



## **PART 2A OF FORM ADV – BROCHURE**

**36800 Woodward Ave., Suite 200  
Bloomfield Hills, MI 48304-0936**

**(248) 645-1520**

**[www.planningalt.com](http://www.planningalt.com)**

**March 28, 2016**

This Brochure provides you information about the qualifications and business practices of Planning Alternatives, Ltd. (referred to in this Brochure as “us,” “we,” “our” or the “firm”). If you have any questions about the contents of this Brochure, please contact us at (248) 645-1520 or [info@planningalt.com](mailto:info@planningalt.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

We are a registered investment adviser. Registration of an adviser does not imply any level of skill or training.

Additional information about us also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **ITEM 3: TABLE OF CONTENTS**

COVER PAGE.....	i
ITEM 3: TABLE OF CONTENTS.....	ii
ITEM 4: ADVISORY BUSINESS .....	1
ITEM 5: FEES AND COMPENSATION .....	3
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	7
ITEM 7: TYPES OF CLIENTS .....	7
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	8
ITEM 9: DISCIPLINARY INFORMATION.....	11
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	11
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	12
ITEM 12: BROKERAGE PRACTICES.....	12
ITEM 13: REVIEW OF ACCOUNTS .....	16
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	17
ITEM 15: CUSTODY .....	18
ITEM 16: INVESTMENT DISCRETION .....	18
ITEM 17: VOTING CLIENT SECURITIES .....	19
ITEM 18: FINANCIAL INFORMATION .....	19

## **ITEM 4: ADVISORY BUSINESS**

### **Our Owners and Principals**

Planning Alternatives, Ltd. has been providing investment management and financial planning services to our clients since 1982.

We must inform you of any persons owning twenty-five percent (25%) or more of our firm's outstanding stock. Nathan Mersereau owns more than twenty-five percent (25%) of our firm's stock.

### **Our Advisory Services**

We offer investment management, advisory services and financial planning services, explained in more detail below.

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

We provide investment management services for clients on a discretionary basis. If you engage us, we will assist you in gathering the information necessary for us to understand your individual investment objectives, financial circumstances, and risk tolerance. We will use this information to prepare an investment policy statement. Based upon your investment policy statement we will generally recommend investment in one of our risk based portfolios. We request that you promptly update us, in writing, any changes to your financial goals or financial circumstances. The portfolios we recommend may be composed of mutual funds, exchange traded funds (ETF's) and exchange traded notes (ETNs). You may impose restrictions on investing in certain securities or types of securities.

We will take into consideration the factors and regulations prescribed by the Employee Retirement Income Security Act of 1974 (ERISA) for retirement plans that are subject to ERISA.

#### ***Investment Management as 3(38) Fiduciary Manager for Qualified Plans***

We provide investment management services to qualified retirement plans which are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). As part of our services to qualified plans, we will act as a fiduciary of the plan under Section 3(21)(A)(ii) and as an Investment Manager under Section 3(38) of ERISA. As a 3(38) investment manager, you give us discretionary authority to manage your plan's assets. This means that you shift your fiduciary responsibility to us for the selection of your investments.

For all qualified plan clients, we start by assisting with the creation and maintenance of your investment policy statement. Your investment policy statement may place restrictions on the types of investments the plan may invest assets in. We then use our investment process to select and recommend the mutual funds and, at times, ETF's that comprise your plan's investment menu. We ensure that the recommended investment options are permitted invest-

ments under your investment policy statement. We continually monitor the performance of all investment options.

### ***Advisory Services***

We charge an advisory fee for advice provided to clients with respect to the asset allocation and investment selection for clients' Section 401(k), 403(b), 457, 529 plans, variable annuities, and other client accounts ("Advisory Accounts").

You may engage us on an ongoing basis for advisory services as part of our Investment Management Services to monitor and review your Advisory Accounts. With your authorization we will review your account on a quarterly basis, according to your pre-approved allocation guidelines and make changes if appropriate.

Alternatively you may engage us, at your request, on a periodic basis as part of our Financial Planning and Consulting Services to conduct an analysis of your Advisory Accounts for a fee. An analysis may be required more often in a given year if your situation changes or if the investment selections within the given plan should change. You are responsible for implementation and monitoring the account. We do not monitor the account or investment selections between your requests for analyses.

### ***Selection of Other Investment Managers***

We may also recommend investment platforms available through unaffiliated third party investment management firms in an effort to help you meet your investment objectives. Based upon your individual needs and objectives, we will recommend strategies; provide advice regarding the selection of the third party investment advisors, managers, mutual funds and other investment products. If our services to you include the use of these managers or strategies, you will typically sign an agreement with them in addition to the advisory agreement you will sign with us. In such cases, we remain the primary advisor and contact for you even while you utilize the services of outside firms. We will monitor and report on investments for some or all of your accounts managed by other investment advisors based upon our agreement with you. You are under no obligation to act upon any of our recommendations.

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

If you engage us to provide personal financial planning advice, we will enter into a financial planning and consultation agreement with you. We will outline the terms and conditions of our engagement and describe our fee and scope of our services. Such advice may encompass recommendations regarding estate, tax, insurance, education, business, and retirement as well as investment planning.

You may engage us to provide financial planning services on a project basis or as a continuing retainer service for a one year period including development of the financial plan.

Continuing service is renewable for one year periods following the initial financial planning year and includes a periodic reassessment analysis.

Initially, we consult with you to gather information about your current financial situation, goals, objectives, risk tolerance, and any special or particular circumstance unique to you. After analyzing your individual circumstances, objectives and risk profile, we present our recommendations to you. When we provide financial planning services, we will rely on the information you provide to us. We will not verify this information when preparing our recommendations.

As part of your financial plan, we may recommend other services we offer or the services of other professionals to implement our recommendations. While recommending our own services may present a conflict of interest, you are under no obligation to act upon any of our recommendations and you are not required to engage the services of any recommended professional, including us as an investment manager. You retain absolute discretion over all financial planning implementation decisions and may accept or reject any of our recommendations. It is your responsibility to notify us promptly if there is any change in your financial situation or investment objectives so that we may review, evaluate, or revise our previous recommendations.

### **Assets Under Management**

We manage your assets on either a discretionary or a nondiscretionary basis. As of February 29, 2016, we had \$943,347,295 in client assets managed on a discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

### **Investment Management Fee Schedule**

Although our fees for our services may be negotiated under certain circumstances, our standard fee schedule is as follows:

#### **Investment Management Fee Schedule**

<i><u>Value of Account(s)</u></i>	<i><u>Annual Fee</u></i>
\$0 - \$1,500,000	1.00%
Next \$3,500,000	0.50%
Next \$5,000,000	0.35%
Amount greater than \$10,000,000	0.25%

The specific manner in which we charge fees is established in our written investment management agreement with you. Your fees will be calculated based upon the total value of the accounts managed by us using the fee schedule above.

Because we are compensated based on the total value of assets we are managing for you, a conflict arises whenever you seek advice from us that would reduce the assets under our management - because reducing the assets under our management will, in turn, reduce our fees. For example, if you withdraw funds to pay off a home mortgage, our investment management fees will be reduced.

### **Investment Management as 3(38) Fiduciary Manager for Qualified Plans**

Although our fees for our investment management services to our qualified plan clients may be negotiated under certain circumstances, our standard fee schedule is as follows:

#### **Qualified Plan Fee Schedule**

<i><u>Value of Account(s)</u></i>	<i><u>Annual Fee</u></i>
\$0 - \$1,500,000	.75%
Next \$3,500,000	.50%
Next \$5,000,000	.35%
Amount greater than \$10,000,000	.25%

The specific manner in which we charge fees is established in our written investment management agreement. We bill our fees quarterly, in arrears, based upon the end of quarter value of the Plan assets in the account in accordance with the fee schedule above.

### **Ongoing Advisory Services**

Generally, our fees for ongoing advisory services are based on a percentage of the assets under management with the third party adviser or in your Advisory Accounts. We charge you in accordance with our “**Investment Management Fee Schedule**” on page 3, based on the value of your total assets under our management as of the last day of each calendar quarter. We reserve the right to negotiate our fee, at our sole discretion. For investment management services provided by a third party, any fees charged by the third party advisor are in addition to the fees charged by us.

If you choose, you may grant us limited discretionary authority in the investment management agreement to bill your custodian directly and to instruct your custodian to deduct our advisory fees for your account directly from your investment management custodial account.

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

Our fees and services for financial planning and consulting are detailed in the Financial Planning and Consulting Agreement (“Agreement”) we sign with you. Different fee schedules apply to financial planning depending on the complexity of your situation, the depth and frequency of the analysis, and the support you need and desire.

The Core Wealth Process is generally for clients who have less planning complexity. The Core Wealth Process fee is a minimum of \$1,500. The fee is due in full at the latest of the data-gathering meeting or when the Agreement is signed.

The Private Wealth Process is generally for clients who have more planning complexity. The Private Wealth Process fee is a minimum of \$3,000. The fee is due in full at the latest of the data-gathering meeting or when the Agreement is signed.

Fees for a Financial Planning Retainer (“Retainer”), which is available starting at the end of the initial plan year and includes a periodic update of the financial plan, are based on the complexity of the situation and the specific services requested. The Retainer is most appropriate for clients with situations that are more complex and/or require ongoing consultation. Fees start at \$1,000 annually for Core Wealth and \$2,000 for Private Wealth. The fee is due in quarterly installments, or as otherwise agreed upon with the Advisor, and is subject to change on an annual basis.

For clients not electing a Retainer, a periodic Financial Plan Update (“Update”) is available. The Update fee is based on the complexity of the situation and the time elapsed since the most recent plan. This approach is most appropriate for clients with situations that are less complex and/or do not require ongoing consultation. The fee for a periodic Update will be a minimum of \$1,200 for Core Wealth and \$2,400 for Private Wealth. The fee is due in full at the latest of the data-gathering meeting or when the Agreement is signed.

For special projects, our maximum fee is \$450 per hour. For fixed fee special projects, we quote a fixed dollar amount based on our estimate of the time to complete the project. You may also engage us on an hourly basis.

All financial planning fees quoted are for services rendered by us and do not include additional fees you may incur when you work with other professionals like your attorney or accountant.

If we manage your investment portfolio we are compensated based on the total value of assets we manage for you. Therefore, a conflict arises whenever you receive financial planning advice from us, and one of our recommendations is to have us manage your investment portfolio. You are under no obligation to act upon any of our recommendations and you are not required to engage the services of any recommended professional, including us as an investment manager.

#### **Additional Information on Fees and Services**

Our fees for new accounts are billed quarterly, in arrears, on calendar-year quarters, based upon the ending market value on the last day of the quarter. For new clients we pro-rate the fee for your first quarter based on the number of calendar days from the date of the initial contribution to the end of the quarter.

When assets are deposited or withdrawn from your account after the initial quarter, we do not adjust or pro-rate our fee with respect to such assets based on the number of days remaining in the quarter.

We may negotiate fees, in certain circumstances. Negotiated fees may be higher or lower than those described in this Brochure. In these circumstances, we will establish the negotiated fee schedule with you. We may change our fees at any time and we always have the right to amend our fees to be lower than the fees set forth above. Any changes will only become effective after 30-days prior written notice unless you terminate our agreement.

Mutual funds, ETF's, ETN's and other investments we may use typically charge their shareholders various advisory fees and expenses associated with the establishment and operation of the funds. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge. We generally use a combination of no-load retail and institutional class mutual funds, and ETF's which may or may not have transaction fees. Each fund's current prospectus discloses these separate fees and expenses. A copy of the prospectus is available from the fund or we can provide it to you upon request.

Consequently, for any type of fund investment, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: one level of fees to the fund and one level of advisory fees to us. Most mutual funds may be purchased directly, without using our services and without incurring our advisory fees.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that you will incur. You may incur certain charges imposed by custodians, brokers, third party investment and other third parties. We do not receive any compensation from these fees or commissions.

### **Termination of Agreement**

Our investment management agreement may be terminated, without cost or penalty, within the first five business days after the date on the agreement. Thereafter, you may terminate the agreement at any time by giving 30-business days' prior written notice, and we may terminate the agreement at any time by providing you 30-business days' prior notice. Termination of our agreement shall not affect liabilities or obligations incurred from transactions initiated under our agreement prior to the termination date, such as the purchase of investments by us for your account. You are responsible for any cost incurred in transferring assets from your account to a different account and any management fees accrued and unpaid at the time of termination. After the termination date, we shall have no further duties or obligations to you under our agreement.

In the event of termination, fees are calculated on a pro-rata basis, according to the terms of the investment management agreement.



Our financial planning agreement may be terminated within the first five business days after the effective date without cost or penalty. Thereafter, the agreement may be terminated by Client or Advisor at any time by giving 15 days prior written notice. If Client terminates after Advisor has provided all agreed upon services but prior to the time for which payment is due, then all fees due under the agreement will be immediately due. In the event of termination prior to completion of Advisor's services, Advisor will bill client based on hours expended or the portion of the project completed by the Advisor.

### **Direct Billing to Your Custodian**

With your authorization, we will directly debit fees from your accounts or bill you for our fees. Generally, our clients authorize us under the investment management and/or financial planning agreement to deduct our fees directly from their account. If you provide us such authorization, the custodian's periodic statements will show each fee deduction from your account. You may withdraw this authorization for direct billing of these fees at any time by notifying your custodian or us in writing. Fees paid directly by check are due upon receipt of the fee invoice. However, if we do not receive payment within 30 days after the date of invoice, you will agree to authorize your custodian to pay our fee invoice promptly by debiting your account.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

## **ITEM 7: TYPES OF CLIENTS**

We provide investment management services to individuals, high net worth individuals, pension and profit-sharing plans, trusts and estates, charitable institutions, foundations, and corporations and other business entities.

We provide investment management and financial planning as separate services. These services are intended to assist you in making financial and investment decisions within the context of your entire financial circumstances. To that end, we need your cooperation in providing to us all the necessary financial and personal information that is required to make the appropriate recommendations. Therefore, investment management services may not be possible if you do not provide all of your financial information or fail to make regular updates about your finances to us.

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

### **Methods of Analysis**

We purchase research and use our own research which includes the use of fundamental, technical and charting analysis to evaluate markets and individual securities. We assess national and global macroeconomic conditions to determine which asset classes, sectors, and industries we believe are most compelling at any given time. We also analyze a number of quantitative and qualitative factors for the mutual funds, ETF's, and other investments we select for your account to implement our investment decisions.

Fundamental analysis is a technique that attempts to determine a security or a market's value by focusing on their economic well-being namely its ability to generate future cash flows. Because it can take a long time for an asset class, sector or industry's value to be reflected in the market, there is the risk that a gain may not be realized for a long time or possibly never realized.

The valuation method is used to calculate a theoretical value for an asset class or security in order to estimate potential future market prices. Because emotions are such a strong component of short and intermediate term swings in the market, there is the risk that prices can fall well below what we would have expected.

We also utilize technical analysis to evaluate potential investments. Technical analysis analyzes data such as price, volume and other market information to study the supply and demand in the market for stocks, bonds and other securities. By comparing existing data trends to those of the past, we hope to determine the opportunities and risks of the markets. The risk is that past trends may not hold true for the future or that they may change unpredictably.

Charting is a form of technical analysis in which the price of an index or security graphed in order to illustrate trends and patterns. The risk involved with this method that the trends will change unpredictably, which is why we use a combination of methods and obtain information from a variety of sources in our decision making process.

We obtain information from a number of sources, both public and by purchase, including inspections of corporate activities, research materials prepared by third parties, corporate rating services, annual reports, prospectuses and filings with the SEC, company press releases and financial newspapers and magazines. We believe these resources for information are reliable and regularly depend on these resources for making our investment decisions; however, we are not responsible for the accuracy or completeness of this information.

Third party money managers will have their own methods of analysis, investment strategies and unique investment risks that you should review and consider before investing.

## **Investment Strategies**

We use a variety of investment strategies depending on your circumstances, financial objectives, risk tolerance, and needs. We follow the philosophical foundation of Modern Portfolio Theory to create portfolios that are truly diversified and may apply a tactical overlay by under/overweighting equities based on research of the market outlook. We favor low cost investments where appropriate.

We may recommend implementing these strategies using mutual funds held directly or held within employer plans, variable annuities or life insurance products, ETF's, ETN's and other types of investments. We often recommend mutual funds and ETF's of different kinds to promote portfolio diversification within various asset classes such as equities and bonds, industry sectors, and domestic and international markets. We may recommend periodic purchases, sales, and exchanges of those mutual fund shares within mutual fund families and between different mutual fund families when there are changes in your needs, the economy or in market conditions.

While we do not generally manage non-liquid investments, like limited partnerships or private equity, we may offer consultation and review of these offerings when you request some assistance in determining the appropriateness of the investment.

## **Types of Investments and Risk of Loss**

We offer advice about a wide variety of investments including stocks, bonds, municipal securities, corporate securities, mutual funds, index funds, ETF's, ETNs, and fixed and variable annuities. Each security has different types and levels of risk. We will discuss these risks with you in determining the investment objectives that will guide our investment advice for your account. We are also willing to answer any questions you may have about these kinds of investments.

Investing in securities involves risk of loss that you should be prepared to bear. We invest in a broad number of asset classes, sub-asset classes, sectors, geographies and industries that are subject to various levels and types of risk. Obtaining higher rates of return on investments typically entails accepting higher levels of risk.

While we cannot foresee all potential risks, and many more exist than listed below, these are the most common risks investors face:

**Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk:** The price of a security, bond, ETF, or mutual fund may drop in reaction to market events or other factors. This type of risk is caused by external factors independent

of a security's particular individual circumstances. For example, political, economic and social conditions may trigger market events.

**Inflation Risk:** When inflation is present, a dollar today will not buy as much as a dollar in the future, because purchasing power is eroding at the rate of inflation. Your investment may lose value if it is not keeping pace with inflation.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar relative to the currency of the investment's home country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** The risk that proceeds from maturing investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily affects fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, pharmaceutical companies depend on developing new drugs, a lengthy and expensive process, which may or may not be successful, thus affecting their future profits. Their risk of a profit shortfall is greater than say an electric company, which has established investments in place and generates a more predictable income from customers who buy their already available product.

**Liquidity Risk:** Liquidity is the ability to quickly convert an investment into cash. For example, Treasury Bills and equities are highly liquid, while real estate is not.

**Financial Risk:** Excessive borrowing to finance a business' operations increases the risks to profitability, because the company must meet the terms of its debt obligations in good times and bad. The inability to meet debt obligations, in severe economic downturns, may result declining market value of the company's debt and equity securities or possibly even bankruptcy.

The previously mentioned risks will vary for each type of investment; therefore, we will diversify your account in an attempt to mitigate those risks. Nevertheless, diversification alone cannot eliminate the possibility of significant price declines. We will work with you to attempt to identify the balance of risk and reward that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not fully understand the risks associated with any investment or investment strategy.

In addition, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure you that your investments will be profitable or assure you that losses will not occur in your investment portfolio. Past performance is one relatively important consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.

If we recommend that you use a third party manager, please be sure to refer to their ADV brochure and associated disclosure documents for details on their investment strategies, methods of analysis and associated risks.

### **ITEM 9: DISCIPLINARY INFORMATION**

As a registered investment adviser, we must inform you of all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.

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

As a registered investment adviser, we must disclose information regarding our business activities, other than giving investment advice, our other activities in the financial industry, and any arrangements with related persons that are material to you or our advisory business. We are also required to disclose if we receive cash or other economic benefits from a third party in connection with advising you.

William Vanover, a current member of our investment committee, holds a seat on the Board of Trustees of the Hussman Investment Trust, a registered investment company that offers four mutual funds: Hussman Strategic Growth Fund, Hussman Strategic Total Return Fund, Hussman Strategic Dividend Value, and Hussman Strategic International Fund. We may recommend the Hussman Funds to our clients. Mr. Vanover's position as a Trustee to these funds could create a conflict of interest. We typically mitigate this conflict by using an alternative fund with similar objectives when a client places a restriction on the Hussman Funds. In addition, Mr. Vanover is compensated for his role as Trustee based upon the number of meetings he attends and by an annual retainer. Mr. Vanover is not compensated based on the number of our clients invested in the Hussman funds. Mr. Vanover's position as Trustee is independent from and existed prior to the investment of our clients into the funds.

Mr. Vanover is also a Board member of the Susa Registered Fund. The Fund is a non-publically traded, closed end fund for qualified investors. Mr. Vanover is compensated for his role on the Board based upon the number of meetings he attends and by an annual retainer. Mr. Vanover's position on the Susa Board is independent of his relationship with Planning Alternatives. Neither Mr. Vanover nor Planning Alternatives will be recommending the use of the Susa Registered Fund to our clients to prevent any conflict of interest.

Planning Alternatives, Ltd., in partnership with Physician Holding Company, a subsidiary of the Michigan State Medical Society, owns 50% each of WealthCare Advisors, LLC ("WealthCare"). We formed this company to provide financial planning and investment management services to the members and employees of the Michigan State Medical Society and other medical professionals primarily in the State of Michigan. Planning Alternatives acts as a

sub-advisor to WealthCare and provides all financial planning investment management services to the company. Mr. Mersereau, our President, is also President and Chief Executive Officer of WealthCare and our Chief Compliance Officer, Daniel Cook holds the same position for WealthCare. In addition, some of our wealth advisors hold the same position at WealthCare.

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

On of February 1, 2005, we adopted and have subsequently amended our Code of Ethics (the “Code”). The Code sets forth the standards of business conduct that we expect all officers, directors, employees, and investment adviser representatives to follow. The Code also describes certain reporting requirements with which particular individuals associated with or employed by us must comply.

Our principals and representatives will often own the same securities we recommend to you or our other clients. Generally, these securities will be shares of open-ended mutual funds or ETF’s, stocks and bonds actively traded on a national securities exchange or market where the time and size of their purchases or sales will not affect transactions for you or our other clients. If we do recommend the purchase or sale of a thinly traded security to you, we will ensure that our principals’ and representatives’ transactions do not adversely affect you nor improperly benefit them. We typically mitigate this risk by completing our principals’ and representatives’ transactions after all your transactions have been made. Orders for your account and our own accounts may sometimes be aggregated or “batched” into one large order, as described in “**ITEM 12: BROKERAGE PRACTICES**” starting on page 12.

We will provide the current copy of the Code to you upon request at no charge. You may request a copy of our Code by contacting our Chief Compliance Officer, Daniel Cook at (248) 645-1520.

#### **ITEM 12: BROKERAGE PRACTICES**

##### **Directed Brokerage & Soft Dollars**

Although we do not require you to use a specified broker-dealer, we have established brokerage relationships with Charles Schwab & Co. and Fidelity Institutional Wealth Services, registered broker-dealers for custodian and brokerage services. We may, through Prime Broker Services, execute trades with brokers other than Charles Schwab & Co. or Fidelity Institutional Wealth Services. Such decisions are generally motivated by factors such as broader security selection, lower costs and/or better execution.

We have evaluated each of these brokers and have determined they offer our clients a variety of services, financial stability and competitive commission rates. We are not affiliated

with either Schwab or Fidelity and we do not receive remuneration from any broker including Schwab or Fidelity. From time to time, we evaluate other brokers to determine if a better combination of services and commissions are available for you.

In selecting a broker, we consider, not only the commission rate charged by the broker and the broker's execution capabilities, financial responsibility and responsiveness to instructions, but also the full range of services provided by the broker, including research and custodial services. Accordingly, you may pay commissions in excess of those that the broker (or another broker) may charge for transactional services alone, in recognition of the additional services provided. However, we must determine in good faith that the amount of any commission paid is reasonable in relation to the value of the brokerage and research services provided, viewed in terms either of a particular transaction or our overall responsibilities with respect to accounts for which we exercise investment discretion. We must also determine that any services we receive provide lawful and appropriate assistance in the performance of our investment decision-making responsibilities. If we receive research services, we may use that research to service other accounts, including those accounts where the clients directed their brokerage.

We have not and do not intend to enter into any contractual third-party soft-dollar arrangements, such as committing to place a specific level of brokerage with a specific firm in return for which the brokerage firm will pay for various research related products or services for us that are generally available for cash purchase. We have received discounts on software applications as a result of participating in the Schwab Institutional Service program. The benefits received through participation in the Schwab program do not depend upon the amount of transactions or assets in custody directed to Charles Schwab & Co., Inc.

You may direct us to utilize a specified broker-dealer of your choice to effect transactions for or with your account. You should understand that, in the case of such a directed brokerage arrangement:

- you will be solely responsible for negotiating the terms and arrangements on which those brokers and dealers are engaged, and we will have no responsibility for reviewing the fairness of those terms and arrangements;
- we will not seek better execution services or prices from other brokers and dealers in connection with transactions for your account;
- we will not be able to "batch" or "aggregate" transactions for your account with transactions for our other clients not subject to a similar such arrangement;
- we will not monitor the performance of or the services provided by the brokers and dealers so designated; and
- you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case.

However, we may seek better execution services or prices from other brokers or dealers or “batch” your transactions for execution if such action is required by law or fiduciary duties, including but not limited to, the fiduciary duty provisions under the Employee Retirement Income Security Act of 1974, as amended (ERISA), if you are a plan subject to ERISA, or if the designated broker or dealer is unable or unwilling to effect a particular transaction or transactions, which may occur with certain transactions involving fixed-income securities.

### **Research**

From time to time, an investment committee member may participate in conferences sponsored by mutual fund families or other financial industry firms. Their sponsorship may provide a benefit to us by reducing or eliminating the conference fee, travel expenses and/or hotel accommodations. We may use the research, from these sponsored conferences, to service other accounts. While this may potentially create a conflict of interest, we mitigate this risk by making investment decisions through committee, where each committee member has only one vote. In addition, we rotate which investment team member will participant in any sponsored events.

### **Aggregation of Orders**

We have adopted a trade allocation policy to govern how we handle the aggregation of orders for more than one client’s account. From time to time and only where appropriate, we aggregate orders for securities transactions for more than one client and, in appropriate circumstances, include proprietary accounts. In doing so, we strive to treat each client fairly and will not favor one client or a proprietary account over another client. When executed, we will allocate the aggregated order in accordance with policies and procedures intended to achieve fair treatment. The purpose of aggregating orders is for our administrative convenience and, in some transactions, to obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately.

We will not aggregate orders for a client having a directed brokerage relationship with a client who does not have a directed brokerage relationship with the same broker-dealer. A consequence of not aggregating your order with other orders for the same securities is that you may not obtain as good a price or as low a cost in a separate transaction as clients whose orders have been aggregated.

Each account that participates in an aggregated order will participate at the average share price for all of the transactions submitted in that order by us in that security on a given business day. If permitted by the broker-dealer effecting the transaction, transaction costs will be shared on a pro rata basis. Some broker-dealers charge brokerage commissions to each participating client in accordance with the size of that client’s account or other factors, regardless of the total size of the aggregated order.

If the aggregated order is partially filled, then each account will participate in the aggregated order on a pro rata basis unless such a method will, in our opinion, work adversely to the



benefit of a significant number of clients or adversely affect certain clients. A client could be adversely affected if the client would only be allocated a few shares and the trading costs would outweigh the benefit of purchasing shares for your account. In that event, we will implement a rotational system for allocating recommendations among clients who invest in a similar investment strategy. On a partially filled order using a rotational method for allocating a partial fill, we will start with different accounts from the previous rotational allocation.

### **Trade Rotation**

Trade rotation systems are used to ensure that clients are treated fairly and to show that no one group of clients is favored over another group of clients. We use multiple custodians and trading accounts so it is not possible for us to trade all accounts simultaneously. Therefore, a trade rotation policy and procedure has been instituted to provide all clients' fair treatment in the execution of aggregated or "batched" trades initiated by our Investment Committee for our model portfolios. Trades initiated by a client's cash deposit or request for a cash withdrawal, or any client initiated change in their portfolio strategy, which may be "batched" for administrative convenience, will not be subject to our trade rotation procedure.

Trades of open-ended mutual funds, initiated by our Investment Committee for our model portfolios, will be entered on the same day. Since all orders, for an open-ended mutual fund, placed the same day receive the same price, these security trades are not covered by this rotation policy.

### **Trade Error Policy**

We have the responsibility to process trade orders correctly, promptly and ensure the best interests of our clients are served. In the event an error occurs in the handling of any client transaction, due to our action, inaction, or actions of others, our policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting us. Generally, if related trade errors result in both gains and losses in the client's account, they may be netted. Our primary custodians are Fidelity and Schwab and their policies differ on the treatment of trade error corrections.

**Trade Error Losses** - If a trade error occurs at Schwab or Fidelity and it results in a loss in the client's account, the client's account is reimbursed for the entire amount of the loss as soon as practical after the discovery of the error. In the case of Fidelity all losses are charged to our account. In the case of Schwab, if the loss is greater than \$100 we are invoiced by Schwab and will pay for the loss. If the loss is less than \$100 Schwab will absorb it to reduce its administrative time and expense.

**Trade Error Gains** - If a trade error at Schwab results in a gain less than \$100, Schwab will retain the gain to reduce its administrative time and expense. If a trade error results in a gain of more than \$100, the gain will remain in the client's account, unless the same error involved other client account(s) that should have received the gain or it is not permissible for the client to retain the gain. If the gain does not remain in the client's account, Schwab will donate the

amount of any gain of \$100 or over to charity. If a trade error at Fidelity results in a gain, Fidelity removes the gain from the client's account and records the gain in our account at Fidelity to be used to offset future losses. At the end of the year all gains and losses, as the result of trade errors, are netted against each other. If the netting results in a loss for the entire year we absorb the cost. If the netting for the entire year results in a gain, we make a charitable donation equal to the gain to a qualified charity.

### **ITEM 13: REVIEW OF ACCOUNTS**

Our investment committee meets on a regular basis to review and make investment recommendations, including asset mix recommendations. Whenever the committee deems it necessary, we will make investment changes to your account.

If we provide you with investment management services, generally on an annual basis, our investment adviser representatives will review with you, any material changes in your circumstances, your investment policy statement and will make any necessary adjustments to your investment strategy. Reviews may involve the entire account or just specific securities held in your account.

If we provide you with periodic financial planning and consulting services, we only review your plan at your request after the initial recommendations are provided. If you engage us for continuing financial planning services we offer an annual reassessment and review.

#### **Client Reports**

If we provide you with investment management services, we generally send asset position statements quarterly with a detailed performance report along with a benchmark performance comparison. These statements include the evaluation of each security in your account. As described in more detail in “**ITEM 15: CUSTODY**” beginning on page 18, we urge you to review your statements. When available and with your consent, we will deliver reports via e-mail to you.

For qualified plans, your custodian will provide you with monthly statements that contain your investments and transactions. In addition, these statements will include earnings, gains, losses and any expenses or fees that we charge or credit.

If you utilize our financial planning and consulting services, we provide our recommendations upon completion of your project.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **Other Third Party Solicitors**

We may engage solicitors to market our services. If we do so, you will receive a separate solicitor's disclosure brochure describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. You will also receive a copy of this Brochure. Solicitor compensation may be paid during a specified period after we begin providing advisory services to you or for the entire time that you remain one of our clients. The solicitor may therefore have a financial incentive to recommend our advisory services over other programs or services. The amount of this compensation may be more than the amount the solicitor would receive if you participated in other programs or paid separately for investment advice, brokerage and other services.

Generally, the fee earned by the solicitor is paid out of the normal and customary fee schedule charged by us, which would not result in an increase of the fee to you.

### **Schwab Advisor Network<sup>®</sup>**

Previously, we received client referrals from Schwab through participation in Schwab Advisor Network<sup>®</sup>. The Schwab Network is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with us. Schwab does not supervise us and has no responsibility for our management of client portfolios or our other advice or services. We continue to pay Schwab fees for the client referrals received through the Schwab Network. While we no longer accept referrals from the Schwab Network, this arrangement may raise potential conflicts of interest described below.

We pay Schwab a participation fee on all referred clients' accounts that are maintained in custody at Schwab and a custody fee on all accounts that are maintained at, or transferred to a custodian other than Schwab. The participation fee paid by us is a percentage of the fees the client owes to us or a percentage of the value of the assets in the client's account, subject to a minimum participation fee. We pay Schwab the participation fee for so long as the referred client's account remains in custody at Schwab. The participation fee is billed to us quarterly and may be increased, decreased or waived by Schwab from time to time. The participation fee is paid by us and not by the client. We have agreed not to charge clients referred through the Schwab Network fees or costs greater than the fees or costs we charge clients with similar portfolios who were not referred through the Schwab Network.

We generally pay Schwab a custody fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision to move the assets away from Schwab. The custody fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The custody fee is higher than the participation fees we generally would pay in a single year. Thus, we will have an incentive to recommend that clients referred to us by Schwab use Schwab for custodial services.

Both the participation and custody fees will be based on assets in accounts of our clients who were referred by Schwab as well as the accounts of family members living in the same household. Thus, we will have an incentive to encourage household members of clients referred through the Schwab Network to maintain custody of their accounts and execute transactions at Schwab.

For accounts of our clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from us in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, we may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. We nevertheless, acknowledge our duty to seek best execution of trades for client accounts.

In addition, as described in more detail in the “**Directed Brokerage & Soft Dollars**” section beginning on page 12, we receive various other benefits and services from Schwab and Fidelity.

### **Employees**

We have written agreements with some of our employees in which we pay those employees a percentage of assets under management for soliciting and servicing our clients. You will not receive a separate solicitor brochure with respect to this activity.

## **ITEM 15: CUSTODY**

You will receive statements, at least quarterly, from the broker-dealer, bank or other qualified custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare such official custodial records to your account statements that we may provide to you, as described in the “**ITEM 13: REVIEW OF ACCOUNTS**” beginning on page 16. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Although you may give us your personal identification number to access your Advisory Account(s) (e.g. 401(k) participant account), your PIN will not give us access to withdraw assets from your account. Thus, we do not have custody of those accounts.

## **ITEM 16: INVESTMENT DISCRETION**

We generally receive discretionary authority in writing from clients at the outset of an advisory relationship in the investment management agreement. If you choose to give us

discretionary authority, you grant us the ability to determine, without obtaining your specific consent, the securities to purchase or sell for your portfolio, the amount of securities to be purchased or sold, and in most cases, the broker or dealer we use and the commission rate to be paid. In all cases, however, such discretion is to be exercised in a manner consistent with your stated investment objectives for your account and by considering the size of your account and your risk tolerance.

In addition, you may sign an agreement with your custodian, which generally includes a limited power of attorney granting us authority to direct and implement the investment and reinvestment of your assets within your account, but not direct the assets outside of your account.

As described in more detail in the “**ITEM 4: ADVISORY BUSINESS**” beginning on page 1, you may establish written investment guidelines and restrictions regarding your portfolio.

#### **ITEM 17: VOTING CLIENT SECURITIES**

We no longer offer to vote proxies for new clients and their custodian is instructed to send all proxies directly to the client. While most clients are now receiving their proxies directly, some clients, custodied at Schwab, have not yet completed their authorization to forward all proxy material directly to them. Until these clients have returned their forms to Schwab, we will continue to vote their proxies in compliance with our prior policy.

If we continue to vote your proxies, you may obtain a copy of our Proxy Voting Policy and information about how we voted proxies with respect to your securities by contacting Daniel Cook, Chief Compliance Officer, at (248) 645-1520.

If you are a qualified plan client, you will specifically undertake the responsibility of responding to or voting proxies that are solicited with respect to annual or special meetings of shareholders of securities held in your account. Proxy solicitation materials will be forwarded to you for response and voting.

#### **ITEM 18: FINANCIAL INFORMATION**

As a registered investment adviser, we must inform you of certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to you. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary commitments to you.

022724.053630 #13690609-2