

## Item 1 – Cover Page



### Firm Brochure

Part 2A of Form ADV

March 2024

130 Commons Court  
Chadds Ford, PA 19317  
(610) 459-8872

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

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This brochure provides information about the qualifications and business practices of Chartered Advisory Group®. If you have any questions about the contents of this brochure, please contact us at (610) 459-8872. 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 Chartered Advisory Group® is available on our website ([www.CharteredAdvisoryGroup.com](http://www.CharteredAdvisoryGroup.com)) and on the SEC's Investment Adviser Public Disclosure website ([www.investor.gov](http://www.investor.gov)). You can view our information on the SEC's website by searching our Firm Name: Chartered Advisory Group, Inc., our CRD#: 116517, or our SEC# 801-72496.

Registration as an investment advisor does not imply a certain level of skill or training.

## Item 2 – Material Changes

Our current Firm Brochure (Part 2A of Form ADV) will be available to our existing and prospective clients 24 hours a day on our website ([www.CharteredAdvisoryGroup.com](http://www.CharteredAdvisoryGroup.com)) and through the SEC's Investment Adviser Public Disclosure website ([www.investor.gov](http://www.investor.gov)). We may, at any time, update our Firm Brochure, and if we make any material changes relating to Item 9 (disciplinary information), we will provide you either: (i) a copy of our Firm Brochure that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Firm Brochure. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

Since our March 2023 annual update, we have made the following changes to our Brochure.

- In August 2023, we developed new financial planning and asset management programs for our clients and have added a relationship with Charles Schwab to act as custodian for a portion of our client accounts. Please review **Item 4 -Advisory Business**, **Item 5- Fees and Compensation**, **Item 12 - Brokerage Practices** and **Item 14 - Client Referrals and Other Compensation** for more specific information.
- As of August 2023, we are no longer offering asset management services through the Wealth Management Platform (WMP) wrap-fee program sponsored by VISION2020 Wealth Management Corp. (VISION2020), an investment adviser firm and related company to Securities America, Inc.. All of our client WMP accounts currently held at National Financial Services, LLC (NFS) are being moved to Charles Schwab as the qualified custodian for the CAG Model Portfolio Program.
- In October 2023, the firm and all representatives dropped all association with Securities America, Inc and Securities America Advisors, Inc.
- In October 2023, the firm added a new program – Financial Institution Consulting Services. Please review **Item 4 -Advisory Business**, **Item 5- Fees and Compensation**, **Item 10 – Other Financial Industry Activities and Affiliations** for more specific information.

To receive a complete copy of our Brochure at no charge, please call us at 800-461-5603.

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## Item 4 – Advisory Business

### **Ownership**

Chartered Advisory Group, Inc. ("CAG" or "Advisor" or "we") is an investment advisor registered with the Securities and Exchange Commission since June 2011. We were previously registered with our home state of Pennsylvania since August 2001 and registered in other states as well. We are a Pennsylvania corporation and our sole owner is William H. Kantner IV.

### **General Description of Primary Advisory Services**

We offer personalized investment advisory services including financial planning and asset management services. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients ("clients" or "you") can review the services and description of fees more thoroughly.

#### ***Advice & Planning Membership***

This service offering combines our financial planning and consulting services and delivers them for an ongoing membership fee (see **Item 5, Fees and Compensation** for details).

Our financial planning services typically, but not invariably, involve preparing a written financial plan covering multiple topics which may include one or more of the following: Retirement Planning, Income Planning, Tax Planning, Cash Flow Planning, Estate/Legacy Planning, Risk Management Planning, Wealth Planning.

Our consulting services involve discussions and advice regarding financial planning and investment matters. We offer both *routine* and *as-needed* consultations to address financial planning and investment matters. For *as-needed* consultations, it will be incumbent upon you to identify the particular issues for which you are seeking our advice or consultation.

When providing financial planning and consulting services, our role is to find ways to help you understand your overall financial situation and help you set financial objectives.

Our financial planning and consulting services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent you would like to implement any of our investment recommendations through CAG or retain CAG to actively monitor and manage your investments, you must execute a separate written agreement with CAG for our asset management services.

#### ***Asset Management***

This service offering is solely focused on delivering asset management services, providing continuous and ongoing supervision of your specified accounts for a fee (see **Item 5, Fees and Compensation** for details).

CAG offers a CAG Model Portfolio Program that will be custodied at Charles Schwab.

CAG also offers asset management services for other types of investments (e.g., annuities).

### Additional Information Concerning Our Asset Management Programs

For CAG Model Portfolio Program accounts, regardless of custodian, you must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations) of the Account.

Client Accounts are managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor and manage the Accounts – buying, selling, reinvesting, or holding securities, cash or other investments in the Accounts.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance, or investment objective. We will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance, or investment objectives.

It is important that you understand we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you, or actions taken for you. We are not obligated to buy, sell, or recommend to you any security or other investment that we may buy, sell, or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client’s benefit.

### **Financial Institution Consulting Services**

CAG provides investment consulting services to certain broker-dealers’ customers (“Brokerage Customers”) who provide written consent requesting to receive CAG’s consulting services. Brokerage Customers have entered into a written advisory agreement with CAG.

### **Limits Advice to Certain Types of Investments**

We generally limit our investment advice to the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Certificates of deposit
- Variable annuities
- Fixed and equity-indexed annuities
- Mutual fund shares

However, we reserve the right to offer advice on any investment product that may be suitable for each client’s specific circumstances, needs, goals and objectives.

Please refer to **Item 5, Fees and Compensation**, and **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

## **Tailor Advisory Services to Individual Needs of Clients**

Our services are always provided based on your specific needs. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client wishes to impose restrictive investment guidelines.

### **Client Assets Managed by Advisor**

The amount of client assets managed by Advisor totaled \$119,429,575 as of December 31, 2023, with \$28,855,043 managed on a discretionary basis and \$90,574,532 managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provided in **Item 4, Advisory Business**, this section provides additional details regarding our services along with descriptions of each service's fees and compensation arrangements.

### **Advice & Planning Membership**

For our combined financial planning and consulting services described in **Item 4, Advisory Business**, clients will be charged the following membership fees.

#### **Individuals**

*PHASE 1 (months 1-4) | \$3,000 upfront\**

*PHASE 2 (months 5-12) | \$400 per month\**

*PHASE 3 (months 13+) | \$300 per month\**

#### **Couples**

*PHASE 1 (months 1-4) | \$4,000 upfront\**

*PHASE 2 (months 5-12) | \$400 per month\**

*PHASE 3 (months 13+) | \$300 per month\**

*\*All fees are subject to future price increases.*

Fees charged for our financial planning and consulting services are negotiable based upon the relationship of the client to CAG. All fees to be charged will be specified in the client agreement.

### **Cancellation Policy**

- Clients can cancel membership at any time by emailing or mailing a written request.
- Membership will cease the first day of the month following receipt of a written cancellation request.
- For member clients who cancel and return later, billing will restart at PHASE 1 according to the rate and frequency specified in the client agreement in effect at the time client re-enters membership.

## **Asset Management**

For our asset management services described in **Item 4, Advisory Business**, clients will be charged the following asset management fees.

0.80% based on the value of each asset under management.<sup>1,2,3</sup>

1. *Fee may be higher or lower based on the type and compensation structure of the asset.*
2. *Fee is expressed as an annualized percentage of the asset value.*
3. *Fee is subject to future price increases.*

Fees charged for our asset management services are negotiable based upon certain factors, including but not limited to, the type of client, the services requested, the complexity of the client's situation, and the relationship of the client to CAG.

For asset management services provided to CAG Model Portfolio Program accounts, fees are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a monthly basis and calculated based on the average daily balance of your account during the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for accounts opened any time other than the beginning of the billing period. If asset management services commence in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period.

For certain FINRA-registered products, including but not limited to variable annuities, asset management services will be provided through an agreement with Mutual Securities. Mutual Securities is a broker dealer that will be named as the representative of record on these accounts and will process asset management fee payments on behalf of CAG.

### **Termination of Asset Management Services**

Our asset management service programs will continue in effect until terminated by either party (i.e., CAG or you) by providing written notice of termination to the other party. When fees are billed in arrears, CAG will prorate the final fee payment based on the number of days services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

### **Additional Compensation**

We are an insurance agency and our representatives are also independently licensed as insurance agents. Our representatives do not earn commissions when selling insurance products to clients in this separate capacity. Rather, any commissions earned are assigned to CAG and are not retained by our representatives. Nevertheless, this is a conflict of interest, since any commissions earned by CAG could be in addition to advisory fees earned by CAG.

Our representatives recommend investment products based on your individual needs and not based on the possibility of additional compensation in their separate capacities as independently licensed insurance agents. You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by our representatives. If you do decide to implement recommendations, you are responsible for taking any actions or implementing any transactions required. You are free to select any broker-dealer and/or insurance agent to implement our recommendations.

Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

### **Financial Institution Consulting Services**

CAG receives a consulting fee based on the Assets Under Management from Brokerage Customers who have provided written consent to a broker-dealer to receive the investment consulting service from CAG and have entered into a written advisory agreement with CAG. The consulting fee is calculated from the Assets Under Management as of the end of a calendar quarter period multiplied by an annualized rate between 0.17% and 0.80%. The initial fee is paid only after the completion of one full calendar quarter period following the date of the executed agreement with broker-dealers.

### **Comparable Services**

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

The amount of compensation we may receive in a particular program may be more than would be received if you participated in other programs or paid separately for investment advice, brokerage, and other services. You may wish to consider the following factors when determining the reasonableness of advisory fees charged:

- The fee charged for developing an asset allocation study and/or developing an investment strategy
- Transaction and custody costs or other miscellaneous fees and taxes and/or charges, as well as commissions or mark ups and mark downs, on the purchase and/or sale of securities
- The cost of producing any performance report(s) covering managed assets
- The value of the planning and consulting services provided by Advisor
- The value of the asset management services provided by Advisor
- The cost of investment advice provided by Advisor
- The cost of the additional administrative, marketing, asset management, and other support services

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

## **Item 7 – Types of Clients**

We generally provide investment advice to:

- Individuals (including high-net worth individuals)
- Trusts, estates, or charitable organizations
- Broker-Dealers
- Corporations or business entities other than those listed above

### **Minimum Investment Amounts Required**

All minimums are negotiable at the discretion of CAG.



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

### **Methods of Analysis**

We use fundamental and technical analysis when considering investment strategies and recommendations for clients.

#### ***Fundamental***

Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, “brand” names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

#### ***Technical***

This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

There are risks when using these methods of analysis. Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Technical analysis uses a shorter timeframe—often weeks or days. The price and volume data reviewed is released on a daily basis. Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its “correct” value over the long run—perhaps several years.

As a general statement, technical analysis is used for a trade while fundamental analysis is used for an investment. It could also be said that traders buy assets they believe they can sell to someone else at a greater price while investors buy assets they believe will increase in value. The frequency of trading securities using technical analysis could have both a positive or negative impact and could also lead to increased brokerage and transaction costs, thus lowering performance. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

## **Investment Strategies**

We use the following investment strategies when implementing advice given to clients:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)

We gather information from financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services and annual reports, prospectuses and filings with the Securities and Exchange Commission.

## **Risk of Loss**

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

- **Market Risk.** Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- **Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Company Risk.** There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- **Options Risk.** Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- **Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- **Management Risk.** Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

## **Primarily Recommend One Type of Security**

We primarily recommend exchange traded funds (ETFs) and mutual funds. In addition to the risks previously listed, different fund categories have different risk characteristics. You should not compare different categories. For example, a bond fund and a stock fund that both have below average risk still have different risk/return potential (stock funds traditionally have higher risk/return potential). Risks are based on the investments held in the fund. For example, a bond fund faces interest rate risk and income risk and income is affected by the change in interest rates. A sector fund (investing in a single industry) is at risk that its price will decline due to industry developments. The following are some risks to consider when investing in mutual funds:

- **Call Risk:** A bond issuer may redeem high-yield bonds before maturity date due to falling interest rates.
- **Default Risk:** A bond issuer may fail to repay interest and principal.
- **Income Risk:** Dividends in a fixed income fund may decline due to falling interest rates.
- **Geo-Political:** Political events, natural disasters or financial problems may weaken a country or state's economy and cause investments to decline.
- **Industry Risk:** Stocks in a single industry may decline due to developments in that industry.
- **Inflation Risk:** Increases in the cost of living can reduce or eliminate a fund's actual returns when adjusted for inflation.
- **Manager Risk:** Manager may not execute the fund's investment strategy in a timely or effective manner.

In addition, there is the risk that the fund family might inaccurately report individual fund or fund family information.

### **Item 9 – Disciplinary Information**

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

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

We are an independent registered investment advisor. Our firm and investment advisor representatives engage in no other business activities and offer no other services except those described in this Disclosure Brochure.

We do not have a related person that is:

- A broker-dealer, municipal securities dealer or government securities dealer or broker
- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
- A investment adviser or financial planner
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- Accountant or accounting firm
- A lawyer or law firm
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships

## **Insurance Sales**

CAG is also an insurance agency and some of our representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, CAG as a firm may receive fees or commissions for selling these products. Our representatives do not receive fees or commissions for selling these products as any such revenues are assigned to CAG as a firm. You are under no obligation to direct insurance transactions to us or to insurance companies with which we or our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

## **Financial Institution Consulting Services**

CAG has agreement(s) with broker-dealers to provide investment consulting services to Brokerage Customers. Broker-dealers pay compensation to CAG for providing investment consulting services to Brokerage Customers. This consulting arrangement does not include assuming discretionary authority over Brokerage Customers' brokerage accounts or the monitoring of securities. These consulting services offered to Brokerage Customers may include a general review of Brokerage Customers' investment holdings, which may or may not result in CAG's investment adviser representative making specific securities recommendations or offering general investment advice. Brokerage Customers will execute a written advisory agreement directly with CAG.

This relationship presents conflicts of interest. Potential conflicts are mitigated by Brokerage Customers consenting to receive investment consulting services from CAG; by CAG not accepting or billing for additional compensation on broker-dealers' Assets Under Management beyond the consulting fees disclosed in Item 5 in connection with the investment consulting services; and by CAG not engaging as, or holding itself out to the public as, a securities broker-dealer. CAG is not affiliated with any broker-dealer.

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

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each client. We and our representatives and associated persons have a fiduciary duty to all clients. We have established a Code of Ethics which all associated persons must read and then execute an acknowledgement agreeing that they understand and agree to comply with our Code of Ethics. Our fiduciary duty to clients is considered the core underlying principle for our Code of Ethics and represents the expected basis for all dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of our own or our associated persons' own investment interests. All associated persons will conduct business in an honest, ethical and fair manner. All associated persons will comply with all federal and state securities laws at all times. We provide full disclosure of all material facts and conflicts of interest to clients prior to services being conducted. All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the associated persons' duty of complete loyalty to clients. This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current clients or potential clients wish to review our Code of Ethics in its entirety, a copy may be requested from any of our associated persons, and a copy is provided promptly.

## **Participation in Client Transactions and Personal Trading**

Both we and our representatives and associated persons may buy or sell securities identical to those recommended to clients for their personal accounts. This could present a conflict of interest where we could materially benefit from the sale or purchase of those securities (i.e., front-running, scalping, insider trading, etc.). We are and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988* and have established the following restrictions to help detect and prevent abusive practices:

- Our employees may not buy or sell securities for their personal portfolios where their decision is substantially derived, in whole or in part, by reason of their employment unless the information is also available to the investing public on reasonable inquiry. No employee will prefer his/her own interest to that of the advisory client.
- We maintain a list of all securities holdings for our self and anyone associated with us with access to advisory recommendations. Our President, William H. Kantner IV, reviews these holdings on a regular basis.
- All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- We emphasize the unrestricted right of the client to decline to implement any advice rendered.
- We require that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- Any individual not observing the above is subject to termination.

## **Item 12 – Brokerage Practices**

### **CAG Model Portfolio Program**

For our CAG Model Portfolio Program, CAG will recommend/require that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although CAG may recommend/require the clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. CAG is independently owned and operated and not affiliated with Schwab. CAG may recommend additional unaffiliated broker-dealers to affect fixed income transactions.

Schwab provides CAG with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained at Schwab. These services are not contingent upon CAG committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require significantly higher minimum initial investment.

Schwab Institutional also makes available to CAG other products and services that benefit CAG but may not directly benefit clients' accounts. Many of these products and services may be used to service all or some substantial number of CAG' accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist CAG in managing and administering clients' accounts include software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of CAG's fees from some of its accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help CAG manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to CAG. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of CAG personnel. While as a fiduciary, CAG endeavors to act in its clients' best interests, CAG's recommendation that clients maintain their assets in accounts at Schwab may take into account availability of some of the foregoing products and services and other arrangements not solely on the nature of cost or quality of custody and brokerage services provided by Schwab, which may create a conflict of interest.

Please all see **Item 5, Fees and Compensation**, for additional information about advisory services and implementing recommendations.

### **Best Execution**

While we do not allow directed brokerage, we must still use reasonable diligence to make certain that best execution is obtained for clients when implementing any transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surrounding the transaction execution is in the best interests of clients. When considering best execution, our associated persons look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with existing systems of the advisor, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered.

### **Soft Dollar**

Investment advisors may direct portfolio brokerage commissions to a particular broker-dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research are known as "soft dollars." Section 28(e) of the *Securities Exchange Act of 1934* provides a "safe harbor" that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

Although we neither allow directed brokerage nor receive soft dollars, we may still receive products and services from Schwab or other program sponsors and product issuers. These products and services may be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues

- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained in this way is not necessarily utilized for any specific account. We do not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements may be deemed to create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in connection with our relationships to these firms. Client trades are always implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

### **Handling of Trade Errors**

We have implemented procedures designed to prevent trade errors when implementing transactions. However, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. We do not retain trade correction profits.

### **Block Trades**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used when we believe such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions are averaged as to price and are allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation or remuneration as a result of blocking trades.

## Item 13 – Review of Accounts

### **Account Reviews**

Financial planning services remain in effect until terminated and reviews can be included in these services. Managed accounts are reviewed at least annually.

The calendar is the main triggering factor for reviews, although more frequent reviews can be triggered by your request, a change in your circumstances, or material political, economic or market events. Our representatives are responsible for account reviews under the supervision of our President, William H. Kantner IV.

### **Account Reports**

You receive statements at least quarterly from the investment company, broker-dealer or clearing firm where your account is maintained.

## Item 14 – Client Referrals and Other Compensation

We have purchased leads from outside sources. Otherwise, we do not directly or indirectly compensate anyone for referring clients to us.

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

For additional discussion on other compensation received by us, our owner, or our representatives, please refer to **Additional Compensation** under **Item 5, Fees and Compensation**, and **Item 10, Other Financial Industry Activities and Affiliations**.



## **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. We are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts.

We have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against any reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

## **Item 16 – Investment Discretion**

In addition to having trading authority on your accounts, we implement trades on a discretionary basis. This means we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority.

When discretionary authority is granted, it is limited. Though we do not have access to your funds and/or securities, advisory fees are deducted from your account by the account custodian and paid to us. Any fee deduction is done pursuant to your prior written authorization.

## **Item 17 – Voting Client Securities**

We do not vote proxies on your behalf. Proxies or other solicitations are sent directly to you from your account custodian or a transfer agent, and you should read the information provided with the proxy document and make a determination based on the information provided. Upon your request, our representatives may provide clarifications of and general recommendations on issues based on their understanding of the issues presented in the proxy materials. However, you are solely responsible for all proxy voting decisions.

## **Item 18 – Financial Information**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

## Privacy Notice

We are committed to safeguarding the confidential information of our clients. We hold all personal information provided to us in the strictest confidence. We may have relationships with other non-affiliated investment advisors, insurance companies, trust companies, custodians and other financial institution entities. Except as required or permitted by law, we do not share confidential information about clients with non-affiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of confidential information, we provide written notice to the client, and the client is given an opportunity to direct us whether such disclosure is permissible.

### *An Important Notice Concerning Client Privacy*

**Client Information Collected.** We collect and develop personal information about you and some of that information is non-public personal information (Client Information). The essential purpose for collecting Client Information is to provide and service the financial products and services you obtain from us. The categories of Client Information collected by us depend upon the scope of the engagement with us and are generally described below. As an investment advisor, we collect and develop Client Information about you in order to provide investment advisory services. Client Information collected includes:

- Information we receive from you on financial inventories through consultation with our representatives. This Client Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account and other records concerning the client's financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- Information developed as part of financial plans, analyses or investment advisory services.
- Information concerning investment advisory account transactions, such as wrap account transactions.
- Information about your financial products and services transactions with us.

**Data Security.** We restrict access to Client Information to those representatives and employees who need the information to perform their job responsibilities with us. We maintain agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard Client Information.

**Use and Disclosure of Client Information to Provide Client Services.** To administer, manage and service client accounts, process transactions and provide related services for client accounts, it is necessary for us to provide access to Client Information within our firm and to non-affiliated companies such as other investment advisors, broker-dealers, trust companies, custodians, and insurance companies. We may also provide Client Information outside of the firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

**Medical and Health Information.** We may receive medical or health information on an application for insurance. We do not share that medical or health information with unrelated companies, except as necessary to process transactions on behalf of our clients.

**Former Clients.** If you close an account with us, we continue to operate in accordance with the principles stated in the Notice.

**Requirements of Federal Law.** In November of 1999, Congress enacted the *Gramm-Leach-Bliley Act* ("GLBA"). The GLBA requires certain financial institutions, including broker-dealers and investment advisors, to protect the privacy of Client Information. To the extent a financial institution discloses Client Information to non-affiliated third parties, other than as permitted or required by law, clients must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that we do not disclose Client Information to non-affiliated parties except as permitted or required by law (e.g., disclosures to service client accounts or to respond to subpoenas).