

Firm Brochure (Part 2A of Form ADV)  
March 13, 2017

## **AMP WEALTH MANAGEMENT**

421 East Silver Spring Drive, Suite 3  
Whitefish Bay, WI 53217  
(414) 332-1011

[www.ampinvestment.com](http://www.ampinvestment.com)

**This brochure provides information about the qualifications and business practices of AMP Wealth Management. If you have any questions about the contents of this brochure, please contact us at (414) 332-1011. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Registration of an adviser with the SEC does not imply a certain level of skill or training.**

**Additional information about AMP Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 - Material Changes**

This Item 2 discusses only specific material changes that have been made to the brochure and provides clients with a summary of such changes. Since the last annual update to our brochure dated February 19, 2016, the following material changes have been incorporated in the brochure:

- Item 4. We have amended the brochure to update disclosure under “Advisory Services, Services to Other Investment Advisers.”
- Item 12. We have amended the brochure to update disclosure under “Brokerage Practices, Trade and Errors.”
- Items 5 and 7. The minimum account size for 401(k) plans has increased to \$500,000.

We will ensure that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

A copy of the brochure may be requested, without charge, by contacting AMP Wealth Management at (414) 332-1011. Additional information about AMP is also available via the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 3 - Table of Contents**

**Table of Contents**

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

#### **Item 4 - Advisory Business**

AMP Wealth Management (“AMP” or “we”), founded in 1994, provides investment advisory services to clients, including individuals, trusts, corporations, 401(k) plans and other investment advisers. Dr. Jerome Mahalick is the chief executive officer and principal owner of AMP.

##### ***Services to Clients***

Our *services* to clients (other than 401(k) plans and other investment advisers) include:

- Educating our clients on current academic principles of asset management.
- Understanding our clients’ financial goals and objectives.
- Understanding clients’ time horizons and developing asset allocations and strategies for their portfolios.
- Helping clients develop an Investment Policy Statement (“IPS”). The IPS will summarize the overall investment strategy, key objectives, target asset allocation and permissible ranges, and any investment restrictions (concerning either certain securities or certain types of securities).
- Selecting, buying and selling shares of mutual funds, stocks, master limited partnerships, bonds, trust preferred stocks, and money market funds.
- Providing clients with performance reporting and evaluation of all investment securities in AMP *Quantfolios*.

##### ***Services to 401(k) plans***

AMP provides investment services to qualified retirement plans. AMP offers the retirement plans all of the Risk Based *Quantfolios* and a core lineup of mutual funds.

AMP provides services for the initial participant enrollment meeting, annual meetings with each employee (if requested), and on-going enrollment of new employees. Our representatives also advise individual plan participants on appropriate investment choices and any rollovers from any prior plans. AMP also includes periodic monitoring of the core funds.

##### ***Services to Other Investment Advisers***

AMP also serves as a sub-adviser to other investment advisers. We may be retained by an adviser to provide a model portfolio (“Model Portfolio Services”). When providing Model Portfolio Services, AMP provides a model portfolio to be used by the adviser in the management of client accounts. Our model portfolio follows the investment strategies and investments offered in a certain AMP *Quantfolio*, and we provide the adviser with updated information as we purchase or sell securities for the *Quantfolio*. AMP provides this information to the adviser at or near the same time AMP updates its *Quantfolio*. The adviser maintains investment discretion for its client accounts, and places the trades for its clients. The adviser may purchase and sell

securities at the same time, prior to, or after AMP purchases and sells those securities within the corresponding *Quantfolio*. The resulting activity could have a positive or negative impact on AMP's ability to execute trades for AMP's clients.

Alternatively, we may be retained by an adviser to create and maintain portfolios to be used in the management of accounts for clients of the adviser ("Adviser Portfolio Services"). Our investment management services follow the investment strategies and investments offered in certain AMP *Quantfolios*. The advisers engage us to act as discretionary investment manager for their clients' accounts, and we have discretionary authority to execute all transactions for the accounts. The advisers provide a variety of services to their clients, including reviewing each client's investment objectives, risk tolerance, time horizon and asset allocation; comparing the same to a sub-adviser's investment objectives, philosophies and strategies; and assisting their clients in the selection of one or more sub-advisers to provide discretionary investment management services. The clients enter into agreements with the adviser, not AMP, and their fees may differ from the schedule of fees and method of payment set forth in Item 5 below.

### ***Discretionary Services***

AMP generally provides investment advisory services on a discretionary basis. We make all investment decisions for client accounts and, when we deem appropriate and without prior consultation with the client, buy, sell, exchange, convert and otherwise trade in mutual funds, stocks, bonds, other securities and other financial instruments, subject to any written guidelines and restrictions the client may from time to time provide to us.

As of December 31, 2016, AMP managed approximately \$340 million in assets on a discretionary basis. As of such date, we did not manage any assets on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

### ***Investment Management Fee Schedules for Accounts (Other than 401(k) plans)***

#### ***Minimum Account Size***

AMP imposes a minimum account size of \$35,000 for clients other than 401(k) plans. AMP may, in its discretion, accept clients that do not meet the minimum and charge additional quarterly fees to such clients. Accounts under \$35,000 may be subject to an additional fee of \$250 per quarter. This fee may be increased from time to time upon notice to the client.

## **Fee Schedules**

Schedule #1 is the fee schedule for the Rising Dividend Quantfolio:

*Maximum allowable annual fee of 1.20%*

Schedule #2 is the fee schedule for the current AMP Risk Based Quantfolios:

*Maximum allowable annual fee of 1.00%*

Schedule #3 is the fee schedule for the current Series II Quantfolio:

*Maximum allowable annual fee of 1.20%*

Schedule #4 is the fee schedule for the Income Generating Quantfolio:

*Maximum allowable annual fee of 0.80%*

The fee schedules set forth above are the current fee schedules for the Quantfolios. Each Quantfolio has had other fee schedules in effect, which may reflect fees that are lower or higher, as the case may be, than those shown above. Therefore, some clients may pay different fees than those shown above. In addition, AMP reserves the right to negotiate fees.

## *Method of Payment*

Our management fee is deducted quarterly in arrears from each individual client account. It is the client's responsibility to verify the accuracy of the fee calculation submitted to the custodian by us. Fees are generally billed at the completion of a calendar quarter for the full or partial period based upon assets under management at the end of the period. Fees are to be deducted within 30 days after the close of the quarter or partial period.

In certain instances, a client may elect to prepay fees. If such an election is made and services are terminated by either the client or us, the client will be eligible for a refund. To terminate services, written notice must be given prior to the date on which such termination is to become effective (the "Termination Date"). A client's refund will be calculated on a pro-rata basis based upon the Termination Date and the date through which payment has been remitted.

## *Other Fee Information*

AMP's fees do not include brokerage commissions or custodial fees. For more information on these types of fees, see Item 12 - *Brokerage Practices*, below. Moreover, clients whose assets are invested in mutual funds will pay both a direct management fee to AMP and the proportionate share of a fund's expenses, including the investment management fees to the fund's investment adviser. Please refer to the fund's prospectus for more information.

No commissions are paid to AMP or its employees for the sale of securities, including 12b-1 or service fees.

***Investment Management Fee Schedules for 401(k) Plans***

*Minimum Account Size*

AMP imposes a minimum account size of \$500,000 for 401(k) plans. AMP may, in its discretion, accept plans that do not meet the minimum and charge additional quarterly fees to such plans. Plans under \$500,000 are currently subject to an additional fee of \$250 per quarter. This fee may be increased from time to time upon notice to the plan.

*Fee Schedule*

The fees for 401(k) plans are as follows:

<u>Plan Asset Value</u>	<u>Total Annual Fee</u>
First \$1 million	90 bp
Exceeds \$1 million	87 bp
Exceeds \$2 million	83 bp
Exceeds \$3 million	80 bp
Exceeds \$4 million	77 bp
Exceeds \$5 million	74 bp
Exceeds \$6 million	71 bp
Exceeds \$7 million	68 bp
Exceeds \$8 million	65 bp
Exceeds \$9 million	62 bp
Exceeds \$10 million	59 bp
Exceeds \$11 million	55 bp

AMP reserves the right to negotiate fees.

*Method of Payment*

Our management fee is deducted quarterly in arrears from each plan. It is the client's responsibility to verify the accuracy of the fee calculation submitted to the custodian by us. All fees are billed at the completion of a calendar quarter for the full or partial period based upon assets under management at the end of the period. Fees are to be deducted within 30 days after the close of the quarter or partial period.

Our investment management agreement can be terminated by either party on written notice.

*Other Fee Information*

AMP's fees do not include brokerage commissions or custodial fees. For more information on these types of fees, see Item 12 - *Brokerage Practices*, below. Moreover, plans whose assets are invested in mutual funds will pay both a direct management fee to AMP and the proportionate share of a fund's expenses, including the investment management fees to the fund's investment adviser. Please refer to the fund's prospectus for more information.

***Investment Management Fees for Services to Other Investment Advisers***

The fees for Model Portfolio Services are negotiated on a case-by-case basis between AMP and the adviser, and the fees may vary depending on the number of model portfolios requested and the total level of assets. The fees for Adviser Portfolio Services are negotiated on a case-by-case basis between AMP and the adviser, and the fees may vary depending on the number of portfolios requested, the total level of assets and the involvement of the adviser in providing services to the clients. Typically, the advisers pay AMP a percentage of the management fee paid by the client to the adviser. As noted above, the clients enter into agreements with the adviser, not AMP, and their fees may differ from the schedule of fees and method of payment set forth in this Item 5.

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

AMP does not charge any performance-based fees, which are fees based on a share of capital gains or capital appreciation of client assets.

**Item 7 - Types of Clients**

AMP provides investment advisory services primarily to individuals, high net worth individuals, personal trusts, qualified retirement plans (including 401(k) plans), corporations, corporate trusts and other investment advisers. AMP is the sub-adviser to a collective investment fund created and administered by Alta Trust Company.

AMP imposes a minimum account size of \$500,000 for 401(k) plans and \$35,000 for clients other than 401(k) plans. AMP may, in its discretion, accept plans and clients that do not meet the minimums and charge additional quarterly fees to such plans and clients as described under Item 5 - Fees and Compensation, above.

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

The EcoMatrix® is the guiding light for our dynamic management process. The EcoMatrix® is an analytical investment management tool used to evaluate market conditions. This process enables AMP to adjust its management strategies to maximize investment results in both bear and bull markets.

Our proprietary matrix provides insight into market conditions including economic data, stock market performance, and monetary policy. This information provides the means for us to modify our management strategies in an effort to minimize downside in a recessionary bear market and capture positive returns in a rising bull market.

Our management strategies include the Rising Dividend Stock *Quantfolio*, Risk Based *Quantfolios*, the Series II *Quantfolio* and the Income Generating *Quantfolio*.

***Quantfolio Strategies***

AMP *Quantfolios*, **Quantitative Portfolios**, provide our clients with four investment strategy choices, depending on our clients' financial goals and risk tolerance.



1. **Rising Dividend Quantfolio:** The goal of the Rising Dividend Quantfolio is to provide the following:

- Value based approach;
- Capital appreciation as a hedge against inflation;
- Dividend income;
- Dividend growth.

This strategy is typically invested in approximately 30-35 stocks.

2. **Risk Based Quantfolios:** The goals of the Risk Based Mutual Fund Quantfolios are to provide the following:

- Independent, objective mutual fund selection;
- Dynamic mutual fund management;
- Asset class diversification;
- Adapt to market conditions.

The following Risk Based Quantfolios are invested in a diversified group of mutual funds:

- |                           |                             |
|---------------------------|-----------------------------|
| • Aggressive Growth       | 100% Equity                 |
| • Growth                  | 80% Equity 20% Fixed Income |
| • Growth and Income       | 70% Equity 30% Fixed Income |
| • Balanced                | 60% Equity 40% Fixed Income |
| • Moderately Conservative | 50% Equity 50% Fixed Income |
| • Conservative            | 20% Equity 80% Fixed Income |

3. **Series II Quantfolio:** Combines the Rising Dividend and our 20/80 Quantfolio for a risk based portfolio invested in a diversified group of equity and fixed income mutual funds:

- |                           |                             |
|---------------------------|-----------------------------|
| • Growth                  | 100% Equity                 |
| • Growth and Income       | 75% Equity 25% Fixed Income |
| • Balanced                | 60% Equity 40% Fixed Income |
| • Moderately Conservative | 45% Equity 55% Fixed Income |
| • Conservative            | 30% Equity 70% Fixed Income |

4. **Income Generating Quantfolio:** The goal of the Income Generating Quantfolio is to provide the following:

- Stable retirement income;
- Maintenance of principal;
- Diversification of dividends and interest.

This Quantfolio invests in fixed income mutual funds, investment grade bonds, trust preferred securities, master limited partnerships, CDs and money market funds.

All *Quantfolios* are actively managed and are reevaluated on a continual basis to ensure that their investments meet the criteria for the selected *Quantfolio*.

***Risk of Loss***

Risk of loss is inherent in any investment in securities. Past performance does not guarantee future results, and there is no guarantee that investment objectives will be achieved. The account may be subject to the following risks:

*Equity Securities Risk.* Common stocks and other equity securities generally increase or decrease in value based on the earnings of a company and on general industry and market conditions. The value of a company's share price may decline as a result of decisions made by management, lower demand for the company's services or products or if the company's revenues fall short of expectations. There are also risks associated with the stock market overall. The stock market may experience periods of turbulence and instability.

*Fixed Income Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities.

*Foreign Investing Risk.* Investments in foreign companies and markets carry a number of economic, financial, and political considerations that are not associated with the U.S. markets; this could unfavorably affect the account's performance. Among those risks are greater price volatility; weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; fluctuations in foreign currency exchange rates and related conversion costs; adverse tax consequences; and settlement delays.

*Government Securities Risk.* U.S. Government securities are subject to interest rate and inflation risks. Not all U.S. Government securities are backed by the full faith and credit of the U.S. Government. Certain securities issued by agencies and instrumentalities of the U.S. Government are only insured or guaranteed by the issuing agency or instrumentality, which must rely on its own resources to repay the debt. As a result, there is risk that these entities will default on a financial obligation.

*Management Risk.* AMP and its portfolio managers will be delegated the authority to buy and sell securities on your behalf. The client must rely upon the managers' abilities and judgment and their investment abilities. There is no guarantee that the managers' investment techniques will be successful.

*Master Limited Partnerships.* Master limited partnerships ("MLPs") are businesses organized as limited partnerships which trade their proportionate shares of the partnership (units) on a public exchange. Generally speaking, MLP investment returns are enhanced during periods of declining or low interest rates and tend to be negatively influenced when interest rates are rising. In addition, most MLPs are fairly leveraged and typically carry a portion of a "floating" rate debt. As such, a significant upward swing in interest rates would also drive interest expense

higher. Furthermore, most MLPs grow by acquisitions partly financed by debt, and higher interest rates could make it more difficult to make acquisitions.

*Medium Capitalization Companies Risk.* Medium capitalization companies tend to be more susceptible to adverse business or economic events than large capitalization companies, and there is a risk that the securities of medium capitalization companies may have limited liquidity and greater price volatility than securities of large capitalization companies.

*Municipal Securities Risk.* Municipal securities are subject to various risks based on factors such as economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings and other factors. Repayment of municipal securities depends on the ability of the issuer or project backing such securities to generate taxes or revenues. There is a risk that the interest on an otherwise tax-exempt municipal security may be subject to federal income tax.

*Mutual Funds Risk.* Mutual funds are subject to investment advisory, transactional, operating and other expenses. Each mutual fund is subject to specific risks, depending on its investments. The value of mutual funds' investments and the net asset value of the funds' shares will fluctuate in response to changes in market and economic conditions, as well as the financial condition and prospects of companies and other investments in which the funds invest. The performance of each fund will depend on whether the fund's investment adviser is successful in pursuing the fund's investment strategy.

*Non-Diversification Risk.* Non-diversified portfolios (a portfolio invested in a limited number of securities) may be more susceptible to adverse changes in the value of a particular security than a diversified portfolio would be.

*Preferred Stock Risk.* Preferred stock is a class of capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer. The market value of preferred stock generally decreases when interest rates rise (interest rate risk) and is also affected by the issuer's ability to make payments on the preferred stock (credit risk).

*Small Capitalization Companies Risk.* Small capitalization companies typically have relatively lower revenues, limited product lines and lack of management depth, and may have a smaller share of the market for their products or services, than large and medium capitalization companies. There is a risk that the securities of small capitalization companies may have limited liquidity and greater price volatility than securities of large and medium capitalization companies, which can negatively affect AMP's ability to sell these securities at quoted market prices. Finally, there are periods when investing in small capitalization company stocks falls out of favor with investors and these may underperform.

## **Item 9 - Disciplinary Information**

There have been no legal or disciplinary events involving AMP or any of our management persons involving investments or investment-related activities or that are otherwise material to a client's evaluation of our advisory business or the integrity of our management.

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

AMP is an independent investment adviser and is not affiliated with any other financial services firms.

**Item 11 - Code of Ethics, Participation or Interests in Client Transactions and Personal Trading**

AMP maintains a code of ethics (the “Code”) that requires employees to adhere to the highest standards of business conduct. The Code, which addresses our policies relating to compliance with laws and regulations, conflicts of interest, confidentiality, client gifts and entertainment, personal trading and reporting, and insider trading, is intended to assist employees in carrying out their duties as fiduciaries to clients. A copy of our Code is available upon request.

AMP also requires its professional employees to adhere to the Investment Management Consultants Association (IMCA) Code of Professional Responsibility. The IMCA Code requires each professional investment management consultant to:

- Serve the financial interests of clients. Each professional shall always place the financial interests of the client first. All recommendations to clients and decisions on behalf of clients shall be solely in the interest of providing the highest value and benefit to the client.
- Disclose fully to clients our services provided and compensation received. All financial relationships, direct or indirect, between consultants and investment managers, plan officials, beneficiaries, sponsors or any other potential conflicts of interest shall be fully disclosed on a timely basis.
- Provide to clients all information related to the investment decision making process as well as other information they may need to make informed decisions based on realistic expectations. All client inquiries shall be answered promptly, completely, and truthfully.
- Maintain the confidentiality of all information entrusted by the client, to the fullest extent permitted by law.
- Comply fully with all statutory and regulatory requirements affecting the delivery of consulting services to clients.
- Endeavor to establish and maintain excellence personally and among colleagues in all aspects of investment management consulting and all aspects of financial services to clients.
- Support and participate in the activities of the Investment Management Consultants Association to enhance the investment management consulting profession.
- Maintain the highest standard of personal and professional conduct.

Subject to the Code, our employees may invest in the same securities that are recommended to clients, including when securities are periodically added to a retirement plan or for rebalancing of asset allocation. However, AMP gives preference to clients over employees and related

persons. Employees may not enter an order for a personal securities transaction that anticipates (i.e., front runs) or competes with a client order. In addition, employees may not benefit personally or trade for their own accounts on the basis of material non-public information.

## **Item 12 - Brokerage Practices**

### *The Custodians and Brokers We Use*

As discussed in Item 15 - Custody, we do not maintain custody of the assets that we manage and advise. Your assets must be maintained in an account at a qualified custodian, generally a broker-dealer, bank or trust company. We recommend that our clients use Charles Schwab & Co., Inc. ("Schwab"), TD Ameritrade, Inc. ("TD Ameritrade") or Trust Company of America ("TCA") as the qualified custodian. Schwab and TD Ameritrade are registered broker-dealers. TCA is a trust company, which has an affiliated broker-dealer, TCAdvisors Network Inc. ("TCAdvisors"), that it uses from time to time for bond trades. TCA also uses an unaffiliated broker-dealer, ConvergeX Execution Solutions, LLC ("ConvergeX"), from time to time for equity trades. TCAdvisors and ConvergeX are referred to as "TCA's brokers."

We are independently owned and operated and are not affiliated with Schwab, TD Ameritrade or TCA. While we recommend that you use Schwab, TD Ameritrade or TCA as a custodian, you are welcome to select another organization to serve in that role. We do not require you to use a particular custodian. Regardless of which custodian you select, you will open your account by entering into an account agreement directly with the custodian. While we do not open the account for you, we may assist you in doing so.

### *How We Select Custodians/Brokers*

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities for your account);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services;
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;

- Reputation, financial strength, and stability;
- Prior service to us and our other clients; and
- Availability of other products and services that benefit us.

*Your Brokerage and Custody Costs at Schwab*

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to our client accounts were negotiated between us and Schwab, and due to that fact, the fees you pay are lower than they would be otherwise. Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account whenever possible. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "*How We Select Custodians/Brokers*").

*Products and Services Available to Us from Schwab*

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide us and you with access to its institutional brokerage services—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services, some of which help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as AMP clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services.

*Schwab Services That Benefit You*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some which we might not otherwise have access to or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

*Schwab Services That May Not Directly Benefit You*

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping, and client reporting.

*Schwab Services That Generally Benefit Only Us*

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

- Educational conferences and events;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

*Our Interest in Schwab's Services*

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as AMP clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Custodians/Brokers*") and not Schwab's services that benefit only us. Further, as of March 1, 2012, we have approximately \$108.35 million in client assets under management, and we do not believe that recommending

our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

*TD Ameritrade*

AMP participates in the TD Ameritrade Institutional program. TD Ameritrade offers services to independent investment advisers, which services include custody of securities, trade execution, clearance and settlement of transactions. AMP receives some benefits from TD Ameritrade through its participation in the program.

Under TD Ameritrade's Institutional program, AMP may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between AMP's participation in the program and the investment advice it gives to clients, although it receives economic benefits through its 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;
- Access to a trading desk serving advisor 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 and practice management products or services provided to AMP or its related persons by third party vendors.

Some of the products and services made available by TD Ameritrade through the program may benefit AMP but may not benefit its client accounts. These products or services assist AMP in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help AMP manage and further develop its business enterprise. Additionally, AMP may receive discounts, through the participation in this program, on compliance, marketing, technology and practice management products or services provided by third party vendors. These benefits do not depend on the amount of brokerage transactions directed to TD Ameritrade. The receipt of such economic benefits creates a potential conflict of interest; however, AMP endeavors at all times to put the interests of its clients first, in fulfillment of its fiduciary responsibilities.



### *TCA*

AMP pays TCA for custodial services provided to AMP clients. AMP has committed to \$30 million of assets under custody at TCA. If AMP fails to reach that target, TCA may increase fees. TCA charges a flat rate fee for custody, but offers discounts ranging from 10% to 20% based on assets under custody. A target level and the receipt of discounts create a potential conflict of interest; however, AMP endeavors at all times to put the interests of its clients first, in fulfillment of its fiduciary responsibilities.

The TCAdvisor Trading Platform provides AMP with the following products and services:

- Model-based trading with easy rebalancing and automatic reconciliation;
- Performance reports;
- Practice management reports such as trading, cash management and assets under management reports;
- Technology services to assist AMP with fee management, cash management, online distributions and client statements; and
- The ability to have advisory fees deducted directly from client accounts.

Some of the products and services made available by TCA may benefit AMP but may not benefit its client accounts.

### *Directed Brokerage*

Not all advisers recommend their clients direct brokerage. Due to the reasons discussed above, however, we recommend that our retail clients (all clients other than qualified retirement plans) direct transactions to Schwab, TD Ameritrade or TCA's brokers. Should you wish to direct your brokerage to another organization, you are permitted to do so. However, you should be aware that this may prevent us from achieving the most favorable execution of your transaction. You may pay higher brokerage commissions as we may not be able to aggregate orders to reduce transaction costs and you may receive less favorable prices from the organization, depending on their fee schedule.

### *Trade Aggregation and Order Allocation*

While AMP makes investment decisions for each of its client accounts on an individual basis, AMP may determine on occasion that the purchase or sale of a security is in the best interests of more than one client account. In such cases, AMP will aggregate or bunch orders for the purchase or sale of the same security where AMP deems this to be appropriate, in the best interests of clients and consistent with applicable regulatory requirements. When AMP bunches orders, it will generally allocate trades on a pro-rata basis across all accounts for which the purchase or sale is suitable and, with respect to purchases, for which the account has available funds. Each participating client account will participate in the bunched order at the average share price for the order on the same business day. Transaction costs generally will be shared

pro-rata based on each client's participation in the bunched order. However, there may be occasions when clients may pay disparate transaction costs due to minimum charges per account imposed by either the broker effecting the transaction or the client's custodian.

With respect to "hot issues," unless AMP receives an allocation which is large enough to distribute on a pro-rata basis, AMP will distribute such shares to client accounts on a sequential basis (i.e., accounts which receive a hot issue allocation will become the last eligible to receive the next hot issue allocation).

In addition, under certain circumstances, such as the rebalancing of client accounts, AMP may recommend both the purchase and the sale of a security for separate advisory accounts on the same day. In the event that more than one account simultaneously purchases or sells the same security, the transaction will be averaged as to price and allocated as to amount, as well as to expense incurred in the transaction, in accordance with arrangements equitable to each account. The simultaneous purchase or sale of the same securities by client accounts may have detrimental effects on accounts, as such purchases or sales may affect the price paid or received by the accounts or the size of the position obtainable by an account.

#### *Trade Errors*

##### *AMP's trade error policy*

From time to time, AMP may make an error in submitting a trade on a client's behalf. When this occurs, AMP may place a correcting trade with the broker-dealer which has custody of the account. The treatment of any gains or losses resulting from error corrections is dependent on which custodian is processing the trade.

##### *Schwab's trade error policy*

If an investment gain results from the correcting trade, the gain will remain in a client's account unless the same error involved another client account(s) that should have received the gain, it is not permissible for the client to retain the gain, or we confer with the client and the client decides to forego the gain (e.g., due to tax reasons).

If the gain does not remain in a client's account, Schwab will donate the amount of any gain of \$100 or more to charity and keep gains under \$100.

If the correction results in a loss of less than \$100, Schwab will absorb the loss to minimize and offset its administrative time and expense. AMP reimburses losses of \$100 or more. Schwab's policy therefore relieves AMP of the financial obligation to reimburse losses of less than \$100.

Generally, if related trade errors result in both gains and losses in a client's account, they may be netted.

##### *TD Ameritrade's trade error policy*

Trading error corrections occurring in TD Ameritrade accounts are processed through AMP's error account. AMP is responsible for reimbursing clients for all losses due to trade errors made

by AMP in client accounts. AMP is not entitled to retain net gains (positive error account balances resulting from trade corrections). TD Ameritrade will automatically sweep any AMP error account credit balances to a designated TD Ameritrade error account each business day. TD Ameritrade will then donate the balances swept to the TD Ameritrade error account to charity.

*TCA's trade error policy*

Trade corrections can be made to a client account at AMP's request, or if TCA deems it to be appropriate, in order to restore an account to the state it would have been in if an error had not occurred. If AMP committed the error, we will be responsible for any market loss resulting from the error correction. Gains and losses from a single error involving multiple trades, such as correcting trades made when placing an account in an incorrect model, will be netted to determine the overall market gain or loss generated in making the client whole in correcting the trade. TCA does not allow AMP to retain any net market gains that result from trade corrections and does not allow the netting of gains and losses from separate error corrections.

**Item 13 - Review of Accounts**

AMP has a committee that regularly meets to review models and guidelines for each client portfolio. Client accounts are screened for allocation differences and rebalancing.

Clients should receive a quarterly statement from their respective custodian(s) summarizing all trades made during the quarter, account balance information and the amount of fees paid from the account.

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

Other than the soft dollar benefits disclosed in Item 12 above, AMP does not receive commissions or other economic benefits from a non-client in connection with providing advice to clients.

AMP may compensate persons who solicit clients for the investment advisory services provided by us. Any such referral arrangements and payments will be made in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, and any applicable state securities laws.

**Item 15 - Custody**

AMP does not act as custodian for any client accounts; however, we may be deemed to have custody to the extent that we may deduct advisory fees from a client's account. All clients must appoint a qualified custodian, such as a broker-dealer, bank or trust company, to have possession of the assets of the account, to settle transactions for the account and to accept instructions from us regarding the assets in the account. All clients receive quarterly account statements directly from the custodian. You should carefully review those statements promptly when you receive them. *We also urge you to compare the custodian's account statements to the periodic account statements you will receive from us.*

### **Item 16 - Investment Discretion**

AMP generally has discretionary authority to purchase and sell securities for client accounts by virtue of a limited power of attorney executed by the client as part of the investment advisory agreement. Our discretionary authority may be subject to investment limitations and restrictions imposed by the client and provided to us in writing. From time to time, we may manage client accounts on a non-discretionary basis.

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

Unless directed in writing by the client, AMP will vote all proxies on securities managed by AMP on behalf of the client. Clients that wish to vote proxies in a particular manner must retain proxy voting authority. AMP has adopted a “Statement on Proxy Voting Policies and Voting Procedures” (the “Proxy Voting Policy”) designed to ensure that AMP votes proxies in the best interests of its clients. The Proxy Voting Policy addresses how AMP generally intends to vote proxies (or what factors it will take into consideration) when voting on particular types of issues, such as mergers and acquisitions, management incentives and social issues. When there is a conflict of interest, or the appearance of a conflict of interest, between AMP’s interests and those of its clients, AMP will vote with management on those issues on which brokerage firms are allowed to vote without customer approval under New York Stock Exchange rules. On other issues, AMP will advise its clients of the conflict and vote as the client directs or, in the absence of direction from a client, abstain. Upon request to AMP, a client may obtain a copy of the Proxy Voting Policy and information on how the client’s securities were voted. AMP does not vote on unmanaged assets.

### **Item 18 - Financial Information**

AMP does not have any financial condition that would impair our ability to meet contractual commitments to clients. A balance sheet is not required to be provided because we do not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

### **Item 19 - Additional Information**

#### *Class Action Policy*

AMP generally will not act for clients in any legal proceedings, including bankruptcies or class actions, involving securities either held or previously held in accounts or the issuers of such securities. Although AMP will not provide legal advice, from time to time it may provide clients with its views on these matters if so requested by the client. The custodian is generally responsible for transmitting information regarding legal proceedings and submitting a proof of claim on behalf of the client.

12884362.11