

# **Firm Brochure**

## **Part 2A of Form ADV**

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This brochure provides information about the qualifications and business practices of TRI AD Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at: 760-743-7555, or by email at: [jsimons@TRI-AD.com](mailto:jsimons@TRI-AD.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

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

**03/21/2017**

**Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

**Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

The Advisor has crossed the \$100 Million mark for assets under management and is now an SEC registered investment advisor.

Judy A. Simons has been appointed to be the Chief Compliance Officer.

**Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 760-743-7555 or by email at: [jsimons@TRI-AD.com](mailto:jsimons@TRI-AD.com).

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## **Item4-Advisory Business**

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### **Firm Description**

TRI-AD Capital Management Inc, hereinafter (“the Adviser”) was founded in 1993 as an SEC registered investment adviser.

The Adviser is a fee-only investment management firm. The firm does not sell securities on a commission basis. However, there may be some associated persons who are in other fields who have the potential receive commissions as compensation.

The Adviser will offer 401(k) plan-level investment advisory services. This service includes assistance in developing an Investment Policy Statement for the plan, investment selection assistance, ongoing reporting and investment monitoring, participation in periodic investment meetings with the client, documentation of what was discussed in client investment meetings, and assistance in drafting participant communications concerning plan investments, participant investment education, and other plan changes.

The Adviser also offers the TRI-AD EZ IRA and SnapIRA. The TRI-AD EZ IRA and SnapIRA are IRA products that consist of 6 risk-based model portfolios of mutual funds (currently DFA funds). These products can be used for SEP, Simple, Traditional, and Rollover IRAs. PGR Solutions, LLC manages the DFA model portfolios for EZ IRA and SnapIRA.

TCMI does not currently act in the capacity of Advisor for any EZ IRA or SnapIRA Account Holders.

The Adviser does not act as a custodian of client assets and the client always maintains control over assets.

The Adviser generally does not have discretion of client accounts and seeks client approval prior to placing a trade on behalf of the client. The only exception to this is the periodic rebalancing of IRA model portfolios. All such exceptions of discretionary authority will be appropriately disclosed and acknowledged by the Client within the client agreement.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) may be engaged directly by the client on an as-needed basis. Any conflicts of interest arising out of the Adviser’s or its associated persons are disclosed in this brochure.

Principal Owners:

Curtis Duane Hamilton is the sole control person of the Adviser.

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**Types of Advisory Services**

The Adviser provides investment supervisory services, also known as asset management services and manages investment advisory accounts.

As of December 31, 2016, the Adviser manages approximately \$137,426,000 on a non-discretionary basis for 31 clients.

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**Assignment of Investment Management Agreements**

Agreements may not be assigned without client consent.

**Types of Agreements**

The following agreements define the typical client relationships.

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**Investment Management Agreement**

As part of the investment management service for retirement plans, the duties of the advisor are delineated in a written Service Agreement including: consulting with the Plan Fiduciaries on the Investment Policy Statement (IPS) for the Plan for adoption by the Fiduciaries; recommend to the Fiduciaries investment objectives for each Plan investment option; recommend mutual funds to be offered as investment options to the participants; perform periodic monitoring of mutual fund performance against the IPS criteria; provide periodic reporting of investment results to the Fiduciaries, the Plan sponsor and the participants; Conduct periodic meetings with the Fiduciaries to evaluate fund performance, and the fees for service. Additionally, the agreement may be terminated by either party at any time.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. The agreement sets forth the services to be provided, the fees for the service and the agreement may be terminated by either party in writing at any time.

As part of the investment management service for EZ IRA and SnapIRA, the adviser directs Account Holders to complete an on-line application that includes educational tools, suitability questionnaire, custodial agreement, and fee disclosure. Account Holder is provided with online access to their account, as well as contact information for general questions and advisory inquiries. The adviser periodically rebalances the model portfolios.

TCMI does not currently act in the capacity of Advisor for any EZ IRA or SnapIRA Account Holders.

**Asset Management**

The Adviser solely invests in Mutual Funds, Collective Trust Funds, FDIC Insured Money Market Funds, and Insurance Contracts.

Initial public offerings (IPOs) are not available through the Adviser.

**Termination of Advisory Agreement**

A Client may terminate any of the agreement directly entered into with the Adviser at any time by notifying the Adviser in writing 30 days in advance. Clients shall be charged pro rata for services provided through to the date of termination. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

The Adviser may terminate any of the agreement directly executed with the Client and the Adviser at any time by notifying the Client in writing 30 days in advance. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

**Item 5-Fees and Compensation**

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**Investment Management**

The Adviser bases its fees on a percentage of assets under management, and fixed fees (not including subscription fees). Although the Advisory Service Agreement is an ongoing agreement and periodic adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination. The investment management fees are negotiable at the sole discretion of the Adviser. The Adviser's fees are as follows:

**Fee Schedule for Retirement Plan 401(k) Advisory Clients –****1. Fiduciary RIA Model -**

- The greater of \$5,000 or 10 basis points on core plan assets. The minimum fee for new advisory clients increased to \$5,000 beginning February 1, 2016. Existing clients subject to the existing \$3,500 minimum fee will remain on that schedule until at least three years from the date of the initial agreement between TCMI and the client.
- Not to exceed a maximum fee of \$10,000 for plans with core assets up to \$20 Million
- For plans with core assets in excess of \$20 Million, or for existing plans that reach \$20 Million in core assets, the fee is 5 basis points on total core assets, .
- Not to exceed a maximum fee of \$37,500 for plans with core assets up to \$100 Million

Core assets are defined as plan assets not invested in brokerage accounts, employer stock, or other investments not included in TCMI's investment advisory services agreement.

- In the first year of a new client engagement, TCMI, has the right to waive the fee for one or more quarters.

2. Non-Fiduciary RIA Model – flat fee of \$1,500. Includes: IPS assistance, periodic investment reporting, and supporting materials as agreed to. Financial advice or recommendations are not provided.
3. For EZ IRA and Snap IRA the fee schedule is as follows:
  - Recordkeeping .50%
  - Management of the model portfolios by PGR Solutions .20%
  - Custody – Mid Atlantic Capital Group .06%
  - Advisory Fee .50%.
  - Investment Management fees from the underlying mutual funds. These range from approximately .18% for the most conservative portfolio to .40% for the least conservative portfolio.

TCMI does not act in an advisory capacity for and EZ IRA Clients.

In addition there is a \$10.00 per quarter fee for IRA accounts with less than \$25,000 in assets. .

## **Item 6-Performance Fees**

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### **Performance Fees**

Fees are not based on a share of the capital gains or capital appreciation of managed securities. The Adviser does not use a performance-based fee structure.

## **Item 7-Types of Clients**

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### **Description**

The Adviser generally provides investment advice to individuals and retirement plans. Client relationships vary in scope and length of service.

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### **Account Minimums**

The Adviser does not require a minimum account size for Retirement Plan Advisory Services.

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

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### Methods of Analysis

Security analysis methods may include fundamental analysis.

The main sources of information include research materials prepared by others, and analytics tools designed by others. TCMI uses fi360 and Morningstar as the primary source for investment research and reporting.

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### Investment Strategies

Strategies may include long-term purchases and if applicable short-term purchases.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations and documented in the Investment Policy Statement (IPS). The client may change these objectives at any time. Each retirement plan advisory client where TCMI is acting in a named fiduciary capacity executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

In regard to EZ IRA and SnapIRA, each Account Holder has access to a suitability questionnaire that assists them in the selection of the model portfolio most appropriate for them.

The Adviser's strategies do not involve frequent trading.

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### Market, Security and Regulatory Risks

Any investment with the Adviser involves significant risk, including a complete loss of capital and conflicts of interest. All investment programs have certain risks that are borne by the investor which are described below:

#### Market Risks:

Competition. The securities industry and the varied strategies and techniques to be engaged in by the Adviser are extremely competitive and each involves a degree of risk. The Adviser will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

Market Volatility. The Adviser does not attempt to predict the future price movements of stocks, bonds, other securities, and the movement of interest rates. The advisor helps the plan sponsor select mutual fund investments suitable for retirement plan participants across asset classes that allow plan participants to reasonably diversify their retirement portfolios.

TRI AD Capital Management Inc's Investment Activities. The Adviser's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by



the Adviser. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Adviser to realize profits.

Material Non-Public Information. By reason of their responsibilities in connection with other activities of the Adviser and/or its affiliates, certain principals or employees of the Adviser and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Adviser will not be free to act upon any such information. Due to these restrictions, the Adviser may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Accuracy of Public Information. The Adviser selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

Market or Interest Rate Risk. The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. If the Adviser holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Adviser's performance; however, if the Adviser has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Adviser.

Inflation Risk. Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Adviser purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, the Adviser is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security.

Risk of Default or Bankruptcy of Third Parties. The Adviser may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, the Adviser could suffer losses if counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid.

#### **Regulatory Risks:**

Conflicts of Interest: In the administration of client accounts, portfolios and financial reporting, the Adviser faces inherent conflicts of interest which are described in this brochure. Generally, the Adviser mitigates these conflicts through its Code of Ethics

which provides that the client's interest is always held above that of the Firm and its associated persons.

Supervision of Trading Operations. The Adviser, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the portfolio accounts to ensure compliance with firm and client objectives. Despite the Adviser's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in portfolio accounts. Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

#### **Security Specific Risks:**

Liquidity: Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.

Currency: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Lack of Registration: Funds or LP interests have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions.

#### **Item 9-Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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

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##### **Affiliations**

Mr. Curtis Hamilton is a licensed insurance agent. In this capacity Mr. Hamilton may from time to time recommend insurance products, and receive normal commissions if products are purchased through any firms with which Mr. Hamilton is affiliated. Thus, a conflict of interest exists between the interests of Mr. Hamilton and those of the advisory clients. However, clients are under no obligation to act upon any recommendations of the associated persons or effect any transactions through the associated persons if they decide to follow the recommendations.

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

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### **Code of Ethics**

The Adviser has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to the Adviser's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Adviser's Compliance Officer. Each supervised person of the Adviser receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Clients and prospective clients may obtain a copy of the Adviser's Code of Ethics by contacting the Compliance Officer of the Adviser.

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

Under the Adviser's Code of Ethics, the Adviser and its managers, members, officers and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. If an issue is purchased or sold for clients and any of the Adviser, managers, members, officers and employees on the same day purchase or sell the same security, either the clients and the Adviser, managers, members, officers or employees shall receive or pay the same price or the clients shall receive a more favorable price.

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### **Personal Trading**

The Chief Compliance Officer of the Adviser or Principal of the Adviser reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## **Item 12-Brokerage Practices**

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### **Brokerage Selection and Soft Dollars**

Any entity other than TCMI acting in the capacity of the Adviser shall be fully disclosed to the Client or Account Holders of EZ IRA.

In the event that the Adviser selects brokers or dealers the Adviser will seek to achieve the best execution possible. Adviser is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker which are included in the commission rate. Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; statistical and pricing services, as well as discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. It is the policy and practice of the Adviser to strive for the best price and execution for costs and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities Exchange Act of 1934, as amended. Nevertheless, it is understood that the Adviser may pay compensation on a transaction in excess of the amount of compensation that another broker or dealer may charge so long as it is in compliance with Section 28(e), and the Adviser makes no warranty or representation regarding compensation paid on transactions. The Adviser has no obligation to deal with any broker or group of brokers in executing transactions.

## **Item 13-Review of Accounts**

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### **Periodic Reviews**

Account reviewers are members of the firm's Investment Committee or are registered Investment Adviser Representatives. Account reviews of the Adviser's clients are performed at least annually by an appropriately designated Investment Advisor Representative of the firm.

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### **Review Triggers**

Accounts are reviewed quarterly or more frequently when market conditions dictate. Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's financial or personal situation.

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### **Regular Reports**

For retirement plans the advisor provides plan level, as opposed to participant level, reporting.

IRA reports are provided by the record keeper. For EZ IRA and SnapIRA, TRI-AD, as recordkeeper, provides the reporting and is responsible to ensure the custodian balances match the recordkeeping balances. Such reporting takes place no less than annually.

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

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### **Client Referrals**

TCMI does not pay referral fees to any individual or organization.

## **Item 15-Custody**

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### **Custody Policy**

The Adviser does not accept or permit the Firm or its associated persons from obtaining custody of client assets including cash, securities, acting as trustee, provide bill paying service, have password access to control account activity or any other form of controlling client assets. Should any associated person have access to passwords any such access shall be restricted and all such controls will be outlined in, and adhere to the firm's policies and procedures manual. All checks or wire transfers to fund client accounts are required to be made out to/sent to the account custodian.

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### **Performance Reports**

Pursuant to recent amendments to Rule 206(4) under the Investment Advisers Act of 1940, the Securities and Exchange Commission now requires advisers to urge clients to compare the information set forth in their statement from the Adviser with the statements received directly from the custodian to ensure accuracy of all account transactions.

## **Item 16-Investment Discretion**

The Adviser does not contract for discretionary authority to transact portfolio securities accounts on behalf of clients. The Adviser will consult with the client prior to each trade in order to obtain client approval for the transaction(s).

The Adviser does not operate in a discretionary fashion. The Adviser will make recommendations to a client as to mutual funds. In the IRA, the only discretion the advisor exercises is the periodic rebalancing of the model portfolios and the composition of the underlying mutual funds in the model portfolios.

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

The Adviser will not vote nor advise clients how to vote proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. The Adviser does not give any advice or take any action with respect to the voting of these proxies. For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. The Adviser promptly passes along any proxy voting information to the clients or their representatives.

**Item 18-Financial Information**

The Adviser does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. The Adviser meets all net capital requirements that it is subject to and the Adviser has not been the subject of a bankruptcy petition in the last 10 years.

The Adviser is not required to provide a balance sheet as it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

**Relationship with Issuer of Securities Disclosure**

The Adviser does not at this time have a relationship or arrangement with any issuer of securities

**Business Continuity Plan**

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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**Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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**Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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**Summary of Business Continuity Plan**

A summary of the business continuity plan is available upon request to the Adviser Chief Compliance Officer.

**Information Security Program**

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**Information Security**

The Adviser maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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## Privacy Practices

### Privacy Policy

Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is contained in your client advisory agreement and may be obtained by contacting the Compliance Officer of the Adviser.

The Adviser:

- a) Collects non-public personal information about its clients from the following sources:
  - Information received from clients on applications or other forms;
  - Information about clients' transactions with the Adviser, its affiliates and others;
  - Information received from our correspondent clearing broker with respect to client accounts;
  - Medical information submitted as part of an insurance application for a traditional life or variable life policy; and
  - Information received from service bureaus or other third parties.
  
- b) The Adviser will not share such information with any affiliated or nonaffiliated third party except:
  - When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
  - When required to maintain or service a customer account;
  - To resolve customer disputes or inquiries;
  - With persons acting in a fiduciary or representative capacity on behalf of the customer;
  - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;
  - In connection with a sale or merger of The Adviser's business;
  - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;

- To comply with federal, state or local laws, rules and other applicable legal requirements;
  - In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;
  - In any circumstances with the customer's instruction or consent.
- c) Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.
- d) Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.