

**Item 1 – Cover Page**  
**Firm Brochure**  
**(Part 2A of Form ADV)**

**Financial Design & Management, Inc.**

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**Fort Collins, CO 80528**

**Phone: 970.490.2033**

**Web Address: [www.g5financialgroup.com](http://www.g5financialgroup.com)**

**March 16, 2018**

**This Brochure provides information about the qualifications and business practices of Financial Design & Management, Inc. If you have any questions about the contents of this Brochure, please contact us at (970) 490-2033 and/or [jodyr@financialdesign.us](mailto:jodyr@financialdesign.us). 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.**

**Financial Design & Management, Inc. is a registered investment advisor. Additional information about Financial Design & Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 113387.**

**Any references to Financial Design & Management, Inc. as a registered investment advisor or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

## **Item 2 - Material Changes**

The last annual update of this brochure was dated March 6, 2017. There have been no material changes to our business or the contents of this disclosure brochure since that time

Each year, by April 29, we will deliver to you a summary of material changes to our Firm Brochure, if there are any, with an offer to provide a copy of our updated firm brochure and information on how you may obtain the updated brochure. Furthermore, we will provide you with interim disclosures about material changes if needed.

The most current disclosure brochure for FD&M may be requested at anytime by contacting Jody Randall, Manager of Operations and Client Service at 970.490.2033 or [jodyr@financialdesign.us](mailto:jodyr@financialdesign.us).

### Item 3 - Table of Contents

Item 1 – Cover Page.....	1
Item 2 - Material Changes.....	2
Item 3 - Table of Contents .....	3
Item 4 - Advisory Business.....	4
PRIME Portfolio Management .....	5
Financial Planning Services.....	7
Portfolio Planning .....	8
Non-Discretionary Portfolio Allocation Advice for Employee Pension Accounts .....	8
Other Services.....	8
General Information.....	8
Item 5 - Fees and Compensation.....	10
PRIME Portfolio Management .....	10
Gateway Financial Strategy (GFS) .....	14
Financial Planning Services.....	14
Portfolio Planning .....	15
Non-Discretionary Portfolio Allocation Advice for Employee Pension Accounts .....	16
Item 6 - Performance-Based Fees and Side-By-Side Management.....	17
Item 7 - Types of Clients .....	18
Minimum Requirements .....	18
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	18
Item 9 - Disciplinary Information .....	20
Item 10 - Other Financial Industry Activities and Affiliations.....	20
Item 11 - Code of Ethics, Participation or Interest in Client Transactions, Personal Trading & Privacy Policy.....	21
Item 12 - Brokerage Practices.....	22
Item 13 - Review of Accounts .....	24
Item 14 - Client Referrals and Other Compensation .....	25
Item 15 - Custody.....	25
Item 16 - Investment Discretion .....	26
Item 17 - Voting Client Securities .....	26
Item 18 - Financial Information.....	27
Brochure Supplements	

## **Item 4 - Advisory Business**

Financial Design & Management, Inc. (hereinafter referred to as “FD&M”) is an SEC-registered investment advisory firm offering a variety of advisory services customized to your individual needs. The services are more fully described below.

FD&M began conducting business in 1988. Mark Kornblau is the sole shareholder of FD&M and is the President and Chief Investment officer of FD&M. Additional information about Mark Kornblau is disclosed in the Supplemental Brochure.

As of December 31, 2016, FD&M was actively managing \$196,558,667 of client assets on a discretionary basis. All assets managed by FD&M were discretionary.

### **Advisory Services**

FD&M offers the following advisory services:

- Proactive Investment Management (PRIME Portfolio Management)
- Gateway Financial Strategy
- Financial Planning
- Portfolio Planning
- Non-Discretionary Portfolio Allocation Advice for Employee Pension Accounts
- Seminars and Workshops

FD&M tailors the advisory services it offers to your individual needs. You may impose restrictions and/or limitations as to whether to prevent certain securities or types of securities from being purchased or sold in your account.

Services are initiated with FD&M in a data gathering session. A meeting will be scheduled between you and your Advisory Representative to begin the process of learning about your financial goals, objectives, concerns and financial situation. Generally, you will be asked to complete a risk questionnaire and client information form. The information gathered will assist FD&M in providing you with requested services and in customizing services for your individual financial situation.

Depending on the services you request, FD&M will gather various financial information and history from you which may include:

- Retirement and financial goals
- Investment objectives
- Investment horizon/timeline
- Financial needs
- Cash flow analysis
- Cost of living needs
- Education goals
- Saving tendencies
- Other applicable financial information required by FD&M in order to provide the investment advisory services requested.

## **PRIME Portfolio Management**

FD&M provides continuous and ongoing management services based on your individual needs. FD&M will design a portfolio and manage the account taking into consideration your financial goals and objectives, risk tolerance and investment time horizon.

### **Portfolio Manager Selection and Evaluation**

Mark Kornblau is the manager of PRIME managed accounts. There are no other managers contracted to provide management services. FD&M has an investment committee that meets on an as needed basis to discuss the market and economic outlook, asset allocation decisions, strategy and to share research. Between meetings, investment committee members and the manager may discuss the foregoing in a one on one meeting. Members of the investment committee were selected based on interest, knowledge, industry experience and affiliation with FD&M.

You may select from one of two management options.

#### *Option One:*

The account is tactically managed on a limited discretionary basis in an attempt to increase returns and/or to reduce risk. Therefore, FD&M will make all trade decisions without first conferring with you. Techniques employed by FD&M include overweighting and underweighting of asset classes, active replacement of underperforming investments or sub accounts and moving up to 100% of each asset type to cash for defensive purposes.

#### *Option Two:*

Reallocation of assets is generally made gradually and only after discussion with you (i.e., management decisions are made on a non-discretionary basis).

FD&M primarily uses mutual funds, exchange traded funds (EFT's) and individual stocks and bonds in its managed accounts. Advisory Representatives may use various security types in a client's account. Many of these are unlikely to be used and would require separate paperwork signed by the Client before being purchased or sold. Possible securities that may be held or purchased in an account include but are not limited to:

- Various equity securities (exchange listed, traded over the counter and foreign issues)
- Warrants
- Corporate debt securities
- U.S. government securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Options
- Investment company securities such as mutual funds, variable life insurance and variable annuities
- Structured Notes
- Municipal securities
- Interests in partnerships investing in real estate, oil and gas interests, cable TV,

## Financial Design & Management, Inc.

- equipment leasing, mortgages and other sorts of partnerships
- Exchange traded funds
- Real Estate Investment Trusts (REITS)
- Unit Investment Trusts (UITs)
- Gold, silver, rare coins and other non-security tangibles

PRIME portfolio management is generally offered as a wrap program, whereby you will pay one all inclusive fee that covers both management fees and trading costs. **Therefore, you will not pay for trading costs.** Accounts of less than \$150,000 of assets will generally be managed on a non-wrap basis, whereby you may pay trading costs in addition to the asset management fee. Both wrap and non-wrap programs are managed in a similar manner.

If you are participating in the wrap program, you will be provided a separate Wrap Program Disclosure Brochure. The Wrap Program Disclosure Brochure will explain costs associated with the program and potential conflicts of interest.

You maintain every indication of ownership in your managed account and have the authority to instruct FD&M to refrain from purchasing specific securities or to continue to hold specific securities. Management of your account is conducted under the framework of a written investment policy statement and asset allocation plan. These documents may be updated when there is a material change in your goals, objectives or if the assumptions used in our asset allocation models change significantly.

FD&M utilizes seven model portfolios: Aggressive Growth-Limited Tactical, Aggressive Growth-Hedged, Aggressive Growth, Growth, Moderate Growth, Income & Growth and Income. After evaluating your risk questionnaire, financial goals, time frame and anticipated cash flows, FD&M determines which of its model portfolios is most suitable. FD&M then customizes your portfolio taking into consideration your financial situation, goals, objectives, any limitations or restrictions, current market conditions and our economic outlook.

You are advised that trades in your account, including account reallocations and rebalancing, may trigger a taxable event; exceptions are IRA accounts, 403(b) accounts and other qualified retirement accounts.

Mutual funds and annuities owned and transferred into PRIME accounts may carry deferred loads (i.e. sales charges) that will be paid upon sale. **(However, all mutual funds and new variable annuities purchased in PRIME accounts are purchased without your paying any sales charges or contingent deferred sales charges.)**

Advisory Representatives, acting as Registered Representatives, have a conflict of interest if they recommend mutual funds or annuities outside of FD&M's managed (PRIME) accounts that carry a load (sales charge), as they will receive a commission for sales made through them.

### Gateway Financial Strategies

Gateway Financial Strategies provides continuous and ongoing management services based on your individual needs. The terms and conditions are identical to FDM's with these following *exceptions*:

## Financial Design & Management, Inc.

- 1) Management *Option Two* of the PRIME Management Program is not available as an option. All trade decisions will be made without first conferring with you as described under Management *Option One*.
- 2) The Wrap Program is not presently available.
- 3) The service utilizes models as a guideline, but customizes the portfolio taking into consideration your financial situation, goals, objectives and any account limitations or restrictions.
- 4) If both a transaction fee and NTF option is available for the same security, GFS will purchase using the lowest cost share class (NTF) if it will reduce the client's overall cost over the securities anticipated holding period.

### Financial Planning Services

FD&M provides advice in three ways: hourly consultations, financial reports, and financial plans.

1. Hourly consultations are normally limited to a specific aspect of your financial situation.
2. Financial reports are limited to one or more specific areas of your financial situation.
3. Financial plans involve data collection, goal setting, analysis (sometimes requiring outside consultants), and the production of a plan, generally written and including detailed recommendations. Financial plans include analysis and recommendations involving asset management, investment policy, and may include some comments on business interests. In selected cases, recommendations on portfolio allocation and diversification may be made. Asset allocation recommendations may be made as part of a financial plan or as a separate report.

Financial Design & Management, Inc. furnishes advice on risk management, insurance, insurance related products, estate planning, business matters, financial management and economic modeling.

All financial planning services and their cost are mutually agreed to in a written letter of engagement signed before work begins.

All planning services include assistance with implementation of recommendations, if desired, and the monitoring of results for twelve months.

Planning services are based on your financial situation at the time services are rendered and are based on financial information disclosed by you to FD&M. You are advised that certain assumptions may be made with respect to interest and inflation rates, and past trends and performance of the market and economy may be used. However, be aware that past performance may not be an indication of future performance. FD&M cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review your plan and update it based upon changes in your financial situation, goals, or objectives and changes in the economy. Should your financial situation or investment goals or objectives change, you should notify FD&M promptly of the changes. You are advised that the advice offered by FD&M may be limited and is not meant to be comprehensive. Therefore, you may need to seek the services of other professionals such as an insurance adviser, attorney and/or accountant.

## Financial Design & Management, Inc.

You are not obligated to implement financial planning recommendations through FD&M or its Advisory Representatives. If you choose to work with FD&M's Advisory Representatives, they may act as a Registered Representative for certain commissionable transactions that will be disclosed to you. Therefore, if you chose to work with your Advisory Representative in their capacity as a Registered Representative, you may pay commissions or other compensation in addition to the advisory fee paid to FD&M.

### **Portfolio Planning**

A survey is used to determine your long-term objectives, priorities, risk tolerance and current objectives. A written asset allocation plan and investment policy statement will be prepared. Your existing portfolio will be reviewed and investment recommendations will be made. This is a one-time service. You may request periodic reviews. However, fees will be charged for periodic reviews as disclosed below under *Item 5 - Fees and Compensation*.

### **Non-Discretionary Portfolio Allocation Advice for Employee Pension Accounts**

FD&M will monitor the risk and returns in your self-directed pension account(s) and review the investments available in the plan(s) and make ongoing recommendations as warranted based on your risk profile and objectives. Reallocation of assets will be recommended whenever there is a material change in your goals, objectives, or a significant change in the market environment is anticipated. FD&M will review your pension portfolio after receipt of your pension statements and will talk with you on an agreed upon interval. FD&M will provide trading recommendations to you. However, implementation will be solely your responsibility. Regular communications and meetings will be used to ensure your asset allocation plan remains current. FD&M does not act as a plan fiduciary in this role.

### **Other Services**

FD&M offers continuing education courses and seminars for a fee. Services are typically directed toward educational institutions and employers.

### **General Information**

You are advised the investment recommendations and advice offered by FD&M should not be considered legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. You are advised that it is necessary to inform FD&M promptly with respect to any changes in your financial situation and investment goals and objectives. Failure to notify FD&M of any such changes could result in investment recommendations not meeting your needs.

### **IRA Rollover Considerations**

As part of our consulting and advisory services, we may provide you recommendations and advice concerning your employer retirement plan or other qualified retirement account. We may recommend you consider withdrawing the assets from your employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA") that we manage. If you elect to roll the assets to an IRA that we manage, we will charge you an asset

## Financial Design & Management, Inc.

based fee as described in Item 5. This presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating an asset management fee rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by us.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of each.

An employee will typically have four options:

1. Leave the funds in your employer's (former employer's) plan.
2. Rollover the funds to a new employer's retirement plan.
3. Cash out and taking a taxable distribution from the plan.
4. Roll the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage, you should carefully consider the following:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
  - c. It is likely you will not be charged a management fee and will not receive ongoing asset management services unless you elect to have such services. In the event your plan offers asset management or model management, there may be a fee associated with the services that is more or less than our asset management fee.
3. Our strategy may have higher risk than the option(s) provided to you in your current plan.
4. Your current plan may offer financial advice, guidance, and/or model management or portfolio options at no additional cost.
5. If you keep your assets titled in a 401k or retirement account and you are still working, you could potentially delay your required minimum distribution beyond age 70.5 (70 ½).
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can

## Financial Design & Management, Inc.

be some exceptions to the general rules so you should consult an attorney if you are concerned about protecting your retirement plan assets from creditors.

7. You may be able to take out a loan on your 401k, but not from an IRA and you may be able to make penalty free withdrawals from your 401K as early as age 55.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or home purchase.
9. If you own highly appreciated company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.

## Item 5 - Fees and Compensation

### PRIME Portfolio Management

FD&M's fee is based on the value of the assets in your portfolio, unless you qualify and elect a performance-based fee arrangement described below. Illiquid assets are not managed nor are they charged any asset management fee. FD&M will not receive any stock, exchange traded fund or bond commissions when trades are made in your account. **Since FD&M and its Advisory Representatives are not paid commissions on trades, it removes a potential conflict of interest.**

If you are participating in the non-wrap program, you will pay a discounted transaction fee for any stock or bond trade, for any transaction fee mutual fund or for any transaction fee exchange traded fund (ETF) bought or sold in your account. Current transaction fees are disclosed in the PRIME Client Investment Advisory Agreement. Some mutual funds or ETF's bought or sold in your account may be purchased without a transaction fee. They are often referred to as no transaction fee (NTF) trades. Trading fees are paid directly to the custodian of your account and FD&M and your Advisory Representative do not receive any portion of trading fees.

**All mutual funds and new variable annuities purchased in PRIME accounts are purchased without your paying any sales charges or contingent deferred sales charges. Additionally, FD&M does not receive any service/distribution fees (12b-1 fees) on mutual funds.**

Advisory Representatives, in their capacity as Registered Representatives, may receive asset based service fees from variable insurance companies. The receipt of such fees could represent an incentive for Advisory Representatives, acting in their capacity as Registered Representatives, to recommend annuities with an asset based service fee over annuities that have no such fee or have a lower fee. As a result, there is a potential conflict of interest. Registered Representatives working with clients of FD&M will receive a commission if a client adds money to previously purchased commissionable annuities. This commission will not exceed 0.35% per year based on the total value of all client accounts being managed in limited discretionary accounts and 1.0% per year based on the total value of all client accounts being managed in nondiscretionary accounts.

## Financial Design & Management, Inc.

No fee adjustments will be made for account appreciation or depreciation unless you qualify and elect to be billed based on performance. FD&M, in its sole discretion, may charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, negotiations with client, prior relationships, referrals, etc.)

Account values of direct family members, e.g., husband and wife and children under age 21 living with their parents will be aggregated to determine the management fee unless you ask us not to.

In special circumstances (such as hardship or when portfolio returns fall significantly below those of the Composite to which a portfolio is assigned) fees for a given period may be waived, on a fully discretionary basis, by the President of FD&M. Such a fee waiver is not contingent on a specified level of performance, is purely voluntary and is non-contractual. Employees/relatives of FD&M Inc. may in some cases have management fees waived or reduced.

An initial fee is due to FD&M upon execution of the advisory agreement between you and FD&M. The initial fee will be based on the opening value of your portfolio. The fee will be prorated for the first quarter of management based on the number of days remaining in the calendar quarter.

Thereafter, advisory fees will be charged in advance of each calendar quarter. The quarterly advisory fee will be based on the value of the Account on the last business day of the just completed calendar quarter.

To simplify accounting, fees will be rounded up or down to the nearest dollar. Therefore, \$.50 or more will be rounded up and less than \$.50 will be rounded down. Some quarters you may pay slightly more and some quarters slightly less than the exact formula amount. Over time, such rounding will tend to average out to the exact formula amount.

FD&M reserves the right to adjust billing with regard to material interim additions to or withdrawals from the account during the quarter.

Fee adjustments for additions and withdrawals made from an account will be reflected on the next billing cycle. The adjustment is calculated based on the number of days the money was under management and the client's fee schedule.

<b>Portfolio Size</b>	<b>Option I Active Management</b>		<b>Option II Gradual Reallocation</b>	
	<b>Quarterly Fee</b>	<b>Annual Fee</b>	<b>Quarterly Fee</b>	<b>Annual Fee</b>
First \$100,000	0.40 - .45%	1.6 – 1.8%	0.250%	1.00%
Next \$150,000	0.35 - .45%	1.4 – 1.8%	0.225%	0.90%
Next \$250,000	0.325 - .35%	1.3 – 1.4%	0.175%	0.70%
Next \$500,000	0.275%	1.1%	0.1375%	0.50%
Next \$1,000,000	0.2 - .25%	0.8 – 1%	0.010%	0.40%
Next \$3,000,000	0.1625 – 0.1875%	0.65% - 0.75%	0.0875%	0.35%
Over \$5,000,000	Negotiable	Negotiable	Negotiable	Negotiable

## Financial Design & Management, Inc.

You should review the fees charged by the funds or subaccounts and the fees charged by FD&M to fully understand the total amount of fees to be paid and to evaluate the Advisory services being provided. You are advised the fees charged by FD&M may be higher than fees charged by other investment advisers for similar services.

FD&M aggregates or households all of your managed accounts together to determine your quarterly fee. For example, if you have four managed accounts with a value as of the just completed calendar quarter of \$101,569.40, \$55,498.46, \$675,879.50, and \$74,301.12 with a total value of \$907,248.48, your management fee will be calculated as follows (based on an actively managed account and one potential fee schedule):

First \$250,000 x .45%	\$1,125.00
Next \$250,000 x .35%	\$ 875.00
Remaining \$407,248.48 x .275%	<u>\$1,119.93</u>
Quarterly Fee - Rounded	\$3,120.00

FD&M may increase the above fee schedule upon 30-days prior written or electronic notice to you or reduce the above fee schedule after providing written or electronic notice to you.

You may pay fees for custodial services, account maintenance and/or other fees associated with maintaining your account such as wire transfers, overnight charges and odd-lot differentials. Such fees are not charged by FD&M, rather they are charged by your account custodian, a broker/dealer or the investment product sponsor. FD&M does not share in any portion of such fees. Additionally, you will pay your proportionate share of management and administrative fees and internal trading costs for any mutual funds or exchange traded funds owned. Client's who own variable insurance contracts will pay additional insurance charges to the insurance company. Such fees are not shared with FD&M and are compensation to the fund-manager or to pay for mortality charges. You should read mutual fund and variable insurance prospectuses prior to investing.

### Portfolios of Less than \$150,000 (Non-wrap program)

If the value of your portfolio is less than \$150,000, in addition to the advisory fees above, you will pay trading fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. The current fee schedule is included in our Advisory Agreement.

You will be responsible for any short-term redemption fees imposed by a mutual fund or annuity company. Additionally, you will be responsible for any short-term trading fees charged by your custodian for NTF mutual funds or EFT's held less than 60 days. FD&M shall seek to minimize such costs. However, market conditions will take priority in determining whether to make trades in your account.

Some mutual funds or ETF's bought or sold in your account may be purchased by FD&M without a transaction fee. They are often referred to as no transaction fee (NTF) trades. This creates a potential conflict of interest, as FD&M could reduce its trading costs by purchasing NTF mutual funds and ETFs. FD&M minimizes this potential conflict of interest by making its investment selections without regard as to whether or not the investment is available to FD&M as a NTF security. If both a transaction fee and an NTF option are available for the same security, FD&M will

## Financial Design & Management, Inc.

purchase the transaction fee security if it will reduce our clients overall cost over the securities anticipated holding period.

Advisory fees will be collected directly from your account, provided you have given FD&M written authorization. You will be provided with an account statement from your custodian reflecting the deduction of the advisory fee. Additionally, FD&M will provide you with an itemized billing statement reflecting the fee calculation. If the Account does not contain sufficient funds to pay advisory fees, FD&M has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to FD&M, except for ERISA and IRA accounts.

If you elect to be invoiced directly for FD&M's management fees, fees will be due to FD&M within 30 days after you receive your invoice from FD&M. If fees remain unpaid after 30 days, FD&M is authorized to deduct any outstanding fees directly from your account. Further, FD&M is authorized to make sales of securities in your account, if needed, at your expense, to generate enough cash to pay overdue management fees.

You are advised Advisory Representatives of FD&M are dually registered representatives of Gëneos Wealth Management, Inc. (Gëneos), a registered broker/dealer, member of the Financial Regulatory Association (FINRA) and SIPC. Your Advisory Representative may act as a Registered Representative for non-PRIME accounts. In such capacity, they may earn fully disclosed commissions and service/distribution fees. Load and no-load mutual funds may pay annual service/distribution compensation, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. 12b-1 fees may be paid to Gëneos and a portion paid to your Advisory Representative.

You are advised there may be multiple parties with an interest in the fee charged to you. FD&M will retain a portion of the advisory fee for its management services and pay the balance of the fee to Gëneos, who shares most of the fee with the Advisory Representative who is working with you. The portion of the management fee retained by FD&M typically ranges from 8 to 20 basis points on the amount of assets being managed. Each Advisory Representative has the flexibility to set their own client fee schedule as long as it does not exceed the fee schedule previously listed. Therefore, depending on the Advisory Representative you have selected, you may pay more or less than another client with another Advisory Representative. There is no correlation between the experience, education and knowledge of the Advisory Representative and the fee you pay.

### Termination Provisions

FD&M's services will continue and remain in full force until terminated. Should you die or be declared incompetent, the authority of FD&M to manage your account will continue until FD&M is notified in writing of termination due to such death or incompetence by your legal representative or until the account is frozen by the custodian. You may terminate management services within five business days of execution of the advisory agreement with FD&M without penalty. Thereafter, management services may be terminated at any time and for any reason thirty (30) days after receipt of your written notice to terminate. Active management will continue during the thirty (30) day notice period in order to facilitate an orderly liquidation and/or transfer of assets. The withdrawal or transfer of funds from your account does not serve as notification of cancellation nor does non-payment of any management fee due or owed.

## Financial Design & Management, Inc.

Upon cancellation, you will be entitled to a prorated refund of prepaid advisory fees. Refunds will be calculated as of the date following the thirty days after FD&M's receipt of termination notification or the date we actually terminate management if shorter. FD&M will refund a pro-rata portion of the advisory fee for the quarter from the date of termination to the end of the calendar quarter. FD&M may waive the thirty (30) day notice requirement on a case by case basis.

In the event of withdrawal of all or substantially all of the assets from your account, or the termination of our management of your account, you may be billed for actual trading costs incurred by FD&M to liquidate or transfer security positions in your account and for any termination fees charged directly to your account or charged to FD&M. You will also be responsible for any short-term redemption fees imposed by a mutual fund or annuity company due to account closure, as well as any short-term redemption fees imposed by the custodian or broker/dealer for no transaction fee ("NTF") funds held less than 60 days.

Upon delivery of your written notice to terminate our services, you have sixty (60) days to transfer or liquidate securities in your account unless another arrangement has been made and agreed upon by FD&M in writing. After 60 days, FD&M may contact the custodian and have your account reclassified as a retail account.

### **Gateway Financial Strategy (GFS)**

The Gateway Financial Strategy is a tactical allocation program open to John Alpers, III clients only. Clients pay all trading fees in addition to the advisory fees shown below and performance based fees are not available as an option.

FD&M does not retain a management fee based on the amount of assets being managed, instead it is reimbursed for operational and compliance costs associated with the Gateway Financial Strategy. Other billing policies, conflicts of interest and termination policies and procedures are the same as previously described under the PRIME Portfolio Management program. The remaining items that follow are also the same for GFS Clients.

<b>Portfolio Size</b>	<b>Quarterly Fee</b>	<b>Annual Fee</b>
First \$500,000	0.3375%	1.35%
Next \$500,000	0.2750%	1.10%
Next \$1 Million	0.2500%	1.00%
Next \$3 Million	0.1875%	0.75%
Over \$5 Million	Negotiable	Negotiable

### **Financial Planning Services**

You are advised that fees for planning services are strictly for planning services. Therefore, you may pay fees and/or commissions for additional services obtained such as asset management or for products purchased through a Registered Representative such as securities or insurance.

## Financial Design & Management, Inc.

Fees are negotiable. Your fee will be dependent on several factors including time spent with FD&M, number of meetings, complexity of your situation, amount of research and analysis, services requested and staff resources.

Service	Maximum Fee	Payable
Comprehensive Financial Plan	½ of 1% of combined annual income and net worth subject to modification for complexity. Minimum fee of \$250.	Half is payable at or prior to the data gathering and the remainder when the final plan is delivered, unless special arrangements are made. However, plans costing less than \$500 are payable in full at or prior to the data gathering meeting unless special arrangements are made.
Hourly Consultation	\$100 to \$200 per hour –Advisory Representative  \$40 to \$60 per hour – staff time	Payable the earlier of completion of the service or at the end of each month based upon time spent by FD&M. Time and materials are estimated and listed in a written agreement signed before or when work begins.

You are provided, at no cost, as many follow-up meetings as needed for 12 (twelve) months after presentation of a comprehensive plan. Contracts for services after the first 12 (twelve) months are priced on either a fixed fee or hourly basis and are based on the nature of services required. Plan updates are charged based on an estimated time and materials basis and services and fees are described in a written agreement signed before or when work begins.

In addition, direct expenses such as travel and other professionals engaged for consultation may be passed along to you and are in addition to the fees charged by FD&M for its time.

### Termination Provisions

Plans started but not completed will be billed based on actual time expended at the hourly rate agreed upon in our written agreement.

You may cancel services within 5 (five) business days after entering into the advisory agreement with FD&M. Should you do so, you will receive a full refund of fees paid. Once work begins, if services are interrupted for any reason, actual time spent will be billed based on our hourly rate. Fees will not exceed the fixed fee or number of hours of time agreed to at the beginning of the relationship unless supplemental fees are agreed to in writing. Any fees collected but unearned will be refunded to you.

### **Portfolio Planning**

The fee for this one-time service is based on the following schedule:

	<i>Portfolio Size</i>	<i>Fee</i>
First	\$100,000	0.750%
Next	\$150,000	0.375%
Next	\$250,000	0.200%
Next	\$500,000	0.100%
	Over \$1,000,000	Negotiable

## Financial Design & Management, Inc.

This guideline fee may be adjusted downward where less work than usual is needed to complete this phase or you have worked with FD&M previously. This fee is payable when the final portfolio plan is delivered unless special arrangements are made in advance. The minimum fee for this service is \$250. In limited situations, when substantial future contributions or referral business is anticipated, the President of FD&M may waive this fee.

### Termination Provisions

Plans started but not completed will be billed based on actual time expended. You may cancel services within 5 (five) business days after entering into the advisory agreement with FD&M. Should you do so, you will receive a full refund of fees paid.

Once work begins, if services are interrupted for any reason, actual time spent will be billed based on our hourly rate. Fees will not exceed the fixed fee or number of hours of time agreed to at the beginning of the relationship. Any fees collected but unearned will be refunded to you.

### **Non-Discretionary Portfolio Allocation Advice for Employee Pension Accounts**

A retainer fee will be charged on an hourly basis at the rate of \$250 per hour. The initial retainer is due upon execution of a written contract and shall be based on a one-year period. You may pay for this service on a monthly, quarterly, semi-annual or annual basis. The retainer fee may be renewed and/or adjusted on an annual basis. Fees are due to FD&M within 30 days after you receive a bill from FD&M. Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client or more than six months in advance of services rendered.

Fees will be due to FD&M upon presentation of the advice or recommendations. The retainer will be determined based on the number of pension plan investment choices available, the number of accounts for which advice is being given, the desired frequency of reviews, the anticipated frequency of contact and the overall amount of time expected to be expended by FD&M. This fee will NOT be based on the value of assets in your account. The maximum quarterly fee is \$1,250 for more complex situations. Fees are negotiable.

This service is a continuing one and shall remain in full force and effect until terminated by you. Should you die or be declared incompetent, the authority of FD&M to continue to act shall continue until such time as FD&M is notified in writing of termination due to such death or incompetence by your legal representative.

FD&M may change its fee schedule at each annual renewal by providing you 30 days prior written notice.

### Termination Provisions

You have the right to cancel this service at any time and for any reason upon 30 days written notice. Upon cancellation you shall be entitled to a pro rata refund of prepaid advisory fees. You may terminate services, without penalty, for a full refund of all fees and charges within five (5) business days of signing the initial agreement with FD&M.

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

FD&M bills accounts based on a performance fee arrangement for investors who qualify under the Investment Advisers Act of 1940, Section 275.205-3 and elect this billing option. A performance-based fee is an investment advisory fee based on a share of capital gains on, or capital appreciation of, *client* assets.

To be eligible for a performance fee arrangement as of May 22, 2012, you must have at least \$1 million of assets under management by FD&M; or immediately prior to entering into a separate performance contract, have a net worth of \$2 million or greater excluding the value of your primary residence equity. (The net worth of a natural person may include assets held jointly with such person's spouse.) This minimum suitability standard is set by law and is subject to change. Should you no longer qualify for a performance agreement, you will be notified in writing. Your performance agreement will then terminate and the standard FD&M advisory agreement terms and conditions will apply. The SEC has provided a 'grandfather' provision which allows FD&M to continue charging clients' performance fees if they qualified for the performance-based fees before May 22, 2012 (at least \$750,000 under management by FD&M or a net worth in excess of \$1,500,000).

Investors who elect to be billed based on performance will be billed a quarterly base fee as in the standard agreement. Upon completion of 12 months of continuous management, the base fee shall be adjusted upward or downward based on account performance according to the following schedule:

Time-Weighted Annual Return above or (below) Selected Benchmark	Annual Performance Base Fee Adjustment	Quarterly Performance Base Fee Adjustment
+6.0% or more	+1.0%	.25%
+5.0% to 5.99%	+0.8%	.20%
+4.0% to 4.99%	+0.6%	.15%
+3.0% to 3.99%	+0.4%	.10%
+2.0% to 2.99%	+0.2%	.05%
-1.99% to 1.99%	+0.0%	0.0%
-2.0% to -2.99%	-0.2%	-.05%
-3.0% to -3.99%	-0.4%	-.10%
-4.0% to -4.99%	-0.6%	-.15%
-5.0% to -5.99%	-0.8%	-.20%
-6.0% or more	-1.0%	-.25%

After the initial twelve-month period, the performance adjustment will be made quarterly, based on a twelve-month rolling period. The investment performance used in computing the rolling period fee (and the investment performance used in computing the fees for prior rolling periods) may, to some extent, overlap the investment performance used to calculate the fee for the current period. As prior performance periods overlap in rolling periods, periods of over and under performance will tend to persist in future rolling periods, resulting in higher or lower performance fees than if a rolling period was not used.

**A performance fee arrangement may create an incentive for FD&M to make investments that are riskier or more speculative than would be the case in the absence of a performance based fee.** Additionally, managing accounts whose fees are performance based side by side with accounts whose fees are asset-based has the potential to create a conflict of interest; FD&M could place the needs of performance based clients above those of asset based clients. FD&M mitigates this potential conflict of interest by using model based portfolios and conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. (Participating clients will obtain the average share price per share for any securities executed on a given day). See *Item 12 - Brokerage Practices* for further details.

#### Termination Provisions

In the event the investor terminates the managed account during the first year, the management fee will be based on the base fee only. Performance fees due upon termination after the first year shall be calculated on the basis of a one-year period beginning on a date one year prior to the termination date. The termination date shall always occur at month end.

All other termination provisions are the same as described in the PRIME Portfolio Management section.

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

FD&M's services are geared toward individuals, both high net worth (i.e. clients with a net worth of \$2 million or more) and individuals with a net worth of less than \$2 million, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or other business entities.

#### **Minimum Requirements**

##### PRIME Portfolio Management

The minimum account size is \$100,000. The President of FD&M may make an exception to the account minimum and accept accounts less than \$100,000 in size. However, you are advised performance may suffer due to difficulties in diversifying smaller accounts and the impact of higher management fees and proportionally higher trading costs.

Accounts with less than \$150,000 of assets will not participate in the wrap program and will pay transaction fees in addition to the asset management fee, unless FD&M makes an exception. Exceptions are at the sole discretion of FD&M. FD&M may grant exceptions based on an analysis of the account such as the size of the account, number of related accounts managed FD&M, other services in which you participate, complexity of your account, and tenure of your relationship with FD&M.

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

FD&M uses various resources and products to assist in analyzing securities and determining the portfolio allocations. FD&M employs the use of the following methods of analysis:

- Charting - Charting is a form of technical analysis in which various factors are diagrammed in order to illustrate patterns.

## Financial Design & Management, Inc.

- Fundamental - Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure.
- Technical - Technical analysis generally involves studying trends and movements in a security's price, trading volume, and other market-related factors in an attempt to discern patterns.
- Cyclical - Cyclical is attempting to determine the patterns of how the economy and/or the market affect a security and attempt to determine the highs and lows of the security.

The following sources are used to conduct due diligence and research:

- Financial newspapers, magazines and the internet
- Inspections of corporate activities and due diligence trips to product sponsors
- Annual reports issued by product sponsors and companies
- Prospectuses and other filings with the Securities and Exchange Commission
- Research materials prepared by third parties
- Company press releases

In selected cases FD&M uses a computer asset allocation model. The model develops recommendations designed to provide:

- Rational investment selection
- Alternatives matched to your needs
- Sound methodology for investment decision making
- Measurable decision making criteria

You are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the management programs offered by FD&M will require you to be prepared to bear the risk of loss and fluctuating performance.

The risks of mutual funds include internal costs and expenses that can impact performance, change of managers, and a fund straying from its stated objective. Open ended mutual funds typically are liquid and their price does not fluctuate throughout the trading day.

You may purchase mutual fund shares directly without using our management services. However, some mutual funds that FD&M can purchase without a sales charge cannot be purchased directly by individuals unless they pay a sales charge or invest large sums of money in a fund family (typically \$500,000 to \$5,000,000 or more for institutional class shares) and some annuities used are designed for use only in connection with investment advisory services provided by an investment adviser and have reduced insurance company expenses. Also, you would not receive the services provided by FD&M which are designed, among other things, to assist you in determining which mutual fund(s) or subaccounts are most appropriate for your financial situation and investment objectives and to make tactical portfolio decisions on your behalf

The risks of individual stocks and bonds are constant price fluctuation and potential lack of liquidity. Stocks and bonds are considered to be riskier investments than mutual funds because they are less diversified.

FD&M does not represent, warrant or imply that the services or methods of analysis used by FD&M can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance may not be an indicative of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by FD&M will provide a better return than other investment strategies.

## **Item 9 - Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client or prospective client's evaluation of our advisory business or the integrity of our management. FD&M and its employees and supervised personnel have not been involved in any type of disciplinary actions, including criminal or civil actions in a domestic, foreign or military court; administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority; or proceeds before a self-regulatory organization (SRO).

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

The principal business of FD&M and its owner is to conduct this advisory business. Our Advisory Representatives are dually registered as Advisory Representatives of FD&M and as Registered Representatives of Gëneos Wealth Management, Inc. ("Gëneos"). Your Advisory Representative may act as a Registered Representative for non-PRIME accounts. In such capacity, they may earn fully disclosed commissions and trail commissions. You are under no obligation to purchase or sell securities in unmanaged accounts through your Advisory Representative. However, if you choose to implement investment advice through your Advisory Representative, acting in their Registered Representative capacity, your Advisory Representative may earn commissions in addition to any fees you pay for advisory services.

Commissions may be higher or lower at Gëneos than at other broker/dealers. Advisory Representatives acting as Registered Representatives may have a conflict of interest in having you purchase commissionable securities and/or insurance related products through Gëneos. You should be aware that the higher a Registered Representative's production with Gëneos, the greater their potential for obtaining a higher pay-out on commissions and advisory fees. Gëneos and FD&M are not affiliated.

FD&M attempts to mitigate this conflict of interest (the potential receipt of commissions) by providing you with these disclosures and endeavors at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment advisor. We take the following steps to address potential conflicts:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees:
- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies:

## Financial Design & Management, Inc.

- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objective and risk tolerance;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to client are suitable to the client's needs and circumstances;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investments provided to clients.

You may consult other Advisory Representative professionals and may implement recommendations we prepare through other financial professionals should you desire. Advisory Representatives serving as Registered Representatives with Gëneos are subject to a supervisory structure at Gëneos for their securities business.

Advisory Representatives of FD&M may have a share of ownership in Gëneos.

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

#### **Code of Ethics**

We have adopted a Code of Ethics expressing our commitment to ethical conduct. FD&M has a fiduciary duty to act in your best interest and always place your interests first and foremost. FD&M takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as FD&M's policies and procedures. As such, FD&M maintains a code of ethics for its Advisory Representatives, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violation reporting requirements, and safeguarding of material non-public information about you and your accounts. Further, FD&M's Code of Ethics establishes FD&M's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.

FD&M and its associated persons may buy or sell securities identical to those securities recommended to you. Therefore, FD&M and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to you. FD&M and its associated persons will not put their interests before your interest. FD&M and its associated persons may not trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients.

To supervise compliance with our Code of Ethics, we require that anyone associated with FD&M who has access to information regarding client investment recommendations or transactions must provide an initial and annual securities holdings report and quarterly transaction reports to the firm's Chief Compliance Officer. Our Code of Ethics also includes the firm's policy prohibiting the use of material non-public information. All supervised persons at FD&M must acknowledge the terms

## Financial Design & Management, Inc.

of the Code of Ethics annually, or as amended. Any individual who fails to abide by our Code of Ethics may be subject to disciplinary action.

You have the right to decline any investment recommendation. FD&M and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

Finally, FD&M strives to handle your non-public information in such a way to protect information from falling into hands that have no business reason to know such information. FD&M provides new clients with a Privacy Statement and all clients receive an annual Privacy Notice. Please see the privacy notice for full details of our privacy policy.

### **Prohibition on Use of Insider Information**

FD&M has adopted policies and procedures to prevent the misuse of “insider” information (i.e. material, non-public information). A copy of such policies and procedures is available to any person upon request.

### **Item 12 - Brokerage Practices**

As stated above in *Item 10 - Other Financial Industry Activities and Affiliations*, Advisory Representatives are registered representatives of Gēneos. As a result they are subject to FINRA Conduct Rule 3040 which may restrict such them from conducting securities transactions away from Gēneos unless Gēneos provides written authorization.

FD&M has obtained approval to offer you the ability to maintain accounts through an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively and together with all affiliates, “Fidelity”) through which Fidelity provides FD&M with ‘institutional platform services’. Fidelity institutional platform services may also be referred to as Fidelity Institutional Wealth Services (FIWS).

FD&M is independently owned and operated and not affiliated with Fidelity. FD&M and its Advisory Representatives have also obtained approval to maintain accounts at any other large independent national custodian should FD&M choose to do so in the future.

You are advised that not all investment advisers require you to maintain accounts at a specific custodian or broker/dealer and you are advised you may maintain accounts with another broker/dealer. If you choose to do so, the services provided by FD&M will be limited to only advice and will not include plan implementation. If you select another brokerage firm for custodial and/or brokerage services you will not be able to receive asset management services from FD&M.

In initially selecting Gēneos and Fidelity Institutional Wealth Management, FD&M conducted due diligence. FD&M’s evaluation criteria included:

- Ability to provide superior service
- Financial responsibility and viability Industry reputation
- Ability to provide accurate and timely reports to you and to FD&M

## Financial Design & Management, Inc.

- Availability of an efficient trading platform
- Products and services available
- Technology resources
- Educational resources
- Execution capability
- Confidentiality and security of your information
- Responsiveness
- Other factors that may bear on the overall evaluation of best price and execution

Periodically FD&M reviews transaction costs and trading fees in light of current market circumstances, available published statistical analysis as well as other relevant information to determine whether clients are receiving “best execution”.

Best execution does not simply mean the lowest transaction and trading costs. Therefore, no single criteria validate nor invalidate a custodian, but rather, all criteria listed above are used to evaluate the custodians FD&M utilizes.

Fidelity generally does not charge separately for its custody services, but is compensated by commissions or other transaction-related fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transaction fees are charged for certain no-load and institutional class mutual funds, a commission is charged for individual equity and debt securities).

Fidelity provides FD&M with access to its institutional trading and custody services, which are typically not available to Fidelity retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge. However, Fidelity may impose minimum asset requirements in order to access certain services. **FD&M has not committed to place a specific amount of business (assets in custody or trading) with Fidelity or any other Custodian in exchange for any of their services.** Fidelity’s services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or require a significantly higher minimum initial investment elsewhere.

Fidelity makes available to FD&M other products and services that benefit FD&M, but may not benefit its clients’ accounts. Some of these other products and services assist FD&M in managing and administering clients’ accounts. These products include software and other technology that provide access to client account data, such as trade confirmation and account statements; facilitate trade execution and allocation of aggregated trade orders for multiple client accounts; provide research, pricing information and other market data; facilitate payment of FD&M’s fees from its clients’ accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of FD&M’s accounts, including accounts not maintained at Fidelity.

Fidelity also makes available to FD&M other services intended to help FD&M manage and further develop its business enterprise. These services may include, but are not limited to, consulting, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, information technology, business succession, regulatory compliance and marketing. In

## Financial Design & Management, Inc.

addition, Fidelity may make available, arrange and/or pay for these types of services rendered to FD&M by independent third parties. Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to FD&M. While as a fiduciary, FD&M endeavors to act in its clients' best interests, and FD&M's recommendation that clients maintain their assets in accounts at Fidelity may be based in part on the benefit to FD&M of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This may create a potential conflict of interest.

You are advised there is an incentive for FD&M and your Advisory Representatives to recommend a custodian or broker/dealer based on the products and services that they will receive. The custodian or broker/dealer they select may or may not be in your best interest.

FD&M may aggregate ("bunch") transactions in the same security on behalf of more than one client in an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients. However, aggregated or bunched orders will not reduce the transaction costs to participating clients. Adviser conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. Participating clients will obtain the average share price per share for the security executed that day. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated pro-rate to the participating client accounts in proportion to the size of the orders placed for each account. Under certain circumstances, the amount of securities purchased or sold may be increased or decreased to avoid holding odd-lot or a small number of shares for particular clients.

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

You are advised that you should notify FD&M promptly of any changes to your financial goals, objectives or financial situation as such changes may require FD&M to review your portfolio allocation and make changes.

#### *PRIME Portfolio Management*

You will be invited to participate in at least an annual review. The frequency of reviews will be determined at the beginning of the relationship and may be altered at any time. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Your review will typically be conducted by your Advisory Representative or Solicitor.

#### *Financial Planning Services*

Reviews will be conducted as contractually agreed between you and FD&M. The frequency of the review period is selected and determined by you. Your review will be conducted by your Advisory Representative/financial planner.

You will be provided statements directly from the account custodian at least quarterly. Additionally, you will receive confirmations of all transactions directly from the account custodian. Clients participating in PRIME Portfolio Management will be provided a quarterly newsletter discussing market conditions. FD&M's reports will provide an analysis of your performance, holdings by asset class and transactions. Additionally, you will receive a billing statement that outlines the calculation of your fee. You should compare the report with statements received directly from your account

## Financial Design & Management, Inc.

custodian. Should there be any discrepancy, the account custodian's report will prevail. Taxable accounts will also receive a year-end tax summary prepared by and delivered by Fidelity.

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

FD&M has been received many client introductions and referrals over the years. Sources have included: current clients, prospective clients, estate planning attorneys, accountants, mortgage brokers, insurance agents, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these introductions and referrals.

Product vendors recommended by FD&M may provide monetary and non-monetary assistance for client events and provide educational tools and resources to FD&M. FD&M does not select products as a result of any monetary or non-monetary assistance. FD&M's due diligence of a product is not influenced by any assistance it may receive; products are selected solely by such factors as quality and experience of management, prior track record, expenses and investment structure. Therefore, FD&M does not consider any monetary or non-monetary assistance received to be a conflict of interest.

Referring Advisory Representatives are paid for analyzing your financial situation and assisting in determining the most appropriate model portfolio for you, determining suitability, monitoring your account, periodically meeting with you and consulting with you as needed about your account and for referring and maintain your relationship with FD&M. More information is found in *Item 5 Fees and Compensation, PRIME Portfolio Management*. Under no circumstances shall the fees you pay exceed the amount listed in the fee schedules found in *Item 5 - Fees and Compensation*.

FD&M may compensate soliciting Broker/Dealers, financial planners and other Investment Advisors (referred to as Solicitors) for referrals of prospective clients to FD&M. If the prospective client enters into an advisory agreement with FD&M, FD&M will compensate the Solicitors. The Solicitors will receive compensation between 40% and 75% of the fee FD&M collects. Solicitors will comply with requirements of SEC Rule 206(4)-3. The fee paid by the referred client remains the same regardless of any compensation paid by FD&M to Solicitors. Referred clients will be given a written disclosure describing the solicitation arrangement.

Financial Design & Management does not accept referral fees or any form of compensation from other professionals or service providers when a client or potential client is referred to them.

### **Item 15 - Custody**

FD&M is considered to have "custody" of your funds or securities due to our ability to make arrangements with you to move money from one account to another through the use of written authorized instructions. We are also able to deduct its quarterly advisory fee from your account, provided you have authorized us to do so. All transactions and fees will be shown on your monthly and quarterly statements provided by your Custodian and FD&M. We may also deduct management fees from your account if you are delinquent in your payment.

Your Custodian does not calculate the management fee; therefore it is important for you to carefully review your custodial statements to verify the accuracy of the calculation, among other things. You

should contact FD&M or your Advisory Representative promptly if you believe there are any errors in your Custodian's statement.

## **Item 16 - Investment Discretion**

You may grant FD&M authorization to manage your account on a limited discretionary basis. Limited discretion means that you grant FD&M the authority to select the identity and amount of securities to buy, sell, retain and exchange and to invest your account assets in cash or cash equivalents for cash needs or defensive purposes. Such authority is granted to FD&M by execution of a written advisory agreement. In all cases, such discretion is exercised in a manner consistent with your stated investment objectives. When selecting securities and determining amounts, FD&M observes your investment policy and any written limitations or restrictions you have imposed. You may terminate discretionary authorization at any time by sending written notice by FD&M.

Additionally, you are advised that:

- 1) You may set parameters with respect to when your account should be rebalanced and set trading restrictions or limitations;
- 2) Your written consent is required to initially establish any variable annuity, or brokerage account;
- 3) FD&M does not have the ability to withdraw funds or securities from your account unless you have preauthorized the withdrawals. Preauthorized withdrawals may be sent to your address of record, to your bank account or to a third party if instructions are on file with the custodian. You may elect to authorize FD&M to deduct its advisory fees from your account.
- 4) Should you elect to purchase commissionable products through your Advisory Representative they are required to use Gëneos Wealth Management as their broker/dealer.
- 5) We do not accept discretion as part of our financial planning services.

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

FD&M complies with SEC Rule 206(4)-6 requiring formal proxy voting policies and procedures for SEC registered investment advisors with voting authority over client portfolio securities. You may elect to vote your proxies or elect to have proxies of mutual funds and exchanged traded funds held in a model portfolio voted by FD&M. This election is made when the account is initially opened and may be changed at any time by notifying the account custodian in writing. If you hold individual stocks or other non-mutual fund investments in your account, you will be required to vote all proxies that pertain to non-mutual fund investments held in your account

FD&M shall vote proxies related to mutual funds and exchanged traded funds held in a model portfolio in a manner solely in the best interest of the client. The Company shall consider only those factors that relate to the client's investment, including how its vote will economically impact and affect the value of the client's investment. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders; proxy votes generally will be cast

## Financial Design & Management, Inc.

against proposals having the opposite effect. The CCO will be the person responsible for its decisions on proxy voting and shall vote in a prudent and diligent fashion and only after a careful evaluation of each issue presented on the ballot.

You may view FD&M's proxy voting policy and procedures and proxy voting records during scheduled appointments. Additionally, you may request a copy of FD&M's proxy voting policy and procedures or proxy voting history at any other time by contacting FD&M.

If you want FD&M to vote a particular proxy in a specific manner, you are to promptly contact FD&M upon your receipt of the proxy. Should you have specific restrictions for voting proxies that differ from FD&M's proxy voting policy; FD&M will not accept them, but rather will terminate its proxy voting authority permanently on your account(s) so you may cast your votes as you desire.

We will neither advise you nor act on your behalf in legal proceedings involving companies whose securities are held in your account, including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, you may direct us to transmit copies of class action notices to you or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

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

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client or more than six months in advance of services rendered. We are not required to include a financial statement.

As an advisory firm that has discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet any of our contractual obligations. FD&M, Inc. has no financial situations likely to impair our ability to meet any of our contractual obligations and has not been the subject of a bankruptcy petition at any time since its formation in 1988.