defined contribution plan. Based on the information submitted to our firm, we will provide a report of recommendations personally designed for your particular investment goals. The report includes advice on which investments to choose to properly diversify your portfolio, as well as an asset allocation strategy. We continuously monitor your investments and will update your recommendations at least quarterly. We may also make additional recommendations when indicated by the HCM-BuyLine, a proprietary indicator that signals when and how much to invest in equities. All recommendations and correspondence will be communicated via e-mail and our HCM 401(k) Optimizer website.

We charge an annual fee of \$389 for the Pro version and \$79 for the Standard version on a subscription basis, payable in advance. If you are referred by an Associated Person, we may pay a portion of this fee to the Associated Person. If you are referred by an Associated Person, you may be given a coupon code to use when signing up for the service; therefore, you may pay a lower fee than those clients who have not been referred by an Associated Person. In certain cases, you may elect to have the fees deducted periodically from your paycheck through your payroll processor.

Associated Persons may also subscribe to the HCM401(k) Optimizer through an Advisor Subscription. At the Associated Person's discretion, the Associated Person may grant you a complimentary Standard subscription to the HCM 401(k) Optimizer as part of their financial planning process or marketing efforts.

If this Brochure is not delivered to you at least 48 hours prior to your entering into the agreement, you may terminate the agreement within five (5) business days of the date of acceptance without penalty. If you received the disclosure documents 48 hours in advance or if the five-day grace period has expired, either party may terminate the agreement upon written notice to the other party.

### **Mutual Fund Advisory Services**

We provide investment advisory services to the HCM Tactical Growth Fund and the HCM Dividend Sector Plus Fund ("the Funds"), mutual funds registered under the Investment Company Act of 1940. The Funds seek long-term capital appreciation through investments in (i) domestic equity securities of any market capitalization, (ii) investment companies (including mutual funds that use leverage), closed-end funds and exchange traded funds ("ETFs"), (including ETFs that use leverage), and (iii) cash and cash equivalents. We will be entitled to an annual advisory fee equal to 1.25% of the Fund's average daily net assets paid on a monthly basis.

We may recommend investments in the Funds for other advisory client accounts, including accounts for owners, officers, and investment adviser representatives associated with our firm. If you have engaged us for discretionary management services, we may invest a percentage of your assets in the Funds without further approval from you. Because we receive compensation from the Funds, we have a financial incentive to invest client assets in the Funds or to recommend that clients invest in the Funds. However, we will only make such investments and/or recommendations where we believe it is consistent with our fiduciary duty and your investment objectives. We will earn fees from the Funds and fees from you for investments made in the Funds. For ERISA assets invested in the Fund, the advisory fee on such assets will be offset by the amount of the management fee paid to us by the Fund. At our discretion, we may offset a portion of your advisory fee against the fees and expenses you may otherwise pay to the Funds.

You should refer to the prospectus for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Funds. Refer to the *Investment Discretion* section below for additional disclosures on our discretionary authority to manage your investment account.

Securities held in separate accounts, including accounts for owners, officers, and other individuals associated with our firm, may also be the same securities as those purchased by the Funds.

### **Wrap Fee Program**

We are a sponsor of a wrap fee program, which is a type of program that provides clients with asset management services for a single fee that includes administrative fees, management fees, and commissions. If you participate in our wrap fee program, you will pay our firm a single fee, which includes our money management fees, certain transaction costs, and custodial and administrative costs. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by the broker-dealers and the advisory fees charged by our firm.

If you participate in our wrap fee program, we will provide you with a separate Wrap Fee Program Brochure explaining the program and costs associated with the program.

### **Types of Investments**

We offer advice on equity securities, exchange traded fund shares, and mutual fund shares.

### **Assets Under Management**

As of 12/31/2015, we manage \$400,712,178 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

Please refer to the "Advisory Business" section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

For the types of services described, if you were to independently to select them separately without the aid of our firm, you may find your costs to be more or less than if the services were received as a program through our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the "Advisory Business" section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we charge a negotiable 3% one-time set-up fee (subject to a maximum of \$300) to each new account with a balance below \$25,000.



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

### Our Methods of Analysis and Investment Strategies

We use a proprietary market indicator, the HCM-BuyLine, in managing clients' accounts. Our investment strategies are designed to protect capital in market downturns while using our tactical approach to seek to outperform the major indices during market upswings. The HCM-BuyLine tells us when and how much to invest in equities. Simply put, it gives us an objective indicator of the intermediate-term trend of the market. If the bulls are in control, our strategy is to invest capital in equities in order to take advantage of the gains a bull market can possibly bring. However, if the bears are in control, we typically move our clients' capital to the relative safety of money markets or short-term bonds.

Not every HCM-BuyLine® buy and sell will result in a profitable trade. However, there have been situations in the past in which HCM reduced clients' exposure to equities during market downturns by following an HCM-BuyLine® signal, thereby preserving capital. There can be no assurance that the HCM-BuyLine® indicator will protect a portfolio from loss of capital. An important goal of the HCM-BuyLine® is to outperform the market on a long-term basis. The reason is the mathematics of gains and losses. For example, a portfolio which suffers a 30% loss takes a 43% gain to return to the previous portfolio value.

The HCM-BuyLine® is a reactive indicator, not a proactive one. It will not catch the first 5-10% of a bull or bear move. Ideally, it will avoid most of the downtrends and catch the vast bulk of the uptrends. There may be times when the use of the indicator will result in a loss when we re-enter the market. Other times, there may be a modest positive impact. When severe downtrends occur, however, such as in 2000-2002 and 2007-2008, it has the potential to make a significant difference in portfolio performance. Naturally, there can be no guarantee that the HCM-BuyLine® indicator will perform as anticipated. All investment approaches have the potential for loss as well as gain.

We may also use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of fundamental analysis is that information

obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

Our strategies and investments may have unique and significant tax implications. However, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

We primarily recommend equity securities, exchange traded fund shares, and mutual fund shares. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stocks"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange traded funds ("ETFs") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative

companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely.

## **Item 9 Disciplinary Information**

Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

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

### **Arrangements with Affiliated Entities**

We advise some clients and prospective clients to invest in the HCM Tactical Growth Fund and the HCM Dividend Sector Plus Fund ("the Funds"). The Funds are registered investment companies which have contracted with our firm to be the investment adviser. The Funds are managed on a day to day basis by Vance Howard, President of our firm. Portfolio management clients of our firm may be invested in the Funds.

The arrangement between our firm and the Funds presents a conflict of interest because we may have financial incentive to recommend investments in the Funds. While we believe that compensation charged by the Funds are competitive, such compensation may be higher than fees charged by other Funds. You are under no obligation to invest in the Funds.

We are affiliated with The Optimized Advisor through common ownership. The Optimized Advisor is a company that provides marketing services for our HCM 401(k) Optimizer.

We are also affiliated with The Optimized RIA, Inc. through common control and ownership. The Optimized RIA, Inc. may refer advisory business to our firm. Our advisory services are separate and distinct from the fees paid to our affiliate for their services. You are under no obligation to use the services of any firm we recommend, whether affiliated or otherwise, and may obtain comparable services and/or lower fees through other firms.

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

### **Description of our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

We are the investment adviser to HCM Tactical Growth Fund, a registered investment company ("mutual fund") in which you may be solicited to invest. Persons associated with our firm may have significant investments in the Fund. If you are an investor in the Fund, please refer to the fund's offering documents for detailed disclosures regarding the Fund. Additionally, individuals associated with our firm may buy or sell - for their personal account(s) - investment products identical to those purchased by the Fund. This practice may create a conflict of interest because we have the ability to trade ahead of the Fund and potentially receive more favorable prices than the fund will receive. To eliminate this conflict of interest, it is our policy that neither our associated persons nor we shall have priority over the Fund in the purchase or sale of securities.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We may recommend that you use TD Ameritrade, Inc., member FINRA/SIPC/NFA; Charles Schwab & Co., Inc., member SIPC/NYSE; Folio *fn* Investments, Inc., member FINRA/SIPC; Fidelity Brokerage Services, LLC, member NYSE/SIPC; Interactive Brokers, LLC, member FINRA/NYSE/SIPC; and/or Pershing Advisors Solutions, member FINRA/SIPC, among others, for brokerage and custodial services.

TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under "Research and Other Benefits" below.)

We believe that the recommended broker-dealer/custodian provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by the recommended broker-dealer/custodian, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services the recommended broker-dealer/custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Discretionary Brokerage**

Where we have discretion to select brokerage, our general guiding principle is to obtain the best overall execution for each client in each trade, which is a combination of price and execution. With respect to execution, we consider a number of judgmental factors, including, without limitation, the actual handling of the order, the ability of the broker to settle the trade promptly and accurately, the financial standing of the broker, the ability of the broker to position stock to facilitate execution, our past experience with similar trades and other factors that may be unique to a particular order. Recognizing

the value of these judgmental factors, we may recommend or select brokers who charge a brokerage commission that is higher than the lowest commission that might otherwise be available for any given trade.

### **Brokerage for Client Referrals**

We receive client referrals from broker-dealers in exchange for cash compensation; however, we do not recommend broker-dealers to our clients based on client referrals. For information on our client referral arrangements, please refer to the "Client Referrals and Other Compensation" section of this Brochure.

### **Directed Brokerage**

Broker-dealers that we compensate for client referrals may direct our firm to use the brokerage and custodial services of either Folio *fn* Investments, Inc., member FINRA/SIPC, or Pershing LLC, member FINRA/NYSE/SIPC. Where the referring broker-dealer does not direct our firm to use a particular broker-dealer, we will generally use Folio *fn* Investments, Inc. Clients whose accounts are custodied with Folio *fn* Investments, Inc. will be charged a wrap fee in lieu of a per transaction fee for trade execution. Clients should be aware that if the referring broker-dealer directs our firm to use a broker-dealer that charges a per transaction fee for trade execution, they may be paying higher transaction costs than if they were charged a wrap fee.

### **Research and Other Benefits**

We participate in the TD Ameritrade Institutional program through which we receive some benefits from TD Ameritrade. There is no direct link between our participation in the program and the investment advice we provide to you, although we do receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations ; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our associated persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm and/or associated persons but may not benefit you or your accounts. These products or services may assist our firm in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits we receive through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duty to clients, we endeavor at all times to put the interests of our clients first. You should be aware; however, that the receipt of economic benefits by our firm or our associated persons itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

Schwab provides our firm with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers at no charge to them so long as a total of at least \$10 million of the firm's clients' account assets are maintained at Schwab. Schwab services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require significantly higher minimum initial investments. Schwab also makes available other products and services that benefit our firm but may not benefit our clients' accounts.



These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of our advisory fees from our clients' accounts, and assist with back-office support, recordkeeping and client reporting. Our access to the foregoing products and services is not contingent upon our committing to Schwab any specific amount of business (assets in custody or trading).

The products and services we receive from TD Ameritrade and/or Schwab will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services.

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading") when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block. Block trading allows our firm to execute equity trades in a timelier, equitable manner, and may reduce overall costs to clients.

We will only aggregate transactions when we believe that aggregation is consistent with our duty to seek best execution for our clients, and it is consistent with the terms of the Advisory Agreement with each client for which trades are being aggregated. In general, block trades are executed on a model by model basis. Therefore, we will execute a separate block trade for each asset allocation model. No advisory client will be favored over any other client participating in the block trade; each client that participates in an aggregated order will participate at the average share price for the transaction, and transaction costs are generally shared pro-rata based on each client's participation in the transaction. On occasion, owing to the size of a particular account's pro rata share of an order or other factors, the commission or transaction fee charged could be above or below a breakpoint in a pre-determined commission or fee schedule set by the executing broker, and therefore transaction charges may vary slightly among accounts. Average share prices and transaction costs may differ between accounts held at different custodians. In addition, because our firm executes a separate block trade for each asset allocation model, a security may be executed at different prices on the same day if the security is held in more than one asset allocation model. Accounts may be excluded from a block trade due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

If an order is partially filled, it will generally be allocated pro rata, or randomly in certain circumstances. Our books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the

transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement, and we will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

Many mutual funds impose short-term redemption fees. Many of our clients have asked us to manage their accounts either directly at a mutual fund family or variable annuity group, or have placed their assets on a brokerage platform where we may use mutual funds as part of the client's allocation. Our philosophy is to invest client accounts in the appropriate mix of investments under the current market conditions. As those conditions change and our investment work changes, client allocations are adjusted. Because our approach is active, there may be instances where the short-term redemption fee is incurred (especially on new accounts).

## **Item 13 Review of Accounts**

R. Vance Howard, President, monitors client accounts on an ongoing basis. He will monitor the performance of the models in which clients participate and will rebalance clients' positions based on the models. If a client informs us of a change in his or her risk tolerance, we will adjust the account accordingly. In the cases of security specific events and market moving events, we will make adjustments at the model level.

You will receive trade confirmations and monthly or quarterly statements from your account custodian(s). We may assist you in interpreting and/or compiling statements/reports and transferring relevant information onto the appropriate place on your financial statements as part of the review process.

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

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Schwab and TD Ameritrade.

We may compensate unaffiliated third parties for client referrals. Such compensation may serve as an inducement to refer clients to our firm, and therefore may present a conflict of interest. The general circumstances for such payment are as follows:

- (1) We may from time to time pay compensation to unaffiliated third parties for referring clients to our firm. Such arrangements are disclosed in writing to the referred client at the time the referral is made.
- (2) We may from time to time enter into agreements with broker-dealers wherein we pay a fee to the broker-dealer in exchange for access to the representatives of the broker-dealer. Such access includes opportunities to speak in groups of representatives, participate in conferences sponsored by the broker-dealer, counsel with individual representatives, and provide our firm's marketing material to representatives who may choose to refer clients to our firm. This fee is normally calculated based on a percentage of revenue generated by client relationships resulting from such referrals or is based on a fixed fee agreement. Under certain of these arrangements, when a predetermined level of assets under management is reached, this fee may be decreased.
- (3) We may cover certain administrative costs, which would normally be borne by a Referring Entity. Our payment of such costs will naturally increase the net revenue to the Referring Entity, and therefore gives the Referring Entity an incentive to refer clients to our firm instead of alternate advisors.
- (4) We hold meetings with potential and current solicitors and pay their travel expenses for attending.

(5) Associated Persons managing client accounts are assessed an account fee. These fees are assessed to the Associated Person only and are not passed on to clients. This account fee may be waived for Associated Persons who manage a certain account value.

In addition, we have entered into a solicitation arrangement with First Allied Advisory Services ("FAAS") whereby we will compensate FAAS for client referrals. A conflict of interest may exist to the extent an indirect owner of our firm may indirectly receive compensation for referrals from FAAS in connection with his affiliation with FAAS.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of separately managed advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we will forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

The firm or our designee will vote proxies for the Funds that we manage. In these instances, we will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders.



Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

## **Item 18 Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

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

We are an SEC registered investment adviser, therefore this section does not apply.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

**Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and you will not keep the profit.

**Trade Error Correction for Accounts Held with Schwab**

If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

**Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.