



**Vestor Capital**  
A FOCUS FINANCIAL PARTNER

# **Vestor Capital, LLC**

## **Firm Brochure**

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

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**Updated: November 30, 2018**

This brochure provides information about the qualifications and business practices of Vestor Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 641-2400 or by email at [vestor@vestorcapital.com](mailto:vestor@vestorcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

Additional information about Vestor Capital, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by firm name or by a unique identifying number, known as a Central Registration Depository ("CRD") number. The CRD number for Vestor Capital is 165855.

## Item 2: Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure. Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business' fiscal year. Our fiscal year ends on December 31, so you will receive the summary of the material changes no later than April 30 each year. We may further provide other ongoing disclosure information about material changes as necessary.

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### Material Changes since the Last Annual Update

The last annual update was on March 28, 2018. The following material change occurred since that update.

In July 2018, Focus Financial Partners Inc. ("Focus Pubco") commenced an initial public offering ("IPO") of shares of common stock. Focus Pubco is the sole managing member of Focus Financial Partners, LLC ("Focus LLC") and, immediately following the IPO, owned an approximately two-thirds economic interest in Focus LLC. Because Vestor Capital is an indirect, wholly-owned subsidiary of Focus LLC, Vestor Capital is now an indirect, majority-owned subsidiary of Focus Pubco, a public company. Item 4 has been revised to reflect this new ownership structure."

### Full Brochure Available

From time to time, we may send you an update about specific important changes. However, whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (312) 641-2400 or by email at: [vestor@vestorcapital.com](mailto:vestor@vestorcapital.com).

Additional information about Vestor Capital, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by firm name or by a unique identifying number, known as a Central Registration Depository ("CRD") number. The CRD number for Vestor Capital is 165855. The SEC's website also provides information about any associated persons affiliated with Vestor Capital, LLC who are registered, or are required to be registered, as investment advisor representatives of Vestor Capital, LLC.

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## Item 4: Advisory Business

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### Firm Description

Vestor Capital, LLC (“Vestor Capital”) is an investment advisory firm registered with the Securities and Exchange Commission pursuant to Section 203 of the Investment Advisers Act of 1940, as amended (the Act). Vestor Capital has operated as an investment adviser since 1984 and is incorporated under the laws of the State of Delaware.

Vestor Capital became a partner firm within the Focus Financial Partners partnership on October 1, 2012. As such, Vestor Capital is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus Financial Partners, LLC (“Focus LLC”). Focus Financial Partners Inc. (“Focus Pubco”), a public company traded on the NASDAQ Global Select Market, is the sole managing member of Focus LLC and, immediately following the IPO, owned an approximately two-thirds economic interest in Focus LLC. Thus, Focus Pubco is a direct owner of Focus LLC and an indirect owner of the Focus Partner Firms. Focus Pubco has no single 25%-or-greater shareholder, and Focus LLC has no single 25%-or-greater member (other than Focus Pubco). However, investment vehicles affiliated with Stone Point Capital LLC collectively have a greater-than-25% voting interest in Focus Pubco. Such investment vehicles also collectively have a greater-than-25% voting interest in Focus LLC through their voting interest in Focus Pubco: As the sole managing member of Focus LLC, Focus Pubco has 100% voting control over Focus LLC, and thus such investment vehicles’ collectively greater-than-25% voting interest in Focus Pubco also gives them a collectively greater-than-25% voting interest in Focus LLC.

Focus LLC and Focus Pubco are principally owned by investment vehicles managed by Stone Point Capital LLC (“Stone Point”). Investment vehicles managed by Kohlberg Kravis Roberts & Co. L.P. (“KKR”) are minority owners of Focus LLC and Focus Pubco. Because Vestor Capital is an indirect, wholly-owned subsidiary of Focus LLC and Focus Pubco, the Stone Point and KKR investment vehicles are indirect owners of Vestor Capital.

Focus LLC and Focus Pubco owns registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADV’s.

Vestor Capital is managed by V C Management, LLC, under a perpetual management agreement, whose principal executive officers are the same as Vestor Capital’s full-time Executive Officers. Vestor Capital’s full-time Executive Officers are:

- Martin Buehler, President
- Dennis J. Slott, Executive Vice President
- William P. McNulty, Treasurer & Chief Compliance Officer
- Tim Detloff, Chief Investment Officer

Vestor Capital employs 19 associates of which 18 are licensed investment professionals. In addition, one of the associates is licensed as an insurance principal. Vestor Capital is strategically located in a professional building along the Chicago River in downtown Chicago adjacent to both Union Station and the Ogilvie Station. The firm is a federally registered investment adviser and maintains state registrations where required.

## Item 4: Advisory Business (continued)

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Vestor Capital is a private investment and wealth management firm serving the investment needs of individuals and families, who seek thoughtful strategies to grow, protect and transfer their wealth. We have cultivated a culture of excellence and mutual respect for the benefit of our colleagues and for those Clients who require the integrity and expertise of a partner focused on providing outstanding personal service and trust.

Since 1984, we have successfully assisted our individual, corporate and institutional Clients in their efforts to grow and preserve their wealth by providing investment advice and responsive asset management. We take great pride in the trusted relationships we have built with our Clients along the way.

Please take a few minutes to explore our website at [www.vestorcapital.com](http://www.vestorcapital.com). If you would like to learn more about Vestor Capital and our investment services, please feel free to contact us either by email or telephone. We will then arrange a meeting to learn more about you and your investment objectives.

To our valued Clients, we appreciate our relationship with you and will continue to assist you in reaching your long-term investment objectives. To prospective Clients, we look forward to the opportunity to assist you with your investment needs.

### **Conditions for Managing Portfolios**

A \$500,000 minimum asset value is required for individuals plus an in-depth interview to determine investment philosophy and compatibility prior to opening any Client account. Present financial status, risk tolerance, investment restrictions, living style and wealth accumulation goals will be discussed to determine realistic investment expectations. The minimum asset value may be waived or adjusted, for related persons and certain other specific Clients and organizations.

When managing a specific Client account, we may give advice and act with respect to any of our other Clients or related accounts which may differ from advice given, or the timing or nature of action taken, with respect to the specific Client. However, it is our policy, to the extent practical, to allocate investment opportunities to the specific Client over time on a fair and equitable basis relative to other Clients. In affecting securities transactions, we may affect similar transactions in the same security simultaneously for the specific Client and for the accounts of other Clients or related persons. We may “bunch” these securities transaction orders, meaning at the same average price for all clients in the transaction.

### **ERISA**

Vestor Capital is a fiduciary under the Employment Retirement Income Security Act of 1974, as amended (“ERISA”) with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. Vestor Capital is also a fiduciary under the Internal Revenue Code (the “IRC”) with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, IRAs and IRA owners (collectively, “Retirement Account Clients”). As such, Vestor Capital is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict.

## Item 4: Advisory Business (continued)

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### **Client Analysis and Financial Goals**

A comprehensive investment solution starts with a discussion of various considerations of your savings and investment status, potential risks, liquidity, financial attitudes and asset allocation. We will analyze all these components, help you determine your tolerance for market volatility and select an asset allocation and investment strategy that is structured to help meet your goals.

Achieving financial goals involves the use of many techniques, financial concepts and tools. Perhaps one of the most important is the proper use of savings, investments and retirement accounts. During your financial life you will accumulate funds from various sources including savings, your surplus income, inheritances, gifts, company contributions to retirement accounts, and other types of financial resources.

Since savings and investment accounts are acquired over a broad time frame, it is not unusual to find that the funds have been put into savings or investment accounts with inadequate thought as to how the various accounts relate to each other, or how they fit with your own long-term goals for financial success. One objective of providing financial advice is to determine the proper mix of asset types, classes, or groups. In order to achieve the desired results for your financial future, it may be prudent to consider repositioning assets from an existing account to other accounts that more appropriately match your goals and market volatility comfort level.

Because of our analysis of your financial goals and the resources available to achieve those goals, it may be determined that some changes to your assets or their management would be beneficial for your future success. Any recommendations relating to changes would take into consideration:

- Your investment time horizon (time left to accumulate or use investments);
- Your risk tolerance level;
- The amount of funds available relative to the amount required to achieve your goals.

### **Wealth Accumulation Planning**

Each Client is unique with a unique set of financial circumstances. Depending on the needs of a Client, wealth accumulation planning models may be used for portfolio management during the interview process to establish suitability and strategy. The models are routinely updated on an ongoing basis through regularly scheduled meetings, phone consultations or emails depending upon each Client's individual situation.

- **Goals-Based**

Planning is designed to identify specific goals, and then to help you to determine if what you are now doing will enable you to accomplish those goals.

- **Financial Life Cycle**

Every person during his or her life goes through a similar economic life cycle. Your success in the final phase of this cycle is determined by your preparation and planning during the earlier phases. To that end we utilize a combination of the following modules to determine the likelihood that you will meet the set goals.

## Item 4: Advisory Business (continued)

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- General Planning

We will consider the following aspects of your financial well-being: Cash Flow, Net Worth, Liability Management and Liquidity Analysis.

- Investments

We will have a detailed discussion around your savings and investment status, potential risks, liquidity, financial attitudes and asset allocation.

- Retirement Solutions

We will review your retirement goals and objectives, assets available to use in retirement and an estimate of how long your funds might last, based on various assumptions. Monte Carlo simulations may be included where appropriate.

- Employee Benefits

We will review your employee benefits and advise you on how to integrate them into your financial planning decisions.

- Education Funding

Providing educational funds can be one of life's greatest financial burdens. Fortunately, it is an expense that can be planned. We will analyze the benefits of both a lump sum and monthly deposit method to help you plan for these anticipated expenses.

- Income Tax

We will perform an analysis of your income sources, exemptions, deductions and Federal and State taxes due.

- Wealth Transfer/Estate Planning

Together with your attorney, accountant and/or other professionals, we will guide you through the ins and outs of your estate planning so that your wealth transfer goals are woven into your overall financial strategy. We will evaluate your financial estate with an illustration of potential estate taxes and settlement costs. The potential savings that may be realized using certain estate planning tools are reviewed: Gifting Programs, ILIT, Charitable Qualified Terminable Interest Trust, Generation Skipping Transfers, Credit Shelter Trusts, Qualified Personal Residence Trust, Wealth Replacement Trusts, etc.

- Risk Management and Insurance

An important consideration for your financial security is the need for funds in the event of premature death, disability or estate liquidity. Our risk management specialist is available to work closely with you and your Vestor Capital Wealth Management Advisor to make certain that you are protected.

## **Item 4: Advisory Business (continued)**

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### **Financial Planning and Consulting Services**

Vestor Capital offers Financial Planning and Consulting services to individuals directly for an hourly fee or a flat fee. Financial Planning and Consulting services delivered through a Vestor Capital Financial Counselor includes assisting Clients in the development of a long-term financial plan, investment advice, income tax planning, education funding, estate planning advice and recommendations, cash flow and debt management, insurance and risk management, net worth analysis, retirement planning and wealth transfer planning.

### **Professional Service Providers**

Vestor Capital may introduce Clients to other investment and non-investment related professionals, such as accountants, attorneys, insurance providers, and other wealth planning consultants. The Client is under no obligation to engage the services of any such introduced professional. The Client retains absolute discretion over all such implementation decisions and is free to accept or reject any introduction or recommendation made by Vestor Capital. Vestor Capital cannot replace the services provided by licensed CPA's or attorneys. Vestor Capital will work closely with Clients to help utilize independent tax consultants or legal advisors for additional information.

### **Subadvisors**

Vestor Capital may use one or more subadvisors to manage a portion of a Client account to provide such Clients with investment strategies and additional diversification. In such instances, Vestor Capital will provide the Client with information about such subadvisors (including the subadvisor's current Form ADV Part 2A) prior to or at the time entering an investment management relationship with respect to the Client's account. Fees of subadvisors are paid by Vestor Capital out of fees Vestor Capital realizes from the Client.

Mutual Funds, ETF investments, and third-party Separately Managed Accounts are not considered subadvisor relationships.

### **Co-Investment Adviser Program**

Vestor Capital will share in the fees and account investment management responsibilities for Program Clients engaged by the following independent Advisers:

- Vestor Capital and Cambridge Investment Research Advisors, Inc. ("CIRA") (See Item 5 for fees) offer this program effective 12/1/2017 through which Vestor Capital provides investment management, reporting and custodial services through T.D. Ameritrade and CIRA, acting through its Investment Advisory Representatives at Wealth Planners, LLC ("Wealth Planners"), is responsible for direct client contact including but not limited to conducting and documenting an assessment of Client's financial circumstances, investment objectives, investment experience and risk tolerance, and for recommending investment management services suitable for the Client.
- Calton and Associates, Inc. ("Calton") and Vestor Capital (See Item 5 for fees) offer this Third-Party Asset Manager Program through which Vestor Capital provides investment management and reporting services and Calton provides custodial services through National Financial Services, LLC, direct client contact including but not limited to conducting and documenting an assessment of Client's financial circumstances, investment objectives, investment experience and risk tolerance, and for recommending investment management services suitable for the Client.



#### Item 4: Advisory Business (continued)

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##### **Co-Advisor Wrap Fee Programs**

Vestor Capital is paid as a co-advisor under a wrap fee program offered by the following independent business sponsor:

- Ausdal Vestor Capital Program (See Item 5 for fees).

We offer this program through Ausdal Financial Partners, Inc. (“Ausdal”) effective 8-31-2009 through which Vestor Capital provides investment management and Ausdal provides a variety of investment-related services. A \$250,000 minimum asset value is required for individuals plus an in-depth interview to determine investment philosophy and compatibility prior to opening any Ausdal Vestor Capital Program account. Reference to this Program can be found in Ausdal’s Form ADV Part 2A Appendix 1, Wrap Fee Brochure as a Third-Party Wrap Fee Program.

##### **Solicitor Referrals (See Item #14: Client Referrals)**

Vestor Capital has a few different Solicitor Referral Agreements with selected qualified third-party solicitors. Such selected qualified solicitors receive ongoing referral fees over the entire term of the relationship between Vestor Capital and the Client, provided these solicitors continue to remain qualified to do so. A qualified solicitor is defined by Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. In addition to an Investment and Wealth Management Advisory Services Agreement, each Client in a Solicitor Referral Agreement will receive and sign a Disclosure Document from the Solicitor explaining the Agreement between Vestor Capital and the Solicitor.

Client Fees and related Solicitor Fees can vary from one solicitor agreement to the next depending upon the scope of the solicitor’s activities and covenants by the solicitor to perform such activities consistent with instructions from Vestor Capital.

##### **Assets under Management (“AUM”)**

As of September 30, 2018, Vestor Capital managed and advised on Assets of \$1,028,493,902 as follows:

Discretionary Advisory AUM:	\$823,024,944
Non-Discretionary Advisory AUM:	\$29,060,067
<b>TOTAL Advisory AUM</b>	<b>\$ 852,085,011</b>
Participant Directed Retirement Plan Assets	\$ 50,253,237
Brokerage and Other Advised Assets*	\$ 126,155,654
<b>TOTAL Assets Under Advisement</b>	<b>\$ 1,028,493,902</b>

\*Advisory Fees are not charged on Brokerage and Other Advised Assets.

## Item 5: Fees and Compensation

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### Fee Compensation

The Investment and Wealth Management Advisory Fee (“Fee”) is calculated on a formula basis as a percentage of the asset value of the Client account as of a specific date. Some Client accounts are calculated on tiered asset values because of the size or number of related accounts that are invested in a like-kind strategy. The Fees are negotiable and are determined at the onset of the relationship by an Investment and Wealth Management Advisory Services Agreement. Fees can be based on a variety of factors including, but not limited to; historical relationship, total assets, investable assets, type of assets, anticipated future assets, complexity or the number of related accounts. Fees will differ for charitable and non-profit organizations, accounts containing non-supervised securities and accounts charged on a fixed-fee or adjusted basis. Vestor Capital will provide investment consultations on a fixed-fee basis.

Vestor Capital will waive its Fee at any time when it deems it appropriate and/or necessary. Fees also will be adjusted for related persons of Vestor Capital or for specific Clients.

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### Payment of Fees

The specific manner in which Fees are charged by Vestor Capital is established in a Client’s written Investment and Wealth Management Advisory Services Agreement with Vestor Capital. Clients electing to deduct Fees directly from a custodial account can review the amount of the Fee on their custodial statement. Certain clients may also elect to be billed directly for Fees.

- Fees for Clients using the Basic Fee Schedule, paid as a percentage of assets under management, are charged and deducted in advance from Client accounts each calendar quarter or part thereof.
- Fees for some specific Clients using the Basic Fee Schedule, and certain legacy Clients, paid as a percentage of assets under management, are charged and deducted in arrears from Client accounts for each calendar quarter or part thereof.
- Co-Investment Adviser Program Fees, paid as a percentage of assets under management, are charged and deducted in advance by Vestor Capital or the Co-Adviser from Client accounts each calendar quarter or part thereof.
- Co-Advisor Wrap Program Fees, paid as a percentage of assets under management, are charged and deducted in advance from Client accounts each calendar quarter or part thereof by the Wrap Fee Sponsor.

Vestor Capital provides a pro-rata refund of any unearned fees within 30 calendar days of the effective date of a termination notice from the Client. Earned add-on charges or administrative fees are not subject to a refund.

Vestor Capital will not offset its Fee against management fees of other investment managers, managed funds, mutual funds and/or separately managed accounts in which a Client’s assets may be invested, or against brokerage commissions and 12b-1 fees incurred for securities transactions executed through Vestor Capital Securities, LLC, as broker-dealer or through broker-dealers other than Vestor Capital Securities, LLC.

For ERISA accounts and certain other customers whose investments are made through Vestor Capital Securities, LLC, 12b-1 fees paid to Vestor Capital Securities, LLC, are credited towards the payment of the Investment and Wealth Management Advisory Fee.

## Item 5: Fees and Compensation (continued)

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### Fee Schedules

#### Basic Fee Schedule

##### Annual Fee Schedule for Equity and Balanced Accounts

	Asset Fee Tier	Maximum Fee
On the First	\$1,000,000	1.35%
On the next	\$2,000,000	1.25%
On the next	\$2,000,000	1.20%
On the next	\$1,000,000	1.10%
On assets over	\$6,000,000	1.00%

##### Annual Fee Schedule for Fixed Income Only Relationships

0.50% subject to a minimum fee of \$2,500

Fees may differ for charitable and non-profit organizations, accounts containing non-supervised securities, and accounts charged on a fixed-fee or negotiated basis.

- Vestor Capital and CIRA Co-Investment Adviser Fee Schedule

##### Annual Fee Schedule for U.S. Large Cap Core Equity Strategy

	Asset Fee Tier	Maximum Fee
On the First	\$ 500,000	1.95%
On the next	\$ 500,000	1.65%
On assets over	\$1,000,000	1.50%

Fees may differ for accounts charged on a negotiated basis.

- Calton and Vestor Capital Third-Party Asset Manager Program Fee Schedule

##### Annual Fee Schedule for U.S. Large Cap Core Equity Strategy

	Asset Fee Tier	Maximum Fee
On the First	\$ 500,000	1.82%
On the next	\$ 500,000	1.70%
On assets over	\$1,000,000	1.60%

Fees may differ for accounts charged on a negotiated basis.

- Ausdal Vestor Capital Wrap Fee Program

##### Annual Fee Schedule for U.S. Large Cap Core Equity Strategy

	Asset Fee Tier	Maximum Fee
On the First	\$ 500,000	1.75%
On the next	\$ 500,000	1.70%
On assets over	\$1,000,000	1.65%

Fees may differ for accounts charged on a negotiated basis.

## **Item 5: Fees and Compensation (continued)**

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### **Financial Planning and Consulting Service Fees**

Clients that are provided Financial Planning and Consulting Services pursuant to a Financial Planning and Consulting Services Agreement may pay on an ongoing fixed-fee basis, an hourly basis, a percentage basis or a one-time fee basis subject to the services being provided. These services and fees can differ widely from client to client.

### **Other Fees and Expenses**

Clients may simultaneously be subject to Vestor Capital's Investment and Wealth Management Advisory Fee, the management fee of a mutual fund and/or third-party manager they are using, expenses associated with various products their portfolios may hold and/or transaction, processing or administrative costs from the custodians of their assets.

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

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### **Performance-Based Fees**

Neither Vestor Capital nor any person Vestor Capital supervises charges a performance-based fee.

### **Side-by-Side Management**

Neither Vestor Capital nor any person Vestor Capital supervises manages Client portfolios Side-by-Side.

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

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Vestor Capital provides investment advice to individuals, not-for-profit organizations, foundations and other institutions, and qualified retirement plans.

### **Individual High Net-Worth Investment Clients**

#### **Minimum Investment Amount Required**

A \$500,000 minimum portfolio value is required for individuals plus an in-depth interview to determine investment philosophy and compatibility prior to opening any Client account. Vestor Capital has discretion to waive the account minimums. Accounts of less than \$500,000 may be set up when the Client and Vestor Capital anticipates that additional funding may take place within a reasonable time frame. Other exceptions will apply to employees of Vestor Capital and their relatives, relatives of existing Clients or accommodations based on special circumstances.

#### **We Create a Road Map to Help You Navigate through Life Cycles**

Your financial affairs may be complex. Having a long-term financial strategy can provide clarity and peace of mind now, and into the future. Our Wealth Management Advisors begin by gaining an understanding of your values and investment objectives and then develop a plan around those objectives. We implement thoughtful investment solutions in a timely manner to establish your investment plan.

### **Institutional Clients**

Vestor Capital provides separate account management to a variety of institutions, including pension plans, foundations and endowments.

#### **Client Segments**

- Corporate Retirement Plans
- Foundations & Endowments
- Religious Organizations

### **Securities Transactions/Brokerage**

Vestor Capital has the capability to work with any brokerage firms, banks or custodians identified by our Clients.

We use best efforts to utilize electronic trade execution technology to enable efficient transaction and execution processing. We use best efforts to provide electronic transaction reporting for our Clients through their brokerage firms, banks or custodians for brokerage trade confirmation purposes and portfolio reporting.

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

It is Vestor Capital's policy that each Client is responsible for voting all proxies related to the securities held in their account. As a result, generally, Vestor Capital does not vote client proxies except in certain circumstances (when a contractual obligation has been incurred by contract), such as with certain institutional or charitable clients. We will help Clients in researching a proxy question.

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

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### **Methods of Analysis**

#### **Investment Committee**

Vestor Capital utilizes internal research professionals to conduct fundamental analysis on a wide range of sectors, industries and companies. Investment opportunities drawn from this research are presented at a weekly Investment Committee Meeting attended by Senior Management and all Wealth Management Advisors. Investment strategy decisions are centralized and rest with the Investment Committee. As with any method utilized to analyze investment opportunities, our fundamental approach is based on the use of assumptions and projections that may or may not be realized. As with any investment, past performance is not necessarily indicative of future results.

#### **Individual Equity Securities**

The method of security analysis at Vestor Capital is fundamental analysis conducted internally. The main sources of data and information include Bloomberg, Value Line, Morningstar, Wall Street Research Reports, annual reports, media newspapers and magazines, SEC filings, company conference calls, industry conferences and on- and off-site visits with company executives.

#### **Mutual Funds and Exchange Traded Funds (“ETF”)**

Mutual fund selection is based on funds that have a fundamental-based investment philosophy with sufficient individual security and sector diversification. Fund selection is also based on tax efficiency, low portfolio turnover, competitive expense ratio, style consistency and investment staff stability. Selected funds demonstrate attractive long-term investment performance compared to the applicable market benchmark and peer group, with similar or below-market benchmark and peer group volatility. ETF selection is based on the strategy, composition, market sector(s), expense ratio, tracking error and liquidity.

#### **Risks for all forms of analysis**

In determining which securities to purchase or sell, Vestor Capital assumes that the companies or issuers of traded securities, the rating agencies reviewing these securities, and other publicly-available sources of information regarding these securities are providing accurate and unbiased data. While Vestor Capital is alert to indications that data may be incorrect and seeks to mitigate this risk by utilizing a multi-resource approach, there is always a risk that any analysis may be compromised by inaccurate or misleading information.

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### **Investment Strategies**

#### **Equity**

Vestor Capital offers investment solutions in a variety of strategies tailored to meet the needs of the individual Client. The foundation begins with two U.S. Large-Capitalization Equity offerings comprised of individual company equity securities and ETFs. The differentiation between these two is the dividend characteristics of the Equity Income offering. In addition to our core offerings, mutual funds and ETFs are selected for Clients seeking exposure to other asset classes.

#### **Fixed Income**

Vestor Capital offers investment solutions for fixed income through mutual funds and sub-advised individual bonds.

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### **Investments**

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

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### **Individual U.S. Large-Cap Stocks and ETFs**

We invest in companies considered to be of the highest quality, with comprehensible and consistent business models, typically including companies with above-average returns on capital and equity. We appraise companies as a potential owner-operator, focusing on those with business models and leadership teams with proven past performance and who have also demonstrated a penchant for growth. We seek out companies whose fundamentals are improving or are expected to improve in the near future. For exposures that cannot easily be implemented with individual stocks we select ETFs. In order to maximize the potential benefit of our security selection skills, we create equity portfolios that are concentrated and generally hold our 35 to 50 best choices, diversified by sector and industry. With our long-term perspective, the annual portfolio turnover tends to be low. This aids in lowering transaction costs and increases the potential long-term after-tax returns. The objective of this strategy is to provide diversification and participation in large multi-national companies. Performance is benchmarked against the Standard & Poor's 500 Composite Index and the Lipper Large-Cap Core Indices.

### **Individual U.S. Large-Cap Stocks and ETFs with Higher Dividend Yields**

We invest in individual companies with higher dividend yields, utilizing a valuation and fundamental selection process similar to the strategy used for our Individual U.S. Large-Cap Stocks. For exposures that cannot easily be implemented with individual stocks we select ETFs. In addition, we seek securities that typically pay a minimum 2% dividend yield and have a demonstrated history of uninterrupted dividend payments. Further, we prefer those companies that have a recent history of raising dividends. In order to maximize the potential benefit of our stock selection skills, we generally limit our portfolio holdings to approximately 25 to 30 companies, diversified by sector and industry. With our long-term perspective, the annual portfolio turnover tends to be low. Low turnover aids in lowering transaction costs and increases the potential long-term after-tax returns. The strategy objective is to provide a total return solution for our Clients by diversification and participation in large multi-national companies offering income and appreciation potential. Performance is benchmarked against the Lipper Equity Income Index.

### **U.S. Mid Cap**

Investing in the U.S. Mid Cap universe is conducted with a combination of active mutual funds and passive, low-cost, tax-efficient ETFs to establish an equity position invested in U.S. businesses with market capitalizations from \$2 to \$10 billion. The objective of this strategy is to provide diversification and participation in the traditionally faster growing U.S. mid-sized business sector. Performance is benchmarked against the Standard and Poor's Mid Cap 400 Index.

### **U.S. Small Cap**

Investing in the U.S. Small Cap universe is conducted with a combination of active mutual funds and passive, low-cost, tax-efficient ETFs to establish an equity position invested in U.S. businesses with market capitalizations up to \$2.5 billion. The objective of this strategy is to provide diversification and participation in the traditionally faster growing U.S. small business sector. Performance is benchmarked against the Standard and Poor's Small Cap 600 Index.

### **International Developed Large Cap**

Investing in the International Developed Large Cap universe is conducted with a combination of active mutual funds and passive low cost and tax-efficient ETFs to establish an equity position invested in mid-to-large size businesses operating in Latin America, Europe, Australia, Asia and Far Eastern markets. The objective of this strategy is to provide diversification and participation in companies operating in more established international economies. Performance is benchmarked against the MSCI EAFE Index.



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

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### **International Developed Small Cap**

Investing in the International Developed Small Cap universe is conducted with a combination of active mutual funds and passive, low-cost and tax-efficient ETFs to establish an equity position invested in small business operating in Latin America, Europe, Australia, Asia and Far Eastern markets. The objective of this strategy is to provide diversification and participation in the traditionally faster growing small business sector of the more established international economies. Strategy performance is benchmarked against the MSCI EAFE Small Cap Index.

### **Emerging Markets**

Investing in the Emerging Markets universe is conducted with active mutual funds to establish an equity position in emerging market economies located in Asia, Latin America, Eastern Europe, Africa and the Middle East. The objective of this strategy is to provide diversification and participation in the significant growth of the businesses operating in the economies of emerging market countries. Performance is benchmarked against the MSCI Emerging Markets Index.

### **U.S. Taxable Fixed Income**

Investing in the U.S. Taxable Bond universe is conducted with mutual funds invested in taxable fixed income securities. For account allocations greater than \$500,000, Vestor Capital offers a U.S. Taxable Bond Strategy through a sub-advisory relationship with an experienced fixed income advisor managing in excess of \$30 billion. Our Taxable Bond Strategy offers portfolios to Clients who seek an allocation to high quality bonds but do not require tax-exempt income. All taxable municipals must meet the same criteria as the municipals purchased for tax-free portfolios, including primarily investment grade general obligation or essential service revenue bonds. The result is a portfolio with an average AA credit rating and an effective maturity of between 3 and 7 years. Independent and proprietary credit research is employed by our sub-advisor as a means of confirming and testing the veracity of the underlying municipal insurance of each respective bond. Portfolio management is conservative, with capital preservation as an important part of every aspect of the process. The strategy objective is to outperform in bear bond markets and keep pace in bull bond markets. The performance of the strategy is benchmarked against the Bloomberg Barclay's Intermediate Credit Index.

### **U.S. Tax-Exempt Municipal Bond**

Investing in the U.S. Tax Exempt Municipal Bond universe is conducted with mutual funds invested in tax-exempt fixed income securities. For account allocations greater than \$500,000, Vestor Capital offers a U.S. Tax Exempt Municipal Bond Strategy through a sub-advisory relationship with an experienced fixed income advisor managing in excess of \$30 billion. Our Tax-Exempt Bond Strategy offers portfolios to Clients who require tax-exempt income and seek an allocation to high-quality municipal bonds. Securities include primarily investment-grade general obligation or essential service revenue bonds. The result is a portfolio with an average AA credit rating and an effective maturity of between 3 and 7 years. Independent and proprietary credit research is employed by our sub-advisor as a means of confirming and testing the veracity of the underlying municipal insurance of each respective bond. Portfolio management is conservative, with capital preservation as an important part of every aspect of the process. The objective of this strategy is to outperform in bear bond markets and keep pace in bull bond markets. The performance of the strategy is benchmarked against the Bloomberg Barclay's 1-10 Year Municipal Bond Index.

## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss (continued)

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### **Alternatives**

Investing in the Alternative universe is conducted with a combination of mutual funds, ETFs, sub-advisors and private placements to provide long/short, absolute return, commodities, managed futures and opportunistic hybrid investment strategies. The objective of this strategy is to identify non-traditional investment strategies that may have low or negative correlation to the price movements of the Standard & Poor's 500 Composite Index yet, are expected to provide long-term investment returns in excess of the Vestor Capital fixed income strategies. Depending on the strategy, performance is benchmarked against the U.S. Government Treasury Bill, Standard & Poor's 500 Index or respective strategy composites.

Vestor Capital on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to private placements held in custody with Millennium Trust Company. The terms and conditions for participation in any private placement, including management fees, conflicts of interest, and risk factors are detailed in each fund's offering documents.

Vestor Capital's Clients are under no obligation to consider an investment in these or any other private placement. Every prospective investor is required to complete a private placement suitability questionnaire to establish that he or she is qualified for this type of investment and acknowledges and accepts the various risk factors that are associated with such an investment.

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## **Risk of Loss**

### **Investment Risk**

All investment strategies have certain risks that are borne by the investor. Investing in securities involves risk of loss that clients should be prepared to bear. Our investment approach keeps the risk of loss in mind. However, as with all investments, Clients face investment risks including, but not limited to, the following:

- **Loss of Principal Risk**  
All investment involves risks including loss of principal which is defined as a decline in value below the amount invested. The risk is generally higher for equity investments and to a lesser extent, fixed income investments.
- **Interest Rate Risk**  
Interest rates can change suddenly and unpredictably. Factors influencing interest rates include but are not limited to; government policy, monetary policy, inflation expectations and supply and demand related to bonds. Debt securities generally lose value when interest rates rise and increase when rates fall. In addition, sudden changes in interest rates can adversely affect liquidity, which may negatively impact bond prices.
- **Market Risk**  
The price of securities may rise or fall because of changes in the broad market or due to changes in a company's financial condition. Changes to sector or industry fundamentals along with general economic or political conditions can also impact security prices.

## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss (continued)

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- **Inflation Risk**

Inflation erodes purchasing power, causing each dollar to buy fewer goods and services. Rapid or unexpected increases in inflation can negatively impact bond prices which tend to fall in response to higher inflation. Equity prices also tend to decline due to an increase in the discount rate of future cash flows.

- **Currency Risk**

Foreign securities may be issued and traded in their local currency, resulting in their market values being affected by changes in exchange rates between the local currency and the U.S. dollar. This will affect the value of the investment when the local currency strengthens or weakens relative to the U.S. dollar.

- **Reinvestment Risk**

Risk that an investor will be unable to reinvest cash flows from dividends or interest payments at a rate comparable to the current investment's rate of return.

- **Business Risk**

Corporate profitability is influenced by several factors including sales volume, margin changes, competition and general economic conditions. If a company reports below-expected profitability or guides to future declines in profitability, stock prices can react negatively to such events.

- **Reputation Risk**

Reputation risk is a risk of loss resulting from damages to a firm's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value, consequent to an adverse or potentially criminal event or security breach.

- **Liquidity Risk**

Liquidity risk exists when the markets for a particular security becomes relatively illiquid and trading volumes are low, which can make it difficult to sell a security. Reduced liquidity may have an adverse impact on the market price of the security and the ability to sell the particular security.

### **Private Placement Investment Risks**

Private placement investments generally involve risk factors, including, but not limited to, the potential for complete loss of principal, liquidity constraints, and lack of transparency. Unlike other traditional liquid investments that a Client may maintain, private placement investments do not provide daily liquidity or pricing. These risk factors are detailed in each fund's offering documents, which are provided to each prospective investor for review and consideration.

## **Item 9: Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in any legal or disciplinary events related to past or present investment activities that could impact your decision to hire us. We try to always maintain a culture of compliance from the top down.

## Item 10: Other Financial Industry Activities and Affiliations

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### **Focus Operating, LLC and Focus Financial Partners, LLC**

As noted previously in response to Item 4, certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Pubco, and certain investment vehicles managed by KKR collectively are minority owners of Focus LLC and Focus Pubco. Because Vestor Capital is an indirect, wholly-owned subsidiary of Focus LLC and Focus Pubco, the Stone Point and KKR investment vehicles are indirect owners of Vestor Capital. None of the Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of our business.

Vestor Capital does not believe the Focus Financial Partnership presents a conflict of interest with our Clients. Vestor Capital has no business relationship with other Focus Financial Partners that is material to its advisory business or to its Clients.

Additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

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### **Potential Conflicts of Interest**

As part of its fiduciary duties to Clients, Vestor Capital endeavors always to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by Vestor Capital or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Vestor Capital's choices. Certain management persons are registered representatives of Vestor Capital Securities, LLC and licensed representatives of Vestor Capital Insurance Advisors. Management persons are defined as those with the power to exercise, directly or indirectly, a controlling influence over the firm's management or policies, or to determine the general investment advice given to the clients of the firm.

#### **Vestor Capital Securities, LLC**

Vestor Capital, LLC executes securities transactions for Clients directly through Vestor Capital Securities, LLC, our affiliate, in its capacity as a broker-dealer, for those clients who selected Vestor Capital Securities, LLC as their broker-dealer. In this event, Vestor Capital Securities, LLC will receive commission and 12b-1 fee compensation. Vestor Capital Securities, LLC may also share the commission compensation with the registered representative.

#### **Vestor Capital Insurance Advisors, LLC**

Vestor Capital, LLC will refer investment advisory Clients to Vestor Capital Insurance Advisors, LLC, our affiliate, in its capacity as an insurance broker. In this event, Vestor Capital Insurance Advisors, LLC will receive commission compensation. Vestor Capital Insurance Advisors, LLC may also share the commission compensation with the licensed insurance representative.

Vestor Capital does not believe the Focus Financial Partnership presents a conflict of interest with our clients. Vestor Capital conducts no business with other Focus Financial Partners that is material to its advisory business or its clients. However, as noted previously in response to Item 4, certain investment vehicles managed by Stone Point, collectively, are principal owners of Focus LLC and Focus Pubco. In addition, certain investment vehicles managed by KKR, collectively, are minority owners of Focus LLC and Focus Pubco. Because Vestor Capital is an indirect, wholly-owned subsidiary of Focus LLC and Focus Pubco, the Stone Point and KKR investment vehicles are indirect owners of Vestor Capital. None of Stone Point, KKR, or any of their affiliates participates in the management or the investment recommendations of Vestor Capital.

## Item 10: Other Financial Industry Activities and Affiliations (continued)

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As noted previously in response to Item 4, a conflict of interest arises and the prohibited transaction rules are implicated when Vestor Capital recommends that an ERISA plan participant take a distribution from an ERISA Plan and roll it over to an IRA that Vestor Capital advises or if Vestor Capital recommends that an IRA owner transfer his IRA to an IRA that Vestor Capital advises because Vestor Capital will receive compensation that it would not have received absent the recommendation – i.e. the IRA advisory fee. When Vestor Capital engages in this transaction, it relies on the PTE known as the Best Interest Contract Exemption or BICE which requires compliance with the “impartial conduct standards.” The impartial conduct standards are designed to mitigate conflicts of interest by requiring that investment advice be in the “best interest” of the Retirement Account Client, that the adviser not make any materially misleading statements and not charge a fee that exceeds a reasonable amount. The best interest standard requires that advisers act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use, based on the investment objectives, risk tolerance, financial circumstances and needs of the Retirement Account Client. This mirrors the prudent man standard of conduct and duty of loyalty found in ERISA.

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

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

We and our officers, employees and relatives of employees (“related persons”) may acquire and sell securities that are also recommended to Clients. Security transactions executed in the accounts of related persons are done so on the same basis as non-related accounts. Neither we nor any of our related persons shall intentionally profit through any structured staggered timing of securities owned in or transacted for Client accounts.

We have adopted a Code of Ethics (the “Code”) to establish policies addressing our fiduciary duties to our Clients. The Code prohibits fraudulent or manipulative practices in connection with Client investments. The Code establishes policies regarding personal trading by our employees. We have implemented procedures designed to ensure compliance with the provisions of the Code, including quarterly affirmations of compliance and annual holding reports. We will provide a copy of our Code to any Client or prospective Client upon request, by contacting us at (312) 641-2400 or by email at [vestor@vestorcapital.com](mailto:vestor@vestorcapital.com).

## Item 12: Brokerage Practices

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### Selecting Brokerage and Custodian Firms and Directed Brokerage

Specific brokers and custodian recommendations are made to Clients based on their need for such services. Vestor Capital recommends brokers and custodians based on the proven reputation and financial responsibility of the firm, best execution of orders at reasonable commission rates, and the quality of Client service. Each Client designates a broker and/or qualified custodian when signing Vestor Capital's Investment and Wealth Management Advisory Services Agreement.

Vestor Capital recommends the following brokers and qualified custodian firms:

- Pershing Advisor Solutions (a division of Pershing LLC, member FINRA/SIPC)
- Schwab Institutional (a division of Charles Schwab & Co, Inc., member FINRA/SIPC/NFA)
- TD Ameritrade Institutional (a division of TD Ameritrade Inc., member FINRA/SIPC)
- Vestor Capital Securities, LLC (member FINRA/SIPC) (Clearing through Pershing LLC) (our affiliate)
- Millennium Trust Company

Apart from Vestor Capital Securities, LLC, Vestor Capital does not receive fees or commissions paid from any broker or qualified custodian listed above. However, Vestor Capital participates in institutional customer programs sponsored by certain custodians and Vestor Capital may recommend those custodians to Clients for custody and brokerage services. There is no direct link between Vestor Capital's participation in these programs and the investment advice Vestor Capital provides to its Clients. Vestor Capital receives economic benefits through its participation in these programs that are typically not available to custodian retail investors. These benefits include the following products and services (provided without cost or at a discount to Vestor Capital): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. Certain custodians may also have paid for business consulting and professional services received by Vestor Capital's related persons. Some of the products and services made available by these custodians through their program may benefit Vestor Capital but may not benefit its Client accounts. These products or services may assist Vestor Capital in managing and administering Client accounts, including accounts not maintained at that certain custodian. Other services made available by these custodians are intended to help Vestor Capital manage and further develop its business enterprise. The benefits received by Vestor Capital or its personnel through participation in these programs do not depend, to the best of Vestor Capital's knowledge, on the amount of brokerage transactions directed to the custodian. As part of its fiduciary duties to Clients, Vestor Capital endeavors always to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by Vestor Capital or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Vestor Capital's choice of a custodian for custody and brokerage services. These benefits are standard in the industry in a relationship with these custodians. Vestor Capital reviews a sample of the execution of trades at each custodian monthly and trading fees charged by the custodians are also reviewed on an annual basis.



## Item 12: Brokerage Practices (continued)

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Vestor Capital participates in the institutional advisor program (the “TD Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member.

TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Vestor Capital receives some benefits from TD Ameritrade through its participation in the TD Program. (Please see the disclosure under Item 14 below.)

Certain Clients participating in the Calton Third-Party Asset Manager Program (“TPAM”) are introduced to Vestor Capital through Calton, the program sponsor. Calton is both an investment adviser and broker-dealer clearing through National Financial Services, LLC for brokerage transactions in addition to providing custodial services for advisory clients. For these certain TPAM Clients, Vestor Capital will direct all brokerage transactions and investment activity through the Calton broker-dealer and National Financial Services, LLC.

Certain Clients participating in the Ausdal Vestor Capital Co-Advisor Wrap Fee Program are introduced to Vestor Capital through Ausdal Financial Partners, Inc (“AFP”), the program sponsor. AFP is both an investment adviser and broker-dealer clearing through Pershing, LLC for brokerage transactions in addition to providing custodial services for advisory Clients. For these certain Clients, Vestor Capital will direct all brokerage transactions and investment activity through AFP.

Subject to the Client’s direction to use one or more designated broker-dealers and subject to any specified commission arrangements negotiated by the Client with such designated firms, Vestor Capital’s policy is to seek the most favorable combination of price and execution for Client portfolio transactions. In addition, those Clients who direct Vestor Capital to use one or more designated broker-dealers and those Clients who negotiate specified commission arrangements with any such designated firms, may pay higher commissions with respect to certain investment transactions for the Client than for other Clients of Vestor Capital which do not have broker-directed accounts or who have designated different broker-dealer firms.

As a result of a Client’s direction to use a particular broker-dealer, Vestor Capital may not obtain best price and execution with respect to certain portfolio transactions and may pay prices and commissions with respect to investment transactions that are higher than those that would be obtainable if Vestor Capital were to select broker-dealers based on its assessment of execution, clearance and settlement capabilities and the broker-dealer’s willingness to negotiate commission rates. In addition, to the extent certain Clients enter into directed brokerage arrangements providing for specified commissions or arrangements whereby brokerage services are provided within a variety of investment-related services, Vestor Capital has no ability to negotiate commission rates or obtain volume discounts on behalf of such Clients.

### **Vestor Capital Securities, LLC**

Vestor Capital may recommend to Clients to designate Vestor Capital Securities, LLC, via Pershing, LLC, as the broker-dealer for account transactions. In this case, Vestor Capital will benefit directly to the extent the commissions paid by the Client exceed the clearing and other fees charged to Vestor Capital Securities, LLC, by Pershing, LLC.

### **Soft Dollars**

Certain broker-dealers and custodians also make available to Vestor Capital other products and services that benefit Vestor Capital but may not benefit its Clients’ accounts. Some of these other products and services assist Vestor Capital in managing and administering Clients’ accounts. These include software and

## **Item 12: Brokerage Practices (continued)**

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other technology that provide access to Client account data (such as trade confirmations 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 Vestor Capital'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 Vestor Capital's accounts. Certain broker-dealers and custodians also make available to Vestor Capital other services intended to help Vestor Capital manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, marketing, recruiting, and referrals. In addition, certain broker-dealers and custodians may make available, arrange and/or pay for these types of services rendered to Vestor Capital by independent third parties. Certain broker-dealers and custodians may discount or waive fees they 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 Vestor Capital. In addition, certain broker-dealers and custodians may also provide other benefits such as educational events or occasional business entertainment of Vestor Capital personnel. As a fiduciary, Vestor Capital endeavors to act in its Clients' best interests, and Vestor Capital's recommendation that Clients maintain their assets in accounts at certain broker-dealers and custodians may be based in part on the benefit to Vestor of the availability of some of the foregoing products, services and benefits, and not solely on the nature, cost or quality of custody and brokerage services provided by certain broker-dealers and custodians, which may create a potential conflict of interest. However, no products, services or other benefits are provided to Vestor Capital as a result of Clients securities transactions at these certain broker-dealers and custodians and therefore are not regarded as "soft dollars".

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### **Trade Error Policy**

Vestor Capital will generally make every effort to correct trade errors on the day reported, however various factors may affect our ability to do so. If a trade error occurs resulting in a gain or loss for a Client, Vestor Capital will make a correcting entry in that Client's account as of the date of the original trade and take action to cover the erroneous transaction. The Client's records (e.g., trade confirmations and account statements) will show the initial trade and the correcting or canceling trade. In some circumstances, Vestor Capital may take action to correct the erroneous transaction without a correcting entry. If an error results in a gain, the policy varies by custodian, but generally will be netted against losses or donated to charity.

A trade error is defined as including: 1) inaccurate transmission or execution of any term of an order including, but not limited to, price, number of shares or other unit of trading, identification of the security, identification of the account for which securities are purchased or sold, short sales that were instead sold long or vice versa, or the execution of an order on the wrong side of a market; 2) unauthorized (because of misunderstanding or mistake) or unintended purchase, sale or allocation of securities, or the failure to follow specific Client instructions; and 3) incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals or securities positions reflected in an account.

### **Trade Aggregation Policy**

When managing a specific Client account, we may give advice and take action with respect to any of our other Clients or related accounts which may differ from advice given, or the timing or nature of action taken, with respect to the specific Client. However, it is our policy, to the extent practical, to allocate investment opportunities to the specific Client on a fair and equitable basis relative to other Clients. In effecting securities transactions, we may affect similar transactions in the same security simultaneously for

## **Item 12: Brokerage Practices (continued)**

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the specific Client and for the accounts of other Clients or related persons. We may bunch these securities transaction orders. We will allocate the securities purchased or sold on behalf of our Clients in such a bunched order among the participating Clients on a fair and equitable basis as we determine to be reasonable. Partial fills for securities transaction orders occurring over multiple days are allocated to bunched orders on a systematic rotating Client basis, with employee and related accounts filled last. In addition, in a combined or bunched trade, the Client's brokerage commission will be charged according to the brokerage schedule applicable to the Client calculated with the actual number of shares, or other applicable units, acquired or sold by the Client and not upon the size of the total bunched trade.

## Item 13: Review of Accounts

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### Review Process

The portfolio of each Client, which may consist of one or more separate accounts, is reviewed quarterly, at a minimum. More frequent reviews are conducted if there is a change in the investment objective of the portfolio or if there is a change in the assets to be managed.

Each portfolio is reviewed for appropriateness, considering investment objectives and the accuracy of the execution of transactions. Primary responsibility for portfolio review and administration resides with the firm's Wealth Management Advisors.

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### Review Triggers

Account reviews for Clients may be performed more frequently when market conditions dictate or when a Client's objectives change. A review may be triggered by a Client request, changes in market conditions, new information about an investment, changes in tax laws, or other important life events.

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### Regular Reports

Each Client receives at their address of record or electronically from the custodian

- Daily Custodian Confirmations of Trade Executions
- Monthly/Quarterly Custodian Statement of Holdings and Activity

Each Client receives at their address of record or electronically from Vestor Capital:

- Quarterly Portfolio Package consisting of:
  1. Economic and Investment Outlook Commentary
  2. Portfolio Summary
  3. Portfolio Performance Reports
  4. Portfolio Holdings
  5. Index Performance

Each Client has access to or receives the following:

- Market and Economic Updates
- Portfolio Realized Gain/Loss Report
- Upcoming Client Events

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### Valuation

#### Traditional Securities

- Most securities recommended by Vestor Capital are highly liquid listed securities with deep markets. For this reason, market quotations are readily available to value portfolio securities. Vestor Capital uses the daily securities pricing provided by Charles Schwab via a portfolio reporting system. Charles Schwab obtains the daily market quotations from Thomson Reuters, Standard & Poor's and Interactive Data Corporation. Quantities are confirmed and reconciled daily with all custodians, but immaterial pricing differences can occur between the custodian and the Vestor Capital portfolio reporting system. Clients should compare the account statements they receive from their custodian with those they receive from Vestor Capital.

## Item 13: Review of Accounts (continued)

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### Private Placements

- The purchase price of Membership Interests in Private Placement investment is determined by the Sponsor of the investment (“Sponsor Company”) and may have no relationship to its book value assets, earning of the Sponsor Company or other Sponsor Company investments or any other established criteria or quantifiable information for valuing a business or investment. The purchase price of the Membership Interests should not be considered an indication of the actual value of the Membership Interests. The actual value at any point in time may be greater than or less than the initial purchase price.
- Private Placement investment valuations are reported by the custodian, Millennium Trust, at cost and remain at cost until an annual valuation is received from the Sponsor Company. The annual valuation is expected from the Sponsor Company to Millennium Trust within a reasonable amount of time (generally within six months). Real estate development project valuations generally remain at cost until the project is completed and the property is put to use. If market conditions were projected downward, the Firm would discuss a lower of cost or market value with the Sponsor Company and Millennium Trust.
- Vestor Capital’s investment management fees on Membership Interest are billed at cost, which may be higher or lower than the actual value of the investment, until an actual market valuation is made available by the Sponsor Company, at which time the investment management fees would be adjusted up or down accordingly. No representation is made by the Sponsor Company or its Manager that the Membership Interests have or will have a market value equal to their original purchase price or could be resold (if at all) at their original purchase price.

## Item 14: Client Referrals and Other Compensation

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### **Incoming Referrals**

Vestor Capital has arrangements in place with certain third parties whereby the firm provides compensation for client referrals. Specifically, Vestor Capital has entered into a solicitation agreement with TD Ameritrade's AdvisorDirect Program and Ehlert Financial Group, Inc ("EFG"). Solicitation arrangements inherently give rise to potential conflicts of interest because the solicitor is receiving an economic benefit for the recommendation of advisory services. Vestor Capital addresses these conflicts through a disclosure. If a Client is introduced to Vestor Capital by a qualified solicitor, Vestor Capital has agreed to pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any referral fees incurred for successful solicitations are paid solely from Vestor Capital's Investment Wealth Management and Advisory Services Fee and do not result in any additional charge to the Client. If the Client is introduced to Vestor Capital by a qualified solicitor, the solicitor provides the Client with a copy of Vestor Capital's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation.

In connection with providing investment advisory services for Clients that have been referred to Vestor Capital by qualified solicitors, Vestor Capital will pay a referral fee, provided the Client has full disclosure of the arrangement and consents in writing in accordance with applicable provisions of the Investment Advisers Act of 1940. Such referral fees can be one-time fees paid during the first year of the relationship with a Client or they can be ongoing over a certain time or over the entire term of the relationship between Vestor Capital and the Client.

As disclosed previously under Item 12, Vestor Capital participates in TD Ameritrade's institutional customer program and Vestor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Vestor Capital's participation in the program and the investment advice it gives to its Clients, although Vestor Capital receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services received by Vestor Capital's related persons. These products or services may assist Vestor Capital in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Vestor Capital manage and further develop its business enterprise. The benefits received by Vestor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Vestor Capital endeavors always to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Vestor Capital or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Vestor Capital's choice of TD Ameritrade for custody and brokerage services.

### **TD Ameritrade AdvisorDirect Referrals**

Vestor Capital may receive Client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect,

## Item 14: Client Referrals and Other Compensation (continued)

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Vestor Capital may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Vestor Capital and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Vestor Capital and has no responsibility for Vestor Capital's management of Client portfolios or Vestor Capital's other advice or services. Vestor Capital pays TD Ameritrade an on-going fee for each successful Client referral. For referrals that occurred through AdvisorDirect before April 10, 2017, this fee is usually a percentage (not to exceed 25%) of the advisory fee that the Client pays to Vestor Capital ("Solicitation Fee"). For referrals that occurred through AdvisorDirect on or after June 9, 2017 the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Services Addendum. In the case of a Special Services Addendum, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. Vestor Capital will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Vestor Capital from any of a referred Client's family members, including a spouse, child or any other immediate family member who resides with the referred Client and hired Vestor Capital on the recommendation of such referred Client. Vestor Capital will not charge Clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its Clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its Clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Vestor Capital's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer Clients through AdvisorDirect to investment advisors that encourage their Clients to custody their assets at TD Ameritrade and whose Client accounts are profitable to TD Ameritrade.

Consequently, in order to obtain Client referrals from TD Ameritrade, Vestor Capital may have an incentive to recommend to Clients that the assets under management by Vestor Capital be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. In addition, Vestor Capital has agreed not to solicit Clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

### **Ehlert Financial Group, Inc Referrals**

Vestor Capital has a Soliciting Adviser Agreement with EFG whereby agents or employees of EFG may refer individuals, companies or other organizations ("Client") to Vestor Capital and receive compensation for such referrals. Neither EFG nor its employees or agents are employees of Vestor Capital and do not serve in any registered capacity with Vestor Capital. Solicitation services include making introductions and providing information and material regarding the advisory services and programs of Vestor Capital. In addition, EFG may also periodically contact Clients as may be required in order to assist Clients in understanding Vestor Capital's services or providing and updating Client information on behalf of Vestor Capital. In no event does the services of EFG include providing investment advisory services with respect to Client funds referred in to Vestor Capital.

## **Item 14: Client Referrals and Other Compensation (continued)**

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Vestor Capital pays EFG an on-going fee for each successful Client referral. For introducing Clients to Vestor Capital, Vestor Capital has agreed to pay EFG a Solicitation Fee of 25% of the investment management fee(s) Vestor Capital receives from the Client on an ongoing basis, payable quarterly in arrears to EFG.

### **Employee Referrals**

For introducing Clients to Vestor Capital, Vestor Capital has agreed to additional compensation for certain non-advisor licensed employees in the amount of 10% of the first-year investment management fee(s) Vestor Capital receives from the Client on an ongoing basis and 5% thereafter, payable quarterly in arrears. Any Employee Referral Fees incurred for successful solicitations are paid solely from Vestor Capital's Investment Wealth Management and Advisory Services Fee and do not result in any additional charge to the Client.

### **Referrals to Other Professionals and Custodians**

Vestor Capital will refer Clients to other Vestor Capital Affiliates, such as the broker-dealer or insurance affiliates described in this brochure, for which compensation may be paid to Vestor Capital, LLC, and the registered and licensed associates of Vestor Capital Affiliates.

Vestor Capital does not accept referral fees or any form of remuneration from attorneys, accountants and other professionals for referring Clients to them.

Vestor Capital does not provide referral fees or any form of remuneration to attorneys, accountants and other professionals for referring Clients to Vestor Capital. Two members of Vestor Capital's Advisory Board, Jeffrey W. Krol and Fred D. Campobasso, refer clients to Vestor Capital, but are not paid any referral fees.

Other than the benefits described in this brochure, Vestor Capital does not accept other forms of remuneration from custodian referrals. (See Item# 12 Brokerage Practices – Soft Dollars)

### **Referral Fees from Private Placements**

Vestor Capital is not a sponsor or a related party of the Sponsor Company and receives no fees, remuneration or other compensation from the Sponsor Company for Client investments in Private Placements.

### **Sponsorship Fees**

Vestor Capital's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include Vestor Capital, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Vestor Capital. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Vestor Capital. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Vestor Capital to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate,



## Item 14: Client Referrals and Other Compensation (continued)

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including Vestor Capital. Conference sponsorship fees are not dependent on assets placed with any specific provider, or revenue generated by such asset placement. The following entities have provided conference sponsorship to Focus in the last year:

Fidelity Brokerage Services  
J.P. Morgan Asset Management  
Charles G. Schwab & Co.

### **Additional Compensation**

In connection with inheriting mutual fund shares from a Client through an account transferring in to the broker-dealer, Vestor Capital Securities, LLC, Vestor Capital may indirectly receive an economic benefit through payments to Vestor Capital Securities, LLC from the mutual fund company in the form of 12b-1 fees. Generally, for advisory accounts, all guidance list investments in mutual fund shares are done with institutional share classes.

As part of its fiduciary duties to Clients, Vestor Capital endeavors always to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits in the form of 12b-1 fees by Vestor Capital Securities, LLC or its related persons in and of itself creates a potential conflict of interest.

## Item 15: Custody

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### SEC “Custody” Rule

We are not a custodian, but pursuant to the Securities and Exchange Commission (“SEC”) “Custody” Rule 206(4)-2 under the Investment Advisers Act of 1940, we do have custody because we deduct advisory fees directly from the accounts of our Clients with the written permission of our Clients. We are also deemed to have custody because we utilize Standing Letters of Authorization (“SLOA’s”) from certain Clients for the execution of cash transfers transacted with their qualified custodians. Compliance with the “Custody” rule would subject Vestor Capital to an annual surprise independent verification (“surprise examination”) as required by Rule 206(4)-2(a)(4).

The Custody Rule “surprise examination” has been avoided for the current year regarding the deduction of advisory fees because of the following safekeeping provisions in effect;

1. Custodian Statements  
Our Client’s custodians send monthly or quarterly custodian statements directly to our Clients which indicate any fees deducted.
2. Client Authorization to Deduct Fees  
All executed Investment and Wealth Management Advisory Services Agreements include a provision to automatically deduct account fees from a specific Client account or to remit fees in some circumstances.
3. Investment Review Reporting Package  
Vestor Capital’s quarterly reporting package encourages Clients to compare their custodian statements to Vestor Capital’s portfolio reports to help ensure the accuracy of the statements by way of the following disclosure:

*“Enclosed please find your Investment Review for the most recent period. It is our goal to provide you with portfolio reporting that is comprehensive yet easy to understand. Please review this report carefully and compare it to your custodial statements. Contact your Wealth Management Advisor if you have any questions, if your financial situation, individual needs or investment objectives have changed, or if you would like to impose or change any investment restrictions on your accounts.”*

The Custody Rule “surprise examination” has also been avoided for the current year in regard to SLOA’s because of compliance by Vestor Capital and the designated custodians within the parameters established by the SEC Division of Investment Management’s “no action” letter of February 21, 2017.

## **Item 16: Investment Discretion**

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### **Discretionary Trading Authority**

Our investment management and services agreement with our Clients may limit us as to the amounts and types of investments which may be made for an account. Absent any such limitation, we have full investment discretion. Subject to the Client's investment objectives as documented by Vestor Capital in consultations with the Client, the Client authorizes Vestor Capital during the term of the investment management and services agreement to manage, invest and reinvest the funds, securities and other assets subject to the agreement; to determine what investments shall be bought, sold, retained, exchanged, or converted; to provide the Client with periodic reports of the transactions effected and the status of the funds, securities, mutual funds and other assets subject to the agreement; and to direct without the specific consent or knowledge of the Client the execution of investment transactions, including the amount, timing, frequency and method of execution. Discretionary trading authority facilitates executing trades in Clients' accounts on their behalf so that we may promptly implement the investment strategy or policy that they have approved.

If discretionary trading authority by way of a limited power of attorney or other agreement has not been given, Vestor Capital will consult with the Client prior to each trade to obtain Client approval.

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### **Limited Power of Attorney**

A limited power of attorney, or such other agreement, granting discretionary trading authority to Vestor Capital is included in each Qualified Custodian's account application for each chosen custodian.

## **Item 17: Voting Client Securities**

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### **Client Proxy Voting**

Unless the Investment and Wealth Management Advisory Services Agreement specifically delegates proxy voting responsibility to us, Clients have proxy voting responsibility. Vestor Capital shall not be required to take any action with respect to the voting of proxies solicited by or with respect to the issuers of securities in which the assets of the Client's account may be invested. Vestor Capital will help Clients in researching a proxy question.

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### **Institutional and Directed Client Proxy Voting**

In certain circumstances (when a contractual obligation has been incurred by contract), such as with certain Institutional or charitable accounts, we would take action with respect to the voting of proxies solicited by or with respect to the issuers of securities in which the assets of the Client's account may be invested, using a proxy-voting agent.

## **Item 18: Financial Information**

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### **Financial Condition**

Vestor Capital does not have any financial impairment that will preclude the firm from meeting contractual commitments to Clients. Vestor Capital has not filed for bankruptcy protection or experienced financial irregularities in the past 10 years or at any time.

## **Item 19: Requirements for State-Registered Investment Advisers**

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We are an SEC-registered Investment Adviser because our Assets under Management are greater than \$100 million.