



INVESTMENT  
SECURITY  
GROUP, INC.

Part 2A of Form ADV: Firm Brochure

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July 1, 2019

This brochure provides information about the qualifications and business practices of Investment Security Group, Inc. ("ISG"). If you have any questions about the contents of this brochure, please contact us at 303-759-9808. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. ISG is a Registered Investment Adviser. Registration as an Investment Adviser with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about ISG is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as an IARD number. The IARD number for ISG is CRD # 136568.

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## ITEM 2 – MATERIAL CHANGES

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This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The following material changes were made to our Brochure since our last filing on April 1, 2019:

- Effective July 1, 2019, Marc Friedman is Chief Compliance Officer for the Firm.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Marc Friedman at 303-759-9808 or [marc@investsg.com](mailto:marc@investsg.com). We encourage you to read this document in its entirety.

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#### ITEM 4 – ADVISORY BUSINESS

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This Disclosure document is being offered to you by Investment Security Group, Inc. (“ISG” or “Firm”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

We are an investment management firm located in Denver, Colorado. We specialize in investment advisory services for individuals, high net worth individuals, trusts, estates, charitable organizations, corporations, pensions and profit-sharing plans. Our Firm initially became a registered investment adviser in September 1992. Michael W. Dibala, David M. Giocomo, Barbara Krause, Mitchell R. Powers, Marc Friedman and Odette Sahakian have ownership in the Firm.

We are committed to helping clients build, manage, and preserve their wealth, and to provide assistance that helps clients to achieve their stated financial goals. We will offer an initial complimentary meeting upon our discretion; however, investment advisory services are initiated only after you and ISG execute an Investment Management Agreement.

##### **Investment Management Services**

We manage advisory accounts on a discretionary and non-discretionary basis. Once we have determined a profile and investment plan with a client, we will execute the day-to-day transactions without seeking prior client consent. Account supervision is guided by the written profile and investment plan of the client. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various equities, Exchanged Traded Funds (“ETFs”), mutual funds and debt securities in accordance with their stated investment objectives.

During personal discussions with clients, we determine the client’s objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also review a client’s prior investment history, as well as family composition and background. Based on client needs, we develop a client’s personal profile and investment plan. We then create and manage the client’s investments based on that policy and plan. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

Once we have determined the appropriate strategy for you and your family and executed the strategy, we will provide ongoing investment review and management services. This approach requires us to periodically review your portfolio.

With our discretionary relationship, we will make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We trade these portfolios based on the

combination of our market views and your objectives, using our investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

Where appropriate, we provide advice about concentrated stock positions held in client portfolios. Clients will engage us to advise on certain investment products that are not maintained at their primary custodian, such as annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans).

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account's performance. This could result in capital losses in your account.

### **Financial Planning**

While we will work with all clients to understand their financial objectives, we will not present a formal financial plan to all of them. ISG may charge separate fees for the preparation of a formal financial plan. Through the financial planning process, our team strives to engage our clients in conversations around the family's goals, objectives, priorities, vision, and legacy – both for the near term as well as for future generations. With the unique goals and circumstances of each family in mind, our team may offer financial planning ideas and strategies to address the client's holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer and family legacy objectives. Our team partners with our client's other advisors (CPA, estate attorney, insurance broker, etc.) to ensure a coordinated effort of all parties toward the client's stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets and periodic updates.

Our specific services in preparing your formal financial plan may include:

- Review and clarification of your financial goals;
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management and estate planning;
- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession and other personal goals;
- Development of a goal-oriented investment plan, with input from various advisors to our clients around tax suggestions, asset allocation, asset location, expenses, risk and liquidity factors for each goal. This includes IRA and qualified plans, taxable and trust accounts that require special attention;

### **Referrals to Third Party Money Managers**

Our firm may utilize the services of third-party money managers for the management of client accounts. Investment advice and trading of securities will only be offered by or through the chosen third party money managers. Our firm will not offer advice on any specific securities or other investments in connection with this service. Prior to referring clients, our firm will provide initial due diligence on third party money managers and ongoing reviews of their management of client accounts. In order to assist in the selection of a third-party money manager, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third party money manager. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

### **Consulting Services**

We also provide clients investment advice on a more-limited basis on one-or-more isolated areas of concern such as small business consulting, real estate, pension plan consulting, or any other specific topic. Additionally, we provide advice on non-securities matters about the rendering of estate planning, insurance, real estate, and/or annuity advice.

In these cases, you will be required to select your own investment managers, custodian and/or insurance companies for the implementation of consulting recommendations. If your needs include brokerage and/or other financial services, we will recommend the use of one of several investment managers, brokers, banks, custodians, insurance companies or other financial professionals. You must independently evaluate these firms before opening an account or transacting business, and you have the right to effect business through any firm you choose.

### **Wrap Fee Program**

We do not offer a Wrap Fee Program.

## Assets

ISG Assets Under-Management as of 12/31/2018:

	U.S. Dollar Amount	Total Number of Accounts
Discretionary:	\$617,550,621	2229
Non-Discretionary:	\$0	0
Total:	\$617,550,621	2229

## **ITEM 5 - FEES AND COMPENSATION**

### Investment Management Fees and Compensation

Our Firm charges a fee as compensation for providing Investment Management services on your account. These services include advisory services, trade execution, investment supervision, and other account-maintenance activities. Our custodian charges transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

The fees for accounts are based on an annual percentage of your assets that we manage. The fees are billed quarterly in advance based on the market value of the managed account(s) as determined on the last business day (Monday through Friday) of the calendar quarter, adjusted for any additions or withdrawals from the account(s) during the previous quarter. The initial fee will include the quarterly advance billing arrangement as previously described plus the additional amount based on the value of the account(s) on the management start date of the Investment Advisory Agreement, prorated for the number of days in the calendar quarter that the account(s) are under our firm's management. Our firm may have legacy accounts that have different fee billing arrangements. These arrangements are detailed and agreed to by the client and the firm in the Investment Advisory Agreement and Addendums.

Our maximum investment advisory fees as a percentage of assets under management is 1.00%. The specific advisory fees are set forth in your Investment Advisory Agreement.

We may negotiate a lower advisory fee or have the right to waive the minimum fee. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as "householding" portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of householding accounts for fee purposes looks at the overall family dynamic and relationship. When

applicable and noted in the Investment Management Agreement, concentrated stock positions may also be excluded from the fee calculation.

The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. At our discretion, you may pay the advisory fees directly to our Firm by check. Further, the qualified custodian agrees to deliver an account statement to you on a quarterly basis indicating all the amounts deducted from the account including our advisory fees.

The Investment Advisory Agreement may be cancelled at any time for any reason by either party giving written notice to the other. Notice given by the client shall be effective upon actual receipt by ISG at the address specified on the Investment Advisory Agreement or the then current address. Notice given by ISG shall be effective thirty (30) days after receipt by the client. The management fee will be pro-rated to the date of termination, for the quarter in which the cancellation notice was given and the unearned fee refunded to your account as indicated in your Agreement. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client's death or disability, our Firm will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

### **Financial Planning Fees**

Financial Planning services are typically included in the investment management fee described above. On occasion, our firm is asked to provide financial planning services for a separate fee. In this circumstance, we will negotiate the planning fees with you. Fees may vary based on the extent and complexity of your individual or family circumstances and the amount of your assets under our management. Our fee will be agreed in advance of services being performed. The fee will be determined based on factors including the complexity of your financial situation, agreed upon deliverables, and whether or not you intend to implement any recommendations through ISG. Fixed fees for financial plans range from \$1,000 to \$10,000. The specific fixed fee for your financial plan is specified in your planning agreement with ISG.

Typically, we complete a plan within a month and will present it to you within 90 days of the contract date, if you have provided us all information needed to prepare the financial plan. Fees are billed and payable at the time the financial plan is delivered to you. You may terminate the financial planning agreement by providing us with written notice. Upon termination, fees will be prorated to the date of termination and any earned portion of the fee will be billed to you based on an hourly rate of \$250.00.



We will not require prepayment of more than \$1,200 in fees per client, six (6) or more months in advance of providing any services.

*In no case are our fees based on, or related to, the performance of your funds or investments.*

### **Third Party Money Manager (“TPMM”) Fees**

Fees and billing methods are outlined in each respective TPMM’s Brochure and Advisory Contract. The Client pays an on-going fee directly to the TPMM based upon a percentage of your assets under management with respect to each TPMM. You will receive disclosure of all fees by the TPMM, which include the terms of the compensation arrangement and a description of the compensation paid, at the time of signing an advisory agreement with the TPMM. The minimum account size for will vary from TPMM to TPMM. All such minimums will be disclosed in the respective TPMM’s Brochure. We may have the ability to negotiate such minimums for you.

You may terminate your relationship in accordance with the respective TPMMs’ disclosure documents. We may recommend you terminate the relationship with a TPMM. Factors involved in the termination of a TPMM may include a failure to adhere to their stated management style or your objectives, a material change in the professional staff of the TPMM, unexplained poor performance, unexplained inconsistency of account performance, or our decision to no longer include the TPMM on our list of approved TPMMs.

Account custodial services may be provided by several account custodians depending on the investment management program offered. Programs may have higher or lower fees than other programs available through ISG or available elsewhere. Investment management programs may differ in the services provided and method or type of management offered, and each may have different account minimums. Client reports will depend upon the management program selected. Please see complete details in the program brochure and custodial account agreement for each program recommended and offered.

### **Consulting Fees**

We provide consulting services for clients who need advice on a limited scope of work. We will negotiate consulting fees with you. Fees range from \$1,000 to \$20,000 for Consulting Services and may vary based on the extent and complexity of the consulting project. Fees will be billed as services are rendered. Either party may terminate the agreement. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you as described in the Agreement and our hourly rate described above.

ISG has invested in public non-traded real estate programs, public non-traded business development companies, and private real estate programs which have their own

management fees and operating expenses. Therefore, these investments subject clients to ISG's direct management fee and the indirect fees of the investment.

Typically, the programs referenced in the previous paragraph are valued at investment cost during the funding stages and this value is used in ISG's quarterly asset-based investment advisory fee calculations. After funding is completed, ISG's fee calculations will be based off of valuations provided by the program's sponsor or an independent valuation service which provides these valuations at least annually or sometimes quarterly.

**Additional Fees and Expenses:**

In addition to the advisory fees paid to our Firm, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities, transaction fees, custodial fees, fees charged by the Independent Managers, charges imposed by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our brokerage practices are described at length in Item 12, below. Neither our Firm nor its supervised persons accept compensation for the sale of securities or other investment products. Further, our firm does not share in any of these additional fees and expenses outlined above.

**Administrative Services Provided by Black Diamond**

We have contracted with Black Diamond to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, client database maintenance, quarterly performance evaluations, payable reports, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Black Diamond will have access to client information, but Black Diamond will not serve as an investment advisor to our clients. ISG and Black Diamond are non-affiliated companies. Black Diamond charges our Firm an annual fee for each account administered by Black Diamond. Please note that the fee charged to the client will not increase due to the annual fee ISG pays to Black Diamond, the annual fee is paid from the portion of the management fee retained by our Firm.

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**ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees) nor engage in side by side management.

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## ITEM 7 - TYPES OF CLIENTS

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We provide investment advice to individuals, high net individuals, trusts, estates, charitable organizations, corporations, pensions and profit-sharing plans. Our minimum initial account value is \$500,000; however, we may accept accounts for less than the minimum at our sole discretion.

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## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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### *Investment Strategies, Philosophy, and Methodology*

ISG uses the following analysis methods to determine appropriate securities for client accounts: 1) Charting 2) Fundamental 3) Technical 4) Cyclical. Whenever possible, ISG speaks directly with mutual fund managers and/or their assistants to obtain the most current information regarding their portfolio composition and investment outlook. ISG maintains various Morningstar, Inc mutual fund databases via the internet and computer disk to optimize efficiency in gathering stock, mutual fund and annuity information and running "screens", comparisons, etc. Additionally, ISG utilizes other magazines, newspapers, newsletters, as well as the resources available on the internet, to supplement the information obtained from the above sources.

ISG's overall investment strategy is a dynamic process involving three basic levels. First, ISG assesses the economy and markets to determine the overall percentage allocation into stocks, bonds, and cash asset classes. Next, within these three basic classes, ISG looks for pricing inefficiencies, and / or early trends to determine what kind of securities should be held, e.g.: larger companies with undervalued assets vs smaller, rapidly growing companies; long term U.S. government bonds vs. intermediate "junk" bonds etc. Finally, once the strategy is in place, ISG tries to identify money managers who have excelled in these various niches, or individual securities are selected. Imposed over this entire strategy are the inherent restrictions of the client's risk / reward profile. Generally, ISG purchases for the longer term (over one year), but occasionally, ISG will engage in shorter term trading activities. However, ISG is not a "market timer".

ISG employs the following investments: exchange traded funds, mutual funds, fixed income, closed-end funds, alternative investments, and individual equities securities. Other strategies and securities may also be used for individual portfolios as necessary to meet investor objectives such as leveraged and non-leveraged closed end funds, exchange traded notes (ETNs), managed futures, real assets, oil and gas interests and covered call/put option writing. We may also utilize currency ETFs to diversify clients USD portfolio holdings. The previously mentioned investments shall have liquidity that is not less than quarterly subject to 90 days' notice to the Investment Manager.

In the past ISG has also provided advice on other kinds of partnerships: equipment leasing, cable TV, mortgage programs, etc. ISG will advise on other products which ISG deems

appropriate in order to address the individualized needs, goals and objectives of the client, included but not limited to, private placements for certain qualified investors.

#### *Third Party Manager Analysis*

ISG seeks to recommend an investment strategy that will give a client a diversified portfolio consistent with the client's investment objective. ISG will analyze various securities, investment strategies, and third party investment management firms. The goal is to identify a client's risk tolerance, and then find the most appropriate manager for that client.

ISG examines the experience, expertise, investment philosophies and past performance of independent third party managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. ISG will monitor the managers' underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of the due-diligence process, ISG will survey the managers' compliance and business enterprise risks.

A risk of investing with a third party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as ISG does not control the underlying investments in a managers' portfolio, there is also a risk that the manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for clients of our firm. Moreover, as ISG does not control the managers' daily business and compliance operations, ISG may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

#### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there will be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investors should be aware that accounts are subject to the following risks:

**Market Risk** — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the

risk that you will lose money and your investment may be worth more or less upon liquidation.

**Foreign Securities and Currency Risk** — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

**Capitalization Risk** — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.

**Interest Rate Risk** — In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.

**Credit Risk** — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.

**Securities Lending Risk** — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.

**Exchange-Traded Funds** — ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

**Performance of Underlying Managers** — We select the mutual funds and ETFs in our portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.

**Liquidity Risk** - Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

**Option Risk** - Our firm's use of options is limited to covered calls and hedging strategies. Client portfolios may purchase or sell options, or other derivatives that trade on an exchange. Both the purchasing and selling of call and put options entail risks. An investment in an option may be subject to greater fluctuation than an investment in the underlying securities. The effectiveness of purchasing or selling stock

index options as a hedging technique depends upon the extent to which price movements in the hedged portfolios correlate with price movements of the stock index selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular security, whether a portfolio realizes a gain or loss will depend upon movements in the level of security prices in securities markets generally rather than movements in the price of a particular security.

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#### **ITEM 9 - DISCIPLINARY INFORMATION**

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We do not have any legal, financial or other “disciplinary” item to report.

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#### **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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##### **Insurance**

Investment Security Group, Inc. is a licensed insurance agency with the State of Colorado. Some of our IARs are also licensed insurance agents and sell various life insurance products, long term care and fixed and variable annuities through the licensed insurance agency. Our IARs receive compensation (commissions, trails, or other compensation from the respective product sponsors) as a result of effecting insurance transactions for clients. As a result, this creates a conflict of interest between your interests and ISG. However, clients should note that they have the right to purchase insurance products away from Investment Security Group, Inc. A limited portion of the time IARs spend (generally less than 5%) is in connection with these insurance activities and it represents less than 5% of the ongoing revenue for our IARs. However, at all times ISG and its IARs will act in your best interest and act as a fiduciary in carrying out services provided to you.

IARs of our Firm do not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

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#### **ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information. The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the firm’s expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of ISG, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm’s ethical principles.

Our Firm and persons associated with us are allowed to invest for their own accounts or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as transactions made in your account. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of ISG shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No supervised employee of ISG shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.
2. We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of ISG.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
4. We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any supervised employee not in observance of the above may be subject to termination.

You may request a complete copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Part 2; Attn: Chief Compliance Officer.

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## **ITEM 12 - BROKERAGE PRACTICES**

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Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We generally recommend that our clients use Charles Schwab & Co., Inc. Advisor Services ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities as instructed. In some cases, our Firm may recommend that you establish accounts with a firm other than Schwab to maintain custody of your assets.

While we recommend that clients use Schwab as Custodian, client must decide whether to do so and open accounts with Schwab or any other custodian by entering into account

agreements directly with them. The client opens the accounts directly with the Custodian. The accounts will always be held in the name of the client and never in ISG or the Advisors' name.

### ***How We Select Custodians***

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to ISG Advisors and our other clients
10. Availability of other products and services that benefit us, as discussed below (see Products and Services Available to Us from Schwab)

### ***Client Brokerage and Custody Costs***

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services. On occasion, a client may be charged fees to custody alternative investments. Schwab receives compensation by charging ticket charges or other fees on trades that it executes or that settle into clients' Schwab accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see How We Select Brokers/Custodians).

### ***Products and Services Available to Us from Schwab***

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide ISG Advisors and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also



makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us. These are considered soft dollar benefits because there is an incentive to do business with Schwab. This creates a conflict of interest. We have established policies in this regard to mitigate any conflicts of interest. We believe that our selection of Schwab as custodian and broker is in the best interests of clients. ISG Advisors will at all times act in the best interest of their clients and act as a fiduciary in carrying out services to clients.

Following is a more detailed description of Schwab's support services:

***Services That Benefit Our Clients***

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit our clients and their accounts.

***Services That May Not Directly Benefit Our Clients***

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients' accounts
5. Assist with back-office functions, recordkeeping, and client reporting

***Services That Generally Benefit Only Us***

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

1. Educational conferences and events
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession

4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

#### ***Our Interest in Schwab's Services***

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients.

Some of the products, services and other benefits provided by Schwab benefit ISG Advisors and may not benefit our client accounts. Our recommendation or requirement that you place assets in Schwab's custody may be based in part on benefits Schwab provides to us, or our agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

We place trades for our clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Schwab's execution quality may be different than other Custodians. ISG annually reviews the relationship between Charles Schwab, ISG and the client in order to determine if the custodial relationship is in the best interest of the client.

#### **Aggregation and Allocation of Transactions**

We may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client Investment Advisory Agreement. We may make trades in individual accounts (that are not aggregated with others) so that we may address that client's unique circumstances. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

We will aggregate trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully-disclosed to our existing clients (if any) and the Custodian(s) through which such transactions will be placed;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our Investment Advisory Agreement with you for which trades are being aggregated.

3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;
4. We will prepare a written statement ("Allocation Statement") specifying the participating client accounts and how to allocate the order among those clients;
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, the accounts that did not receive the previous trade's positions should be "first in line" to receive the next allocation.
6. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is reviewed by our compliance officer. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
7. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
8. Individual advice and treatment will be accorded to each advisory client.

### **Trade Errors**

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the Custodian of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client accounts that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forgo the gain (e.g. due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. is the Custodian, Charles Schwab & Co. Inc. will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Charles Schwab & Co Inc. will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

### **Directed Brokerage**

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

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## ITEM 13 - REVIEW OF ACCOUNTS

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### Account Reviews and Reviewers – Investment Supervisory Services

Our Investment Adviser Representatives will monitor client accounts on a regular basis and perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Geopolitical and macroeconomic specific events may also trigger reviews.

### Statements and Reports

The custodian for the individual client's account will provide clients with an account statement at least quarterly. Each quarter, clients receive an ISG-prepared written report detailing their current positions, asset allocation, quarterly commentary and year-to-date performance. A more in depth commentary on the economy, markets and current investment strategy is sent to clients via a newsletter on a bi-yearly basis. You are urged to compare the reports provided by our firm against the account statements you receive directly from your account custodian.

Those clients who are exclusively Consulting or Financial Planning clients (i.e. those who have no assets under management with us in our advisory program) will receive no regular reports from the Firm.

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## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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We may enter into written referral agreements with third parties by which the third party may, from time to time, refer clients that may establish accounts and enter into advisory relationships with us. In such circumstances, we agree to pay the third party a referral fee equal to a percentage of fees received by us from the referred client. The referral fee may be split between third parties who have jointly participated in referring a client to ISG. All referral agreements will be governed by and comply with Rule 206(4)-3 under the Investment Advisors Act of 1940.

In all situations, a copy of the written agreement between ISG and the solicitor is retained, and a solicitor's disclosure statement, detailing the compensation arrangement and nature of the relationship to the solicitor, is signed by the solicitor and given to the client. A signed and dated acknowledgement of receipt of the disclosure statement by the client is then obtained and retained by ISG. ISG avoids conflict of interest by doing the following: All referred clients are evaluated using the same criteria as other clients (including non-referred clients) therefore ensuring that ISG is a good fit for the client. Additionally, clients that are referred are not subject to a different fee schedule.

Our firm previously participated in the Schwab Advisor Network ("the Service"). We no longer participate in the Service but do continue to pay compensation as part of our past agreement with Schwab. This was a service designed to help investors find an independent advisor. For those clients previously referred to ISG by this service, ISG pays Schwab a Participation Fee on all referred client accounts that are maintained in custody at Schwab. The Participation Fee paid by ISG is a percentage of the fees the client owes to ISG or a percentage of the value of the assets in the clients account, subject to a minimum Participation Fee. ISG pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by our firm and not by the client. We have agreed not to charge clients referred through the Service fees or costs greater than the fees or costs ISG charges clients with similar portfolios who were not referred through the service.

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#### ITEM 15 – CUSTODY

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Custody has been defined by regulators as having access or control over client funds and/or securities. Our firm does not have *physical custody*, as it applies to investment advisors.

##### **Deduction of Advisory Fees**

For all accounts, our firm has the authority to have fees deducted directly from client accounts. Our firm has 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 establishment 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. You should carefully review those statements and are urged to compare the statements against reports received from our Firm. When you have questions about your account statements, you should contact our Firm or the qualified custodian preparing the statement. Please refer to Item 5 for more information about the deduction of adviser fees.

##### **Standing Letters of Authorization ("SLOA")**

Our firm is deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and, under that SLOA, it authorizes us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow. We do not have a beneficial interest on any of the accounts we are deemed to have Custody where SLOAs are on file. In addition, account statements reflecting all activity on the account(s), are delivered directly from the qualified custodian to each client or the client's independent representative, at least

quarterly. You should carefully review those statements and are urged to compare the statements against reports received from us. When you have questions about your account statements, you should contact us, your Advisor or the qualified custodian preparing the statement.

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#### **ITEM 16 – INVESTMENT DISCRETION**

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For discretionary accounts, prior to engaging ISG to provide investment advisory services, you will enter a written Agreement with us granting the firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. In addition, you will need to execute additional documents required by the Custodian to authorize and enable ISG, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment and brokerage discretion held by ISG for you are:

1. For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
2. Any limitations on this discretionary authority shall be in writing. You may change/amend these limitations as required.

In some instances, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

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#### **ITEM 17 – VOTING CLIENT SECURITIES**

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We accept authority to vote proxies with respect to securities owned by clients. Our firm has adopted proxy voting policies and procedures with respect to securities owned by our clients for which we have been specifically delegated voting authority and discretion, in accordance with its fiduciary duties and Securities and Exchange Commission Rule 206(4)-6 under the Investment Advisers Act of 1940, which are reasonably designed to ensure that proxies are voted in the best interest of clients.

The guiding principle by which we review voting on all matters submitted to security holders is the maximization of the ultimate economic value of your holdings. We do not permit voting decisions to be influenced in any matter that is contrary to, or dilutive of, this guiding principle. It is the policy to avoid situations where there is any material conflict of

interest or perceived conflict of interest affecting the voting decisions. Any perceived conflict of interest is reviewed by the Chief Compliance Officer and the proxy voting committee.

ISG's policy is to generally vote in accordance with respective security management's recommendations and instead evaluate a company or fund based upon ongoing due diligence efforts which include the following: Review of performance and activities, discussions with management or investment representatives, and final assessments, made by ISG's Investment Committee. Should ISG become dissatisfied with the direction in which management is headed with regard to such issues as performance, changes in investment policy/ownership/management or increases in management fees, ISG can elect to eliminate the investment from its managed accounts or oppose specific items in a proxy proposal.

Clients delegate to ISG the discretionary power to vote the securities held in their account pursuant to a written Agreement. We do not generally accept any subsequent directions on matters presented to shareholders for a vote, regardless of whether such subsequent directions are from the client itself or a third party. We view the delegation of discretionary voting authority as an "all-or-nothing" choice for our clients.

Upon request, we will provide separately to each client (i) a copy of our proxy voting policies and procedures and (ii) details as to how the Firm has voted securities in your account.

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#### **ITEM 18 – FINANCIAL INFORMATION**

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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 our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.