

# **Mark Gillam Enterprises Firm Brochure - Form ADV Part 2A**

This brochure provides information about the qualifications and business practices of Mark Gillam Enterprises. If you have any questions about the contents of this brochure, please contact us at (916) 961-2200 or by email at: [tcandiani@mgent.com](mailto:tcandiani@mgent.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 Mark Gillam Enterprises is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Mark Gillam Enterprises's CRD number is: 108632.

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Registration does not imply a certain level of skill or training.

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## **Item 2: Material Changes**

**There are no material changes in this brochure from the last annual updating amendment of Mark Gillam Enterprises March 22, 2017. Material changes relate to Mark Gillam Enterprises policies, practices or conflicts of interests only.**

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Mark Gillam Enterprises or “MGE” is a Corporation organized in the State of California.

MGE was formed in June 1989, and the principal owner is Mark Gillam. Mark Gillam is an investment advisor representative of MGE.

### **B. Types of Advisory Services**

#### *Portfolio Management Services*

MGE offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. MGE may choose to employ an Investment Policy Statement for an advisory client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) in coordination of constructing a plan to aid in the selection of a portfolio that matches each client's specific situation. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Personal investment policy
- Asset selection
- Risk tolerance
- Regular portfolio monitoring

MGE evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Under certain circumstances, MGE will have discretionary authority on an account through a separately executed document (i.e. an Appointment of Investment Advisor) in order to select appropriate investments and execute transactions without permission from the client prior to each transaction. Although, in practice, MGE will typically discuss the recommendation with the client prior to executing the transaction. Generally, MGE does not exercise discretion over investment accounts and client consent is received prior to execution. Further details concerning discretion are outlined in the Custody section.

MGE seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of MGE’s economic, investment or other financial interests. To meet its fiduciary obligations, MGE attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, MGE’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is MGE’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

### *Selection of Other Advisers*

MGE may direct clients to third-party investment advisers to manage all or a portion of the client's assets. Before selecting other advisers for clients, MGE will always ensure those other advisers are properly licensed or registered as an investment adviser. MGE conducts due diligence on any third-party investment adviser, which may involve one or more of the following: phone calls, meetings and review of the third-party adviser's performance and investment strategy. MGE then makes investments with a third-party investment adviser by referring the client to the third-party adviser. MGE will review the ongoing performance of the third-party adviser as a portion of the client's portfolio.

### *Pension Consulting Services*

MGE offers ongoing consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans) based on the demographics, goals, objectives, time horizon, and/or risk tolerance of the plan's participants.

### *Financial Planning, Analysis, Consulting and Other Services*

In addition to portfolio management services, MGE offers personalized financial analysis and consulting services through one-on-one advice concerning investment products, the creation of a financial plan for implementation and other advice, as may be appropriate from time to time. In addition to its core services of investment advice, MGE provides advice concerning tax planning, risk management through insurance review (we are not licensed property & casualty agents, however we work with licensed individuals who write business), evaluation of real estate portfolios and mortgages, retirement planning, cash flow management, estate planning, higher education tuition planning, intergenerational wealth transfer, charitable giving and to what extent, if any, a third party advisor would be appropriate to manage some of the client's assets. Additional services may include:

- management of investment advisory accounts not involving investment supervisory services,
- advice to clients on matters not involving securities, including but not limited to, life, health and accident insurance (i.e. disability insurance),
- acquisition or disposition of real estate or financial instruments related thereto,
- bill pay and bookkeeping services subject to annual audits,
- income tax preparation assistance,
- management of non-securities income producing assets,
- miscellaneous concierge services on a case-by-case basis,
- general business advice. Financial plans and financial planning may include, but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning.

### Services Limited to Specific Types of Investments

MGE generally limits its investment advice to mutual funds, fixed income securities, real estate funds, insurance products including annuities, equities, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds and non -U.S. securities. MGE may use other securities as well to help diversify a portfolio when applicable.

#### **C. Client Tailored Services and Client Imposed Restrictions**

MGE will tailor a program for each individual client based on calls or meetings or responses from clients on questionnaires that will allow MGE to better acquaint itself with each client's specific needs and requirements as part of developing a plan that will be executed by MGE on behalf of the client. MGE may use "model portfolios" together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent MGE from properly servicing the client account, or if the restrictions would require MGE to deviate from its standard suite of services, MGE reserves the right to end the relationship.

Depending on the client, the review can be anywhere from monthly - or more frequently - to annual, at minimum. Registrant reviews multiple factors including client income levels, cash flow needs, balance sheet and client's personal circumstances to determine investment strategy.

#### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. MGE does not sponsor any wrap fee programs.

#### **E. Assets Under Management**

MGE has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$ 7,809,776.00	\$ 184,061,455.00	As of 12/2017

\*Discretionary accounts comprise of bank accounts and those accounts managed via separate agreement appointing MGE as Investment Advisor.

### **Item 5: Fees and Compensation**

In addition to traditional investment advisory management services described in

MGE may be retained as a business manager and investment adviser by high income earning individuals whose occupations require their full-time commitment to their profession throughout a defined sports season for their services. Clients in this category do not pay MGE via assets under management, rather they pay a percentage of his/her employment contract. MGE customarily charges an annual percentage of 2% of the gross amount paid to this category of clients pursuant to the contract between the client and his/her employer. This fee is typically paid in arrears in two installments due June 30<sup>th</sup> for the first six months of the contract term and December 31<sup>st</sup> for the second six months of the contract term. However, MGE, at its discretion, may delay these due dates. Fees are generally not negotiated but on occasion, under exceptional circumstances, MGE reserves the right to reduce the fee. In the event a client in this category determines to cancel his/her contract with MGE prior to the end of the calendar year, the fee will be prorated based on the number of months prior to cancellation and fee will be due and payable to MGE within thirty (30) days following termination date. These clients have the option (but not obligation) to prepay fees at their election.

## **A. Fee Schedule**

### *Asset-Based Fees for Portfolio Management*

These fees are generally negotiable, at MGE's sole discretion, and the final fee schedule can be found within the investment advisory agreement executed between the client and MGE and will not exceed 2% of assets under management. MGE advisory services offered are similar to those offered its seasonal high income earning clients, however the compensation structure is treated differently and as described within each contract type. All MGE contracts are negotiated on a case by case basis, taking into account the amount of assets to be managed and other services to be provided by MGE.

~~"Termination Notice" - Clients or MGE may terminate the Investment Advisory Contract with thirty (30) days written notice ("Termination Notice"). Termination Notice is defined as written notice received by MGE or delivered by MGE. Any account closed and moved away from MGE's registered investment advisor custodian, Schwab, without prior written notice to MGE, shall also constitute Termination Notice. Final invoices will be provided to a terminated client within fifteen (15) days following a Termination Notice reflecting a pro-rated final payment due and payable to MGE. Final payment to MGE must be paid within thirty (30) days following Termination Notice and Client may request final payment to be debited from their account.~~

MGE uses an average of the daily balance in the client's account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

### *Selection of Other Advisers Fees*

MGE will be compensated in the same manner via the fee schedule found in the executed investment advisory agreement between client and MGE. Third-party advisers



may be selected through the Schwab Select/Access platform. Fees charged by Schwab and the Third-Party advisors shall range from 0.35%-0.45% on an annualized basis for Fixed Income and Index Based strategies and 0.70%-0.75% for Equity Based strategies. These fees may be debited separately from the MGE advisory fee. The fees shared will not exceed any limit imposed by any regulatory agency. MGE's fees for accounts managed by Third-Party advisors will not exceed 1.25%.

MGE uses an average of the daily balance in the client's account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based. These fees are negotiable.

### *Pension Consulting Services Fees*

#### *Asset-Based Fees for Pension Consulting*

These fees are generally negotiable and not to exceed 2%. The final fee schedule will be located in the client's executed Investment Advisory Contract.

Please refer to "Termination Notice" on page 5.

MGE uses an average of the daily balance in the client's account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

#### *Flat Rate Fee for Portfolio Management*

MGE advisory services offered are similar to those offered in the seasonal high income earning client contracts, however the compensation structure is treated differently and as described within each contract type. All MGE contracts are negotiated on a case by case basis, taking into account the amount of assets to be managed and other services to be provided by MGE.

Fees under the Flat Rate Contract will typically be due in two installments in arrears on June 30th and December 31st of each year of the contract term, however at MGE's discretion, these due dates may be delayed.

#### *Flat Rate Fee for Portfolio Management of Outside (Non-Schwab) Accounts*

Clients may elect to have MGE manage assets held outside of Schwab. The fee charged for assets managed by MGE of any outside account (i.e. employer sponsored retirement plan) will be defined in the client's contract or by contract amendment signed by both client and MGE. Fee arrangement will be calculated in the form of a flat fee (separate from any previous or simultaneous AUM arrangement pertaining to Schwab assets) based on a percentage of the outside account's value(s) as of December 31 of the

preceding year (or most recent valuation provided by client). The percentage is irrespective of any other breakpoints available through assets held under management at Charles Schwab & Co., as custodian and may be negotiated on an annual basis. Assets in this/these outside account(s) will not be included in computing the value of the assets in your account(s) which is/are through Charles Schwab & Co., as custodian, for billing purposes. Outside accounts are not included in MGE's performance reporting systems and are not tracked on a daily basis. As such, MGE will take all factors into consideration when proposing its fee for any outside accounts. Clients or MGE may terminate the Investment Advisory Contract with thirty (30) days written notice

### *Fixed Fees*

The negotiated fixed rate for creating client financial plans is between \$250 and \$10,000. Fees are charged in arrears upon completion.

### *Hourly Fees*

The hourly fee for these services is \$250. Fees are charged in arrears upon completion.

## **B. Payment of Fees**

### *Payment of Asset-Based Portfolio Management Fees*

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis by way of an executed MGE Investment Advisory Contract. Fees are paid in arrears.

### *Payment of Asset-Based Pension Consulting Fees*

Asset-based pension consulting fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis by way of an executed MGE Investment Advisory Contract. Fees are paid in arrears.

### *Flat Rate Fee for Portfolio Management of Outside (Non-Schwab) Accounts*

Flat rate fees are paid quarterly in arrears.

### *Payment of Selection of Other Advisers Fees*

Fees for selection of MGE as third-party adviser are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis by way of an executed MGE Investment Advisory Contract. Fees are paid quarterly in arrears.

### *Payment of Financial Planning Fees*

Fixed financial planning fees are paid in arrears upon completion.

Hourly financial planning fees are paid in arrears upon completion.

### *Payment of Other Fees*

Other fees may be collected by MGE or its representative through purchase of other products relative to fixed or universal life insurance and health/accident insurance. Mark Gillam is a licensed life insurance, health and accident insurance representative under California's Department of Insurance with non-resident life/health and accident insurance licenses in multiple states across the U.S. and currently maintains several company appointments that include (but are not limited to) the following : Transamerica Premier Life (f/k/a Western Reserve Life Assurance Company of Ohio), Lincoln Financial Group, American General Life Insurance, John Hancock Life Insurance, HCC Specialty Underwriters and Exceptional Risk Advisors.

### **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by MGE. Please see Item 12 of this brochure regarding broker-dealer/custodian.

### **D. Prepayment of Fees**

MGE collects its fees in arrears. It does not require collection of fees in advance.

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

MGE does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

MGE generally provides advisory services to the following types of clients:

- Individuals
  - High-Net-Worth Individuals
  - Pension and Profit Sharing
  - Plans Charitable Organizations

### *Minimum Account Size for Portfolio Management*

There is an account minimum of \$250,000, which may be waived by MGE in its discretion.

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

### **A. Methods of Analysis and Investment Strategies**

#### *Methods of Analysis*

MGE and its investment advisory representative make recommendations based upon fundamental knowledge and research in addition to the use of various third party investment research firms including Morningstar, Inc., and investment research firms specializing in in-depth examination of investment trends that provide supporting data for investment selection and market commentary. MGE and its representative subscribe to various financial publications and take into consideration articles published by investment professionals and various fund company publications in written and electronic format.

MGE and its investment advisory representative recommend exchange-listed securities, securities traded over-the-counter, commercial paper, certificates of deposit, municipal securities, variable life insurance, variable annuities, mutual fund shares and United States government securities.

#### *Investment Strategies*

MGE subscribes to a long-term investing approach and explains to its clients the benefits and drawbacks of this method as opposed to short-term investing and periodically reviews all client's risk tolerance and objectives to keep in line with client's financial outlook with the passage of time. MGE does not guarantee any return of investment and explains to its clients the hazards of investing and market volatility and its positive and negative outcome based on historical market trends.

### **B. Material Risks Involved**

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. The profitability of any strategy employed by MGE may depend to a great extent upon correctly assessing the future course of price movements. There can be no assurance that MGE will be able to predict those price movements accurately. The following additional risks are applicable to each investment security or strategy employed by MGE:

### *Investment Strategies*

Long term trading is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Selection of Other Advisers:** Although MGE will seek to select only money managers who will invest clients' assets with the highest level of integrity, MGE's selection process cannot ensure that money managers will perform as desired and MGE will have no control over the day-to-day operations of any of its selected money managers. MGE would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift" or even regulatory breaches or fraud.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

### **C. Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

Equity investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties.

The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real Estate funds (including REITs)** face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long -range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Non-U.S. securities** present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance** is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither MGE nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **B. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Mark Gerald Gillam is an independent licensed insurance agent, and from time to time, will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. MGE always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to utilize the services of any representative of MGE in connection with such individual's activities outside of MGE.

Mark Gerald Gillam acts as a real estate broker or dealer and from time to time, may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. MGE always acts in the best interest of the client and clients are in no way required to utilize the services of any representative of MGE in connection with such individual's activities outside of MGE.

### **C. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

MGE may direct clients to third-party investment advisers to manage all or a portion of the client's assets. MGE will be compensated via an asset-based fee, separate from any other platform fee and fees are withdrawn directly from the client's accounts. Fees are paid in arrears. The MGE Investment Advisor Fee and the third party investment advisor fee (and/or program), combined, will not exceed any limit imposed by any regulatory agency. Regardless of the third-party investment advisers that MGE chooses, the MGE asset-based fee will remain the same, thus there is no conflict involved in MGE choosing one third-party manager over another in its recommendation to clients.

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

### **A. Code of Ethics**

MGE has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. MGE's Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

MGE does not recommend that clients buy or sell any security in which a related person to MGE or MGE has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

On occasion, Mark Gillam, CEO of MGE may purchase an Exchange Traded Fund ("ETF") for his personal account which he may also recommend for purchase by a client. MGE believes that these personal transactions can be completed without any appreciable impact on the markets of these securities. Other employees of MGE do not actively trade securities which are also recommended to clients. However, in the event such trading takes place all employees are apprised of the policy discussed immediately below.



#### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of MGE may buy or sell securities for themselves at or around the same time as clients. It is the policy of MGE that no person employed by MGE shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients. MGE will never engage in trading that operates to the client's disadvantage if employees of MGE buy or sell securities at or around the same time as clients.

### **Item 12: Brokerage Practices**

#### **A. Factors Used to Select Custodians and/or Broker/Dealers**

MGE will not maintain custody of your assets that we manage although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We require that our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to. While we require that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. Although we will assist you in processing the necessary paperwork, MGE does not open the account for you. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described in the next paragraph. MGE has a duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and MGE may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in MGE's research efforts. MGE believes that Schwab 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, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts

(wire transfers, check requests, bill payment, etc.)

- ~~breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), 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 them~~
  - ~~reputation, financial strength and stability of the provider~~
  - ~~their prior service to us and our other clients~~
  - ~~availability of other products and services that benefit us, as discussed below~~
- (see “Products and Services Available to Us from Schwab”)

For our clients’ accounts it 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 based on our commitment to maintain \$100 million of our clients’ assets statement equity in accounts at Schwab and \$150 million within 12 months of our custodial agreement with Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be if we had not made this commitment.

#### **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 our clients with access to its institutional brokerage – 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 those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Here is a more detailed description of Schwab’s support services:

**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 to which we might not otherwise have access 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.

**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 some 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.

**Services that Generally Benefit Only MGE.** 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;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. 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 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. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only us.

#### ***1. Brokerage for Client Referrals***

MGE receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### ***2. Clients Directing Which Broker/Dealer/Custodian to Use***

MGE will require clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

#### ***3. Research and Other Soft-Dollar Benefits***

Please refer to Products and Services Available to Us from Schwab listed above.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

MGE does not aggregate or bunch the securities to be purchased or sold for multiple clients. This may result in less favorable prices, particularly for illiquid securities or during volatile market conditions.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

For those Clients who enter into a contract with MGE and have opted services beyond the scope of portfolio management, namely bookkeeping services, accounts are monitored several times a week and as frequently as daily when warranted by Mr. Gillam, President of MGE. Due to the frequency of review of the accounts under management, no triggering factors for additional review are set by MGE. Mr. Gillam provides an overview of investment performance for each client as frequently as monthly and at least quarterly. Additional reports are prepared as may be requested by a client. For those Clients receiving portfolio management and additional services, MGE will meet with clients no less than semi-annually.

For all other clients who are not receiving bookkeeping services from MGE, MGE's advisory services provided on an ongoing basis are reviewed at least quarterly, although on a case-by-case basis, more frequent reviews may be warranted by Mark Gillam, Registrant/President, with regard to clients' respective investment policies and risk tolerance levels. All accounts at MGE are assigned to this reviewer. These Clients receive an annual meeting and review with Mark Gillam.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Mark Gillam, Registrant/President. There is only one level of review for financial planning, and that is the total review conducted to create the financial plan.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

With respect to financial plans, MGE's services will generally conclude upon delivery of the financial plan.

### **C. Content and Frequency of Regular Reports Provided to Clients**

In addition to the reports discussed in Section A above, each client of MGE's advisory services provided on an ongoing basis will receive a quarterly report direct from the custodian, detailing the client's account, including assets held, asset value, and deduction of fees. MGE will also provide, at least annually, or more frequently, a separate summary of assets to the client.

Each financial planning client will receive the financial plan upon completion.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **B. Other Compensation and Compensation to Non – Advisory Personnel for Client Referrals**

MGE does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

Mr. Gillam also receives compensation in the form of agent's fees through the sale of life and disability insurance products to clients and maintains a real estate license with John David Realty for which he may receive referral fees and/or commission in connection with MGE client requested services rendered by MGE.

## **Item 15: Custody**

Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct Schwab or Union Bank to deduct our advisory fees directly from your account. Schwab and Union Bank maintain actual custody of your assets. In the context of providing bill pay services to its high income earning clients, MGE will have custody of client bank accounts. These custodians transmit statements no less frequently than quarterly to clients to the client's personal mailing address (non-MGE address). Certain clients have requested all mail from custodians be sent to MGE's address. For those clients listing MGE's address for monthly statements, MGE has arranged for the client to receive monthly account statements directly from the custodian via online access. MGE will confirm, verbally and/or in writing no less than semi-annually, that the client is reviewing custodian-issued monthly statements via online access to the custodian's website. Clients are required to provide the custodian their personal e-mail address.

MGE generates and sends (no less than quarterly) a statement to clients for custodied funds through Union Bank as a summary of transactions for all clients who participate in MGE's

bookkeeping service. Such statements contain a cautionary statement urging the client to compare the account statements received from the custodian to those received from MGE.

When advisory fees are deducted directly from client accounts Schwab, MGE will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all monthly account statements from Schwab and they should carefully review those statements for accuracy.

MGE may be deemed to have custody over the funds and securities of the trust(s) that MGE manages and for which it or its related persons serve as trustee.

### **Item 16: Investment Discretion**

MGE provides discretionary investment advisory services to certain clients primarily related to the investment of assets held in irrevocable life insurance trusts ("ILITs"). MGE may accept other discretionary accounts on a case by case basis. The Investment Advisory Contract established with each client sets forth the discretionary authority for trading. In practice, MGE does not exercise this discretion; rather it seeks client/ILIT trustee authorization before effecting any transaction for any account whereby an Investment Advisory Contract governs an account. In some instances, MGE's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to MGE).

### **Item 17: Voting Client Securities (Proxy Voting)**

MGE will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

### **Item 18: Financial Information**

#### **A. Balance Sheet**

MGE neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

#### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither MGE nor its management has any financial condition that is likely to reasonably impair MGE's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

**MGE has not been the subject of a bankruptcy petition in the last ten years.**