

# Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Vector Wealth Management, LLC (hereinafter "Vector" or "the Firm"). If you have any questions about the contents of this brochure, please contact Suzy Klapperich at (612) 378-7560. 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 Vector Wealth Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Vector Wealth Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since Vector's last annual update dated March 18, 2016. The Firm has amended Item 4 to reflect the fact that Michael Ricci is no longer a principal owner of Vector. The Firm has amended Item 10 to reflect the fact that the Firm has acquired a majority ownership stake in another SEC-registered investment adviser, SNS Financial Group, LLC.

## Item 3. Table of Contents

### Firm Disclosure Brochure

Item 1. Cover Page .....	i
Item 2. Material Changes .....	ii
Item 3. Table of Contents.....	3
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation .....	7
Item 6. Performance-Based Fees and Side-by-Side Management .....	10
Item 7. Types of Clients .....	10
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9. Disciplinary Information.....	13
Item 10. Other Financial Industry Activities and Affiliations .....	14
Item 11. Code of Ethics .....	14
Item 12. Brokerage Practices.....	15
Item 13. Review of Accounts.....	19
Item 14. Client Referrals and Other Compensation .....	19
Item 15. Custody .....	20
Item 16. Investment Discretion.....	20
Item 17. Voting Client Securities .....	21
Item 18. Financial Information.....	21

## Item 4. Advisory Business

Since November 1993, Vector has provided investment management services to individuals and institutional clients. The Firm takes a disciplined approach to its investment process and focuses on liability-driven decision making designed to segregate risk and reward components. Vector seeks to maximize risk-adjusted returns over entire market cycles and builds a combination of allocation strategies depending on each client's unique goals and resources.

Thomas Fee and Sharon Calhoun are the principal owners of Vector. As of December 31, 2015, Vector had \$529,042,411 of assets under management, of which \$525,021,928 was managed on a discretionary basis and \$4,020,483 was managed on a non-discretionary basis. In addition, Vector serves as a pension consultant with respect to assets of qualified retirement plans having an aggregate value of approximately \$55,000,000.

Prior to engaging Vector to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Vector setting forth the terms and conditions under which Vector renders its services (collectively the "*Agreement*").

This Disclosure Brochure describes the business of Vector. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Vector's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Vector's behalf and is subject to Vector's supervision or control.

### Investment Management Services

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Clients can engage Vector to manage all or a portion of their assets on a discretionary or non-discretionary basis. Vector primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), individual debt securities, and independent investment managers ("*Independent Managers*"). In addition, Vector may recommend that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. Vector also provides advice about any type of investment held in clients' portfolios.

Vector also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, Vector either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

# Vector Wealth Management, LLC Disclosure Brochure

Vector tailors its advisory services to the individual needs of clients. Vector consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Vector ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Vector if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Vector's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Vector's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Retirement Plan Consulting Services

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Vector provides various consulting services to qualifying employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. As disclosed in the *Agreement*, certain of the foregoing services are provided by Vector as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of Vector's fiduciary status, the specific services to be rendered, and all direct and indirect compensation the Firm reasonably expects under the engagement.

## Financial Planning Services

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Vector offers clients financial planning and consulting services, which may include any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Tax Planning
- Manager Due Diligence

In limited circumstances, Vector offers these services on a stand-alone basis to clients who do not meet Vector's minimum portfolio size, as set forth in Item 7, below. In performing these services, Vector is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Vector may recommend clients engage the Firm for additional related services, its *Supervised Persons* in their

individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage Vector or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Vector under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Vector recommendations and/or services.

### Use of Independent Managers

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As mentioned above, Vector recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*, based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between Vector or the client and the designated *Independent Managers*. Vector renders services to the client relative to the discretionary selection of *Independent Managers*. Vector also monitors and reviews the account performance and the client's investment objectives. Vector receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, Vector reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that Vector considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Vector's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Vector, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to Vector's written disclosure brochure, the client may also receive the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than Vector. In such instances, Vector may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 5. Fees and Compensation

Vector offers its services on a fee basis based upon assets under management. Additionally, certain of Vector's *Supervised Persons*, in their individual capacities, may offer securities brokerage services and insurance products under a commission arrangement.

### Investment Management Fee

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Vector provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Vector. Vector's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by Vector on the last day of the previous quarter. The annual fee varies depending upon the market value of the assets under management, as follows:

<b>PORTFOLIO VALUE</b>	<b>BASE FEE</b>
up to \$500,000	1.20%
\$500,000 - \$999,999	1.00%
\$1,000,000 - \$2,999,999	0.85%
\$3,000,000 - \$4,999,999	0.75%
\$5,000,000 and above	0.65%

### Retirement Plan Consulting Fees

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Vector generally charges a fixed project-based fee to provide clients with retirement plan consulting services. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the *Agreement*. These fees vary, based on the scope of the services to be rendered, and may range up to \$60,000 per year for highly complex and involved engagements. Alternatively, the Firm may charge an annual asset-based fee up to 1.00% depending upon the amount of assets to be managed.

### Financial Planning Fees

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Vector generally does not provide fixed fee financial planning services. In limited circumstances, Vector may provide fixed fee financial planning services to individuals who do not meet Vector's minimum portfolio size, as set forth in Item 7, below. If the client engages the Firm for additional investment advisory services, Vector may offset all or a portion of its fees for investment advisory services based upon the amount paid for the financial planning consulting services. The Firm does not take receipt of prepaid fees in advance of services rendered.

## Fee Discretion

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Vector, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), Vector generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") and/or TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("*TD Ameritrade*") for investment management accounts. Vector participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("*TD Ameritrade*"), an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Vector receives some benefits from *TD Ameritrade* through its participation in the program.

Vector may only implement its investment management recommendations after the client has arranged for and furnished Vector with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, *TD Ameritrade*, any other broker-dealer recommended by Vector, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, Vector's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Vector does not, however, receive any portion of these commissions, fees, and costs.

## Fee Debit

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Vector's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Vector or *Independent Managers* to debit the client's account for the amount of Vector's fee and to directly remit that management fee to Vector or the *Independent Managers*. Any *Financial Institutions* recommended by Vector have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Vector. Alternatively, clients may elect to have Vector send an invoice for payment.



## Fees for Management During Partial Quarters of Service

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis. If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed \$5,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

The *Agreement* between Vector and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Vector's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Vector's right to terminate an account. Additions may be in cash or securities provided that Vector reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Vector, subject to the usual and customary securities settlement procedures. However, Vector designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Vector may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## Commissions or Sales Charges for Recommendations of Securities

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Clients can engage certain persons associated with Vector (but not Vector) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Vector. Under this arrangement, clients may implement securities transactions through certain of Vector's *Supervised Persons* in their respective individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC-registered broker-dealer and member of FINRA. PKS may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by PKS to such *Supervised Persons*. Prior to effecting any transactions clients are required to enter into a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. In addition, certain of Vector's *Supervised Persons* may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

A conflict of interest exists to the extent that Vector recommends the purchase of securities where Vector's *Supervised Persons* receive commissions or other additional compensation as a result of Vector's recommendations. Vector has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

For accounts covered by ERISA (and such others that Vector, in its sole discretion deems appropriate), Vector provides its investment advisory services on a fee-offset basis. In this scenario, Vector may offset

its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by Vector's *Supervised Persons* in their individual capacities as registered representatives of *PKS*.

### Item 6. Performance-Based Fees and Side-by-Side Management

Vector does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### Item 7. Types of Clients

Vector provides its services to individuals, business owners, pension and profit sharing plans, and trusts, estates, and charitable organizations.

#### Minimum Account Size

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As a condition for starting and maintaining a relationship, Vector generally imposes a minimum portfolio size of \$500,000. Vector, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. Vector only accepts clients with less than the minimum portfolio size if, in the sole opinion of Vector, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Vector may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than Vector. In such instances, Vector may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

#### Methods of Analysis & Investment Strategies

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Vector's primary objective is to work with clients to:

- Establish long term goals consistent with their risk and legacy desires;
- Use the Firm's Sojourn™ system to assess financial resources and income needs;
- Establish a prudent, tax-efficient investment policy process;
- Create a well-defined legacy structure and explore estate planning issues; and
- Monitor and report investment results.

## Vector Wealth Management, LLC Disclosure Brochure

Vector has established an Investment Committee which includes Principal Thomas G. Fee, and the Director of Portfolio Management Group, Jason Ranallo. Additional members include advisers as well as portfolio management group team members. The Investment Committee works closely with the Firm's advisors to determine both a high-level allocation strategy as well as a general list of securities products approved to implement custom strategies for clients. Each client is assigned to an advisor who customizes an allocation strategy within the framework of the Investment Committee's allocation designs and approved product concepts. The Investment Committee uses a variety of resources to analyze securities to formulate opinions on markets and review products.

When analyzing and selecting securities, asset types and categories are selected and combined to deliver what the Firm believes to be the most efficient design within each client's portfolio. Vector recognizes that clients have accumulated certain securities products or positions over the years, and the Firm's methodology allows it to maintain or build around these positions to allow for a great deal of customization in a client's allocation.

When implementing client portfolios, Vector may utilize a variety of different types of securities. Although portfolios generally consist of mutual funds, ETFs, and individual debt securities, Vector may also incorporate individual equities, securities traded over the counter, securities issued by foreign issuers, certificates of deposit, municipal securities; structured products, U.S. government securities, options, and/or partnerships investing in real estate and oil and gas interests.

Vector's Investment Committee uses combinations of fundamental analysis and technical analysis in its process of evaluation.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. Vector will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Vector will be able to accurately predict such a reoccurrence.

## Risks of Loss

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### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### *Market Risks*

The profitability of a significant portion of Vector's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Vector will be able to predict those price movements accurately.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholder fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of

inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Use of Independent Managers*

Vector may recommend the use of *Independent Managers* for certain clients. Vector will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, Vector does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Use of Private Collective Investment Vehicles*

Vector may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called “hedge funds”). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

## **Item 9. Disciplinary Information**

Vector is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

In May of 2011, Vector discovered that a clerical/administrative employee had misappropriated approximately \$33,000 of dividends owed to four clients participating in two pooled investments. The employee was promptly terminated, the appropriate regulators were notified, the affected clients were notified and the dividends, with interest, were promptly paid to the four affected clients. On April 18, 2013, the SEC accepted Vector's offer of settlement and entered an order finding violations of the Investment Advisers Act relating to supervision of the employee and custody of the dividends from the two pooled investments. Vector cooperated with the SEC at all times during its investigation and has implemented procedures for further maintaining and ensuring compliance with SEC rules. The SEC did not impose a monetary sanction or any other penalties on Vector, other than a requirement that the Firm engage an outside compliance auditor to provide the Firm with periodic compliance assessments. The SEC noted that in determining to accept Vector's offer of settlement, the SEC considered “remedial acts promptly undertaken” and “cooperation afforded to Commission staff” by Vector.

## Item 10. Other Financial Industry Activities and Affiliations

Vector is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Vector has described such relationships and arrangements below.

### Relationship with Another Investment Adviser

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Vector owns a majority ownership stake in another SEC-registered investment adviser, SNS Financial Group, LLC. The firms share certain supervised persons that provide advisory services to both firms.

### Registered Representatives of Broker Dealer

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As discussed above in Item 5, certain of Vector's *Supervised Persons* are registered representatives of *PKS*.

### Receipt of Insurance Commission

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Vector is under common control with Vector Insurance Services, LLC a duly licensed insurance agency. Certain of Vector's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with Vector Insurance Services, LLC and various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While Vector does not sell such insurance products to its investment advisory clients, Vector does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that Vector recommends the purchase of insurance products where Vector's *Supervised Persons* receive insurance commissions or other additional compensation.

## Item 11. Code of Ethics

Vector and persons associated with Vector ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Vector's policies and procedures.

Vector has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Vector or any of its associated persons. The *Code of Ethics* also requires that certain of Vector's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Vector's *Code of Ethics*, none of Vector's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Vector's clients.

When Vector is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Vector is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Vector to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

As discussed above, in Item 5, Vector generally recommends that clients utilize the brokerage and clearing services of *Schwab* and/or *TD Ameritrade*.

Factors which Vector considers in recommending *Schwab*, *TD Ameritrade*, or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* and *TD Ameritrade* enable Vector to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. In addition, *Schwab* has agreed to compensate clients for any transfer fees that may be assessed for moving their account(s) to *Schwab*. The commissions and/or transaction fees charged by *Schwab* and/or *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Vector's clients comply with Vector's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Vector determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Vector seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.



## Vector Wealth Management, LLC Disclosure Brochure

Transactions may be cleared through other *Financial Institutions* with whom Vector and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. Vector periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Vector in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Vector will not seek better execution services or prices from other *Financial Institutions* or be able to “batch” client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Vector (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Vector may decline a client’s request to direct brokerage if, in Vector’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless Vector decides to purchase or sell the same securities for several clients at approximately the same time. Vector may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Vector’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Vector’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Vector determines to aggregate client orders for the purchase or sale of securities, including securities in which Vector’s *Supervised Persons* may invest, Vector generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Vector does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Vector determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Vector may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among



the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Vector in its investment decision-making process. Such research generally will be used to service all of Vector's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Vector does not have to produce or pay for the products or services.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain *Supervised Persons* in their respective individual capacities, are registered representatives of *PKS*. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *PKS* provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be restricted to conducting securities transactions through *PKS* unless they first secure written consent from *PKS* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *PKS*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *PKS* under *PKS*'s internal supervisory policies. Vector is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Software and Support Provided by Financial Institutions**

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Vector may receive from *Schwab* and/or *TD Ameritrade*, without cost to Vector, computer software and related systems support, which allow Vector to better monitor client accounts maintained at *Schwab* and/or *TD Ameritrade*. Vector may receive the software and related support without cost because Vector renders investment management services to clients that maintain assets at *Schwab* and/or *TD Ameritrade*. The software and related systems support may benefit Vector, but not its clients directly. In fulfilling its duties to its clients, Vector endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Vector's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Vector's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

#### **Schwab Institutional**

Vector may receive the following benefits from *Schwab* through its institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access

## Vector Wealth Management, LLC Disclosure Brochure

to an electronic communication network for client order entry and account information. Vector may also receive investment research from Schwab, both that of *Schwab* and that of third parties. In addition, Vector receives discounted pricing on *Schwab's* Portfolio Center, which is a portfolio management and reporting software program.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting; and
- publications and conferences on practice management and business succession.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Clients should be aware that this receipt of economic benefits creates a potential conflict of interest and may indirectly influence Vector's recommendation of *Schwab* for custody and brokerage services.

### TD Ameritrade Institutional

There is no direct link between Vector's participation in the program and the investment advice it gives to its clients, although Vector receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, Vector may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These products or services may assist Vector in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help Vector manage and further develop its business enterprise. The benefits received by Vector's participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Vector or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Vector's recommendation of *TD Ameritrade* for custody and brokerage services.

### Item 13. Review of Accounts

For those clients to whom Vector provides investment management services, Vector monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of Vector's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Vector and to keep Vector informed of any changes thereto. Vector contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Vector provides investment advisory services will also receive a report from Vector that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis; however, clients with assets under management of less than \$250,000 will only receive performance reports annually. Clients should compare the account statements they receive from their custodian with those they receive from Vector.

### Item 14. Client Referrals and Other Compensation

Vector is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Vector is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to Vector by either an unaffiliated or an affiliated solicitor, Vector may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from Vector's investment management fee, and does not result in any additional charge to the client. If the client is introduced to Vector by an unaffiliated solicitor, the solicitor provides the client with a copy of Vector's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Vector discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Vector's written disclosure brochure at the time of the solicitation.

Vector has entered into an agreement with *Schwab*, an independent and unaffiliated broker-dealer, to participate in Schwab Advisor Network™ ("SAN"), an advisor referral service designed to help investors find an independent professional investment manager in their area. Vector has agreed to pay *Schwab* a fee for participating in SAN. This fee covers all client referrals made to Vector by *Schwab*, and may be increased, decreased or waived by *Schwab* from time to time. Vector shall not charge clients introduced

through *SAN* fees or costs greater than the fees or costs Vector charges its advisory clients who were not introduced through *SAN* and who have similar assets under management with Vector and receive similar services. Vector's participation in *SAN* may raise potential conflicts of interest. Vector's referral fee to *Schwab* is lower if accounts thereafter remain in the custody of *Schwab* rather than another broker-dealer. Any recommendation to use *Schwab* as the broker-dealer shall be consistent with Vector's duty of best execution as further discussed above.

Vector may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

### Item 15. Custody

Vector's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Vector through such *Financial Institution* to debit the client's account for the amount of Vector's fee and to directly remit that management fee to Vector in accordance with applicable custody rules.

The *Financial Institutions* recommended by Vector have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Vector. In addition, as discussed in Item 13, Vector also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Vector.

### Item 16. Investment Discretion

Vector may be given the authority to exercise discretion on behalf of clients. Vector is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Vector is given this authority through a power-of-attorney included in the agreement between Vector and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Vector takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The *Financial Institutions* to be utilized; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

Vector may accept the authority to vote a client's securities (i.e., proxies) on their behalf. When Vector accepts such responsibility, it will cast proxy votes only in a manner it believes consistent with the best interest of its clients. Clients may contact the Firm at any time to request information about how Vector voted proxies for that client's securities.

A brief summary of Vector's proxy voting policies and procedures is as follows:

- The Firm has engaged Broadridge Financial Solutions, Inc. ("*Broadridge*") to provide electronic proxy voting services. Through *Broadridge*, the Firm has access to research, analysis, and recommendations on the various proxy proposals for the client securities that Vector manages from Glass Lewis & Co. ("*Glass Lewis*"), a third-party, independent proxy advisory firm. Vector has reviewed *Glass Lewis*' Proxy Paper Guidelines for the current proxy voting season and has approved the summary of *Glass Lewis*' positions on the voting positions it recommends for the types of proposals most frequently presented, including: election and composition of directors; financial reporting; compensation of management and directors; corporate governance structure and anti-takeover measures; and environmental and social risks to operations. Vector is in agreement with the approach *Glass Lewis* has set forth in its current Proxy Paper Guidelines for voting proxies. Although Vector, based on its approval of the positions in the Proxy Paper Guidelines, expects to vote proxies according to *Glass Lewis*'s recommendations, certain issues may need to be considered on a case-by-case basis due to the diverse and continually evolving nature of corporate governance issues. If such cases should arise, then Vector will devote appropriate time and resources to consider those issues.
- Where Vector is responsible for voting proxies on behalf of a client, the client cannot direct the Firm's vote on a particular solicitation. The client, however, can revoke Vector authority to vote proxies. In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Vector maintains with persons having an interest in the outcome of certain votes, the Firm will take appropriate steps, whether by following *Glass Lewis*'s third-party recommendation or otherwise, to ensure that proxy voting decisions are made in what it believes is the best interest of its clients and are not the product of any such conflict.

### Item 18. Financial Information

Vector does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Vector is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Vector has no disclosures pursuant to this Item.



**Vector**  
WEALTH MANAGEMENT

Prepared by:



**MARKETCOUNSEL®**  
*The Adviser's Advisor®*