

## Part 2A of Form ADV

### Item 1: Cover Page

---

# Brochure of TMD & Associates, Inc.

An Arizona corporation registered with the U.S. Securities and Exchange Commission as an  
Investment Adviser (CRD # 113896)

**CuraFin Advisors is a trade name used by TMD & Associates, Inc.**

**TMD Associates, Inc.**  
15333 N. Pima Road, Suite 215  
Scottsdale, AZ 85260  
(602) 279-2020  
Todd@TMD-AssociatesOnline.com  
www.TMD-AssociatesOnline.com

This brochure ("Brochure") provides information about the qualifications and business practices of TMD Associates, Inc. ("TMD" or the "Firm"). If you have any questions about the contents of this Brochure, please contact Todd M. Douma, President and Chief Compliance Officer, at (602) 279-2020 or Todd@TMD-AssociatesOnline.com. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or any state securities authority.

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

The date of this Brochure is

**August 31, 2018**

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other documents containing information about the Firm. Registration of an investment adviser does not imply any level of skill or training.

## Item 2 Summary of Material Changes

---

This section provides a summary of material updates to this brochure since its most recent filing on March 29, 2018. This Brochure has been revised to reflect the following:

- Item 5 – Fees and Compensation. The fee schedule for TMD wealth planning clients has been updated in two ways: First, the asset levels by tier have been updated with new thresholds and price points that now reflect the fact that private holdings will be billed on the same fee schedule as other assets. The only exception to this is that fees for affiliated private holdings will continue to be excluded from management fees.
- Item 5 – Valuation of Illiquid Assets. This section was added to clarify TMD's methodology on valuing illiquid assets within client portfolios. The primary goal of this was to address any potential conflicts of interest that internal valuation methodologies may create.

### Item 3 Table of Contents

Item 2 Summary of Material Changes .....	2
Item 3 Table of Contents .....	3
Item 4 Advisory Business .....	4
Item 5 Fees and Compensation.....	7
Item 6 Performance-Based Fees and Side-By-Side Management.....	11
Item 7 Types of Clients .....	11
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9 Disciplinary Information .....	16
Item 10 Other Financial Industry Activities and Affiliations.....	16
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ...	17
Item 12 Brokerage Practices .....	19
Item 13 Review of Accounts .....	21
Item 14 Client Referrals and Other Compensation.....	22
Item 15 Custody.....	23
Item 16 Investment Discretion .....	23
Item 17 Voting Client Securities.....	24
Item 18 Financial Information .....	24

## Item 4 Advisory Business

---

TMD Associates, Inc. ("TMD" or the "Firm") is an Arizona corporation formed in August 1994 that is registered as an investment adviser with the U.S. Securities and Exchange Commission ("SEC"). TMD may also provide retirement plan services under the trade name CuraFin Advisors or CuraFin Retirement. TMD maintains an office in Arizona. TMD is solely owned by Todd M. Douma, President and Chief Compliance Officer.

TMD primarily provides wealth management services to individuals, pension and profit-sharing plans, trusts and estates, corporations and other business entities. Service options to its clients include (a) project-based financial plan engagements, (b) discretionary investment management services, and (c) limited scope financial planning and consulting arrangements. Such services are described under the headings "Financial Planning and Consulting Services;" "Discretionary Investment Management Services;" and "Limited Financial Planning and Other Services."

TMD also provides retirement plan services to businesses in the following forms: (a) discretionary investment management services, (b) non-discretionary investment management services, and (c) limited-scope retirement plan consulting services to employer-sponsored retirement plans and their participants. Such services are described under the heading "Retirement Plan Services (inclusive of investment management services)."

TMD tailors its services to the specific needs of its clients. The goals and objectives for each client are documented in TMD's client files or through an investment policy statement, as applicable. TMD clients may impose reasonable investment guidelines, restrictions and limitations that will be considered in managing their account. All limitations and restrictions placed on accounts must be presented to TMD in writing.

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

TMD offers comprehensive non-discretionary financial planning and consulting services that typically address areas such as investment, tax, cash-flow, retirement, risk management/insurance, estate, charitable giving, education planning, business planning, and other related topics. Such services are provided pursuant to a financial planning and consulting agreement (the "Planning and Consulting Agreement") or pursuant to an investment management agreement, where the client also receives investment management services, as applicable.

In providing its financial planning and consulting services, TMD initially meets with the client to review the documents and data supplied by the client prior to engagement. The primary purpose of the initial meeting is to understand the client's current financial situation, including, but not limited to the client's (a) risk tolerance, (b) financial goals and objectives, and (c) investment time horizons. TMD representatives also discuss the client's source(s) of income, asset portfolio, existing insurance, liabilities, wills, trusts, business agreements, tax returns, investments, and personal and family obligations. TMD may also request additional information and/or communication with the client's other professional advisors to fully understand the client's needs and financial situation.

Once the necessary information has been reviewed and analyzed, TMD prepares a written financial plan intended to direct each client toward his/her expressed financial goals. The financial plan may include both long and short-term considerations, depending upon the client's circumstances. TMD provides the

client with recommendations it believes are compatible with the client's stated goals and objectives, and are suitable for that client. TMD reviews an implementation schedule with the client to determine which steps to pursue, and with whom the steps may be accomplished. At this stage, the client is under no obligation to utilize additional services of TMD and its representatives and is under no obligation to implement the advice or plan. Clients may choose all or certain components of advice and recommendations and can implement the recommendations through the service providers of their choice.

Notwithstanding the foregoing, after providing the initial financial plan, TMD may also provide investment management services, including recommending products and implementing strategies. In such instances, the client will execute an investment advisory agreement granting TMD discretionary authority to trade on the client's behalf (the "Investment Advisory Agreement"). It is each client's responsibility to promptly notify TMD if there is a change in the financial situation or investment objectives of the client for the purpose of reviewing, evaluating or revising the previous recommendations or services provided to the client.

### **Discretionary Investment Management Services**

TMD also provides personalized discretionary investment management services to its clients pursuant to an Investment Advisory Agreement with the client. Similar to the clients of TMD's financial planning and consulting services, discretionary investment management services clients are asked to provide TMD with certain information with respect to their current financial holdings, investment objectives, risk tolerance and time horizon. TMD will also inquire as to the restrictions the client wishes to impose on the management of the account. From the information that is supplied by the client, TMD constructs an investment strategy or allocation mix that TMD believes is suitable for that client's financial needs. TMD has discretion in implementing the investment strategy with the exception of private placements, private real estate, and/or other non-traded assets. In these instances, TMD obtains the prior written approval of the client prior to effecting a transaction of the aforementioned nature recommended to the client. In addition, in limited circumstances, TMD may provide to certain self-directed 401(k)s, who are also discretionary clients of TMD, non-discretionary services, including investment advice with respect to their self-directed plans. TMD does not charge additional fees for these services and does not provide such services to clients who are not discretionary clients of TMD.

### **Limited-Scope Financial Planning and Other Services**

TMD may also provide one-time, non-discretionary topic-specific consultation and administrative services regarding investment and/or other financially-related needs of its clients. This may include advice on limited-scope wealth management matters as well as non-traditional areas such as business acquisition/sales or business operations. In general, these are consulting needs that fall outside the scope of a client's financial plan.

### **Retirement Plan Services (ERISA Plans - Corporate Clients)**

TMD (using the trade name CuraFin Advisors or CuraFin Retirement) will provide discretionary investment management, non-discretionary investment management and retirement plan consulting services to qualified company-sponsored retirement plans including, 401(k) Plans, 403(b) Plans, pensions and profit sharing plans. ("Plan Client" or "Plan"). Each Plan Client will select the services to be provided in writing as part of the investment fiduciary and retirement plan consulting agreement ("Retirement Plan Agreement"). TMD will provide specific investment advice to Plan Clients regarding the selection of investment manager(s) and/or investment vehicles available to the Plan within the platform provided by the Plan's custodian. TMD may also provide administrative support, service provider support, investment monitoring support and participant services as described in the Retirement

Plan Agreement, as applicable.

#### *Discretionary Investment Management Services for Plan Clients*

TMD will provide discretionary investment management services to certain Plan Clients as a fiduciary under Section 3(38) of the Employee Retirement Income Security Act of 1974 ("ERISA") and thus will serve as an "investment manager" pursuant thereto. Upon reviewing the investment objectives, risk tolerance and goals of the Plan Client set forth in the Plan's investment policy statement ("IPS"), the sponsor of each Plan Client (the "Plan Sponsor") will determine which of the following discretionary services, if any, TMD will provide to the Plan Client: (a) the selection, monitoring and replacement of designated investment alternatives, (b) the creation and maintenance of model asset allocation portfolios, and/or (c) the selection, monitoring and replacement of qualified default investment alternatives.

#### *Non-Discretionary Investment Management Services for Plan Clients*

TMD will also provide non-discretionary investment management services to certain Plan Clients, serving as a "fiduciary" as defined by Section 3(21) of ERISA. After reviewing the investment objectives, risk tolerance and goals of the plan set forth in the Plan's IPS, TMD will make recommendations to the Plan Sponsor but the Plan Sponsor will ultimately be responsible for implementing those recommendations. If the Plan does not have an IPS, TMD may provide recommendations to the Plan Sponsor to assist it in establishing an IPS. If the Plan has an existing IPS, TMD will review it for consistency with the Plan's objectives. If the IPS does not represent the objectives of the Plan based on TMD's understanding of the objectives, TMD will recommend revisions to align the IPS with the Plan's objectives. The Plan Sponsor of each Plan Client will determine which of the following services, if any, TMD will provide to the Plan Client: (a) advice on designated investment alternatives, (b) advice on model asset allocation portfolios, and/or (c) advice on qualified default investment alternatives.

#### *Retirement Plan Consulting Services*

TMD will also provide retirement plan consulting services designed to assist the sponsor in meeting his or her fiduciary duties to administer the plan in the best interest of the Plan's participants and their beneficiaries. Such services are not fiduciary services under ERISA. The Plan Sponsor of each Plan Client will determine which of the following services TMD will provide to the Plan Client: (a) administrative support, (b) oversight of relationships with the Plan's service providers, (c) investment monitoring support, and/or (d) participant services.

#### **Other Information**

TMD currently does not participate in wrap fee programs.

As of June 30, 2018, TMD had approximately Three Hundred and Ninety-Nine Million Six Hundred and Ten Thousand Dollars (\$399,610,000) in regulatory assets under management on a discretionary basis<sup>1</sup> TMD had approximately Thirteen Million and Eighty-One Thousand Dollars (\$13,081,000) assets under management on a non-discretionary basis. This equates to a total of Four Hundred and Twelve Million Six Hundred and Ninety-One Thousand Dollars (\$412,691,000) total regulatory assets under management.

---

<sup>1</sup> Determined in accordance with the Form ADV Instructions, Amended Form ADV, Part 1A, Schedule D, Item 5.K.(2).

## Item 5 Fees and Compensation

---

TMD charges fees based on a percentage of assets under management, hourly charges and fixed fees. The amount and manner in which fees are respectively assessed by TMD is contractually provided within the Planning and Consulting Agreement, Investment Advisory Agreement or the Retirement Plan Agreement.

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

Fees for financial planning and consulting services may be charged on an hourly or fixed fee basis. These fees are negotiable, and once determined, are set forth in the Planning and Consulting Agreement. Hourly fees typically range from One Hundred Dollars (\$100) to Three Hundred and Fifty Dollars (\$350) per hour depending on the nature and complexity of the client's circumstances, as well as the individual involved in the planning process. An estimate for total hours is generally determined at the start of the client relationship to approximate a total cost of services for the client. A "not to exceed" amount is provided in the Planning and Consulting Agreement so the client knows the most an engagement could potentially cost. This "not to exceed" amount does not include implementation costs should the client wish for TMD to help in that regard.

Fixed fees for services are determined by estimating the total number of hours to be spent on an engagement and then quoting a fixed price. Total costs for financial plans, whether per hour or on a fixed basis, generally range from Two Hundred Fifty Dollars (\$250) to as much as Ten Thousand Dollars (\$10,000) or more. There is no typical plan, as plans are customized to the specific needs of the client. All hourly and fixed fees are billed to the client and are due and payable upon completion of the services.

### **Discretionary Investment Management Services (Wealth Management Clients Only)**

The fees charged for discretionary investment management services are charged as a percentage of assets under management, as set forth in the Investment Advisory Agreement, and generally depend on the type of assets held by the client. The minimum annual fee for investment management services is Four Thousand Dollars (\$4,000). Fees for discretionary investment management services are deducted from each client's assets. In certain instances, clients may compensate TMD directly where the discretionary assets are held away from TMD's custodian. TMD management may waive or modify the annual fee minimum in its sole discretion. All assets, with the exception of any private holding managed by an affiliated entity, are subject to the Assets Fee Schedule set forth on the next page.

*This space intentionally left blank.*

## **Assets Fee Schedule**

<b>Assets Under Management</b>	<b>Annual Management Fee as a Percentage of Assets Under Management</b>
The first \$1,500,000	1.00% <sup>1</sup>
The portion from \$1,500,000.01-\$3,000,000	0.80%
The portion from \$3,000,000.01-\$5,000,000	0.60%
The portion from \$5,000,000.01-\$10,000,000	0.50%
The portion above \$10,000,000.01	0.40%
Affiliated person investments	0.00%

<sup>1</sup>. Subject to a minimum annual fee of Four Thousand Dollars (\$4,000). Accordingly, clients with less than Four Hundred Thousand Dollars (\$400,000) in assets under management will be charge a fee at a higher percentage of assets under management.

The fees charged pursuant the Assets Fee Schedule are incremental and accordingly are charged on a "waterfall." By way of example, a client with Two Million Dollars (\$2,000,000) in assets under management (excluding affiliated private placement assets) would be charged One Percent (1.00%) on the first One Million Five Hundred Thousand Dollars (\$1,500,000), and Eight-Tenths Percent (0.80%) on the remaining Five Hundred Thousand Dollars (\$500,000) of assets under management.

Private placements are offerings of unregistered securities and generally include offerings in private pooled investment funds, private companies and real estate. TMD does not charge a management fee for private placements offered by TMD's related persons (which currently includes Prism Capital Advisors, LLC), described in more detail below. However, TMD's related persons charge fees with respect to their services.

Discretionary investment management fees are calculated quarterly in arrears on the account asset value, including cash on the last business day of the quarter for the previous quarter. The initial invoice is also calculated based upon the fair-market value of the account including cash but is prorated from the date that TMD obtains discretionary management of the assets through the end of the current quarter.

The client typically authorizes and directs the custodian to deduct asset-based fees from the client's account. The client then further authorizes and directs the custodian to send a statement (on at least a quarterly basis) to the client that shows all amounts disbursed from the client's account, including advisory fees paid to TMD. TMD supplies an invoice each quarter showing the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

### **Valuation of Illiquid Assets**

TMD may invest in a variety of illiquid assets, such as Regulation D private placements, direct loan participations and real estate. TMD uses an internal valuation of these illiquid assets in separately managed accounts. This valuation method presents a potential conflict of interest since the fees charged to the clients by TMD are premised upon TMD's internal valuation of the illiquid assets held in client portfolios (sometimes referred to as 'separately managed accounts' in SEC disclosure documents).

Unless net asset value ("NAV") data is available or asset value information is available directly from the third party manager, TMD charges management fees on these hard-to-price assets based on the lesser of cost or TMD's estimate of impaired value. Assessments for valuation on these hard-to-value assets



are done on a bi-annual basis, and vary in scope based on the type of illiquid holding and ascertainable data points.

### **Limited Financial Planning and Other Services**

Fees for limited scope, non-discretionary financial planning and other services may be charged on an hourly or fixed fee basis. These fees are negotiable, and once determined, are set forth in the Planning and Consulting Agreement. Hourly fees typically range from One Hundred Dollars (\$100) to Three Hundred and Fifty Dollars (\$350) per hour depending on the nature and complexity of the client's circumstances, as well as the individual involved in the planning process.

Fixed fees for services are determined by estimating the total number of hours to be spent on an engagement and then quoting a fixed price. Total costs, whether per hour or on a fixed basis, may range from Two Hundred and Fifty Dollars (\$250) to as much as Ten Thousand Dollars (\$10,000) or more. There is no typical engagement as plans are customized to the specific needs of the client. All hourly and fixed fees are billed to the client and are due and payable upon completion of the services.

### **Retirement Plan Services**

Fees for retirement plan advisory services are negotiated prior to the signing of the Retirement Plan Agreement. The Retirement Plan Agreement is then prepared to state the negotiated fee, which, in general, is expressed as a percentage of total Plan assets, a flat fee or a project fee.

#### *Assets Under Management Fee*

In general, fees charged for investment advisory services are billed to the client and payable monthly or quarterly in arrears as dictated by the third-party administrator, recordkeeper or custodian, and are based upon the value of the Plan Client's assets on the last business day of the preceding fee period. The assets under management fees to Plan Clients are charged pursuant the Retirement Plan Schedule set forth below:

#### **Retirement Plan Schedule**

Assets Under Management	Annual Management Fee as a Percentage of Assets Under Management
The first \$500,000.00	1.00%
The portion from \$500,000.01-\$1,000,000.00	0.75%
The portion from \$1,000,000.01-\$5,000,000.00	0.50%
The portion from \$5,000,000.01-\$10,000,000.00	0.40%
The portion from \$10,000,000.01-\$20,000,000.00	0.30%
The portion over \$20,000,000.01	0.25%

Such fees are incremental and accordingly, are charged on a "waterfall."

#### *Flat Fees and Project Fees*

To the extent so engaged by a Plan Client, TMD may charge a flat fee or project fee for investment advisory and/or consultation services. Fixed fees are negotiable, but generally range from One Thousand Dollars (\$1,000) to Five Thousand Dollars (\$5,000) on an annual basis, depending upon the level and scope of the services required. Flat fee(s) will be charged and billed to client quarterly in arrears unless otherwise noted, upon the signing of a Retirement Plan Agreement by the Plan Client. Occasionally

advisory services will be quoted on an hourly or per project basis. Alternatively, TMD may charge a one-time, project based fee which may be quoted on an hourly or per project basis. Such fees may be invoiced to the third-party administrator, recordkeeper, or custodian, or the Sponsor at the Plan Client's instruction.

### **Agreement Termination**

Agreements must be terminated in writing.

Retirement Plan Agreements may be terminated by the client or TMD without penalty by the client or TMD at any time upon receipt of thirty (30) days' written notice. Upon termination any prepaid, unearned fees will be promptly refunded based upon the time spent and services rendered by TMD up to the time of termination.

Planning and Consulting Agreements and Investment Advisory Agreements may be terminated by the client or TMD without penalty to the client or TMD at any time. Fees earned up to the date of termination of the agreement will be due and payable immediately by the client. Upon termination any prepaid, unearned fees will be promptly refunded to the client.

### **General Information on Compensation**

In certain circumstances, fees, account minimums and payment terms may be negotiable. TMD's fees may be negotiable based on various criteria, including, but not limited to, the size of the aggregate related party portfolio size and pre-existing relationships with the client. Compensation will ultimately be based on the time involved, the degree of responsibility assumed, the complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation.

Related accounts may be linked for purposes of fee calculation if all parties agree; meaning that certain accounts approved by TMD may be grouped for fee calculations.

TMD's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, managers, third party investment managers and other third parties such as management fees, custodial fees, 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. TMD shall not receive any portion of these commissions, fees or costs.

Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Mutual fund fees generally include a management fee, other fund expenses and a possible distribution fee. Mutual funds purchased by TMD for a client account will be executed at net asset value. Accordingly, the client should review the prospectus of a mutual fund regarding fees charged by the funds in conjunction with fees charged by TMD to fully understand the total amount of fees to be paid by the client, and to thereby evaluate the advisory services being provided. Many broker-dealers will retain 12b-1 fees and any other fees paid by the mutual fund companies, rather than refunding them to the client. TMD does not earn, charge or collect any commissions relative to any transactions implemented or retain any 12b-1 fees.

TMD's clients may also incur third party fees, which include individual retirement account and qualified retirement plan fees and other charges required by law.

The client may also incur charges for other account services provided by brokers not directly related to the execution and clearing of transactions including, but not limited to, individual retirement account

custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

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

---

Neither TMD nor any of its Supervised Persons (employees) accepts performance-based fees or compensation (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 Types of Clients**

---

### **Financial Planning and Wealth Management Services**

As described in Item 4, TMD provides financial planning and wealth management services to its clients, which include individuals, pension and profit-sharing plans, trusts, estates and corporations or other business entities.

TMD requires a minimum account size of Seven Hundred and Fifty Thousand Dollars (\$750,000) for investment management, although this may be negotiable under certain circumstances. Waivers of exceptions from minimum account size may be granted at the exclusive discretion of TMD management. TMD may group certain related client accounts for the purposes of achieving the minimum account size.

TMD does not require a minimum account size for financial planning clients, but may impose a minimum flat fee.

### **Retirement Plan Assets**

In addition, TMD provides retirement plan advisory services to qualified company sponsored retirement plans including, 401(k) Plans, 403(b) Plans, pensions and profit sharing plans ("Plan Client" or "Plan"). For Plan Clients, TMD does not require a minimum account size, but may impose a minimum annual consulting fee. TMD retains the right to waive minimum initial account sizes should it feel it is necessary and appropriate.

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

---

### **Methods of Analysis and Investment Strategies**

TMD generally utilizes a macro approach to managing portfolios for its discretionary management clients. Macro analysis approaches used by TMD include, but are not limited to, forward-looking asset class valuation, asset class momentum, and implied volatility measures. In addition to macro portfolio allocation strategies, TMD may employ individual security analysis methods such as fundamental analysis, charting/technical analysis, cyclical analysis, and other security-specific tools.

#### *Investment Strategies*

TMD uses asset allocation, or spreading investments among a number of asset classes and sectors (domestic stocks versus foreign stocks; large cap stocks versus small cap stocks; corporate bonds versus government securities) for most client portfolios. Clients are assigned to one of our model portfolios that we believe will best help them achieve their personal goals. Portfolio structuring is a combination of active and passive management with a focus on total return and avoiding permanent impairment of capital. TMD seeks to manage downside risk by reducing market exposure during periods of extreme volatility and heightened economic uncertainty.

Investment strategies may include long-term purchases, short-term purchases, trading, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

TMD may also incorporate non-traditional investments such as private placements, pooled investment vehicles, private equity, oil and gas partnerships, real estate, and hard-money lending.

TMD reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives. TMD may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship or on any investment on which the client requests advice.

### *Margin*

When appropriate to the needs of the client, TMD may recommend the use of margin. Because this investment strategy involves a certain degree of additional risk, it will only be recommended when it is consistent with the client's stated tolerance for risk.

### **Risk of Loss**

All investing and trading activities risk the loss of capital. Although TMD will attempt to moderate these risks, no assurance can be given that the investment activities of an account TMD advises will achieve the investment objectives of such account or avoid losses. Direct and indirect investing in securities involves risk of loss that clients should be prepared to bear. TMD does not represent or guarantee that its services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate the client from losses due to market corrections or declines. TMD cannot offer any guarantees or promises that a client's financial goals and objectives will be met. Past performance is not an indication of future performance. It is important that TMD clients understand the risks associated with investing in the types of investments listed above.

Except as may otherwise be provided by law, TMD is not liable to clients for:

- Any loss that a client may suffer due to any investment decision made or other action taken or omitted by TMD in good faith;
- Any loss arising from TMD's adherence to a client's instructions or the disregard of TMD's recommendations made to a client; or
- Any act or failure to act by a custodian or other third party to a client account.

The information included in this brochure does not include every potential risk associated with an investment strategy, technique or type of security applicable to a client account. Clients are encouraged to ask questions regarding risks applicable to a particular strategy or investment product, and read all product-specific risk disclosures. It is the client's responsibility to give TMD complete information and to notify TMD of any changes in financial circumstances or goals.

Clients face the following investment risks:

*General Investment and Market Risks.* All securities and derivatives investments (collectively, "Investments") risk the loss of capital. The nature of the Investments to be purchased and traded on behalf of a client, and the investment techniques and strategies TMD will employ, may increase this risk. While TMD will use its best efforts in the management of the Investments, there can be no assurance that an account will not incur losses. Many unforeseeable events, including changing supply and demand, interest rates, merger activities, governmental laws, regulations and enforcement activities, trade, fiscal and monetary programs and policies, and national and international political and economic developments, may cause sharp issuer-specific and market fluctuations which could adversely affect an account's portfolio and performance. The effect of such factors on the prices and liquidity of Investments in general, or of a particular investment, is difficult to predict. An account may also be exposed to the risk of failure of any exchanges on which Investments trade or of clearinghouses that settle trades. TMD cannot control any of these conditions.

*Availability of and Ability to Acquire Suitable Investments.* While TMD believes that many attractive investments of the type in which an account may invest are currently available and can be identified, there can be no assurance that such investments will be available at any given time, or that available investments will meet the account's investment criteria. In such event, TMD may be unable to find a sufficient number of attractive investment opportunities to meet its clients' investment objectives.

*Availability and Accuracy of Information.* TMD will select investments on the basis of information and data derived from a number of sources, including due diligence materials and public regulatory filings. Although TMD intends to evaluate all such information and data and seek independent corroboration when TMD considers it appropriate and when it is reasonably available, TMD in many cases will not be in a position to confirm the completeness, genuineness or accuracy of such information and data.

*Trading Risk.* Substantial risks are involved in the trading of securities. Market movements can be volatile and are difficult to predict. U.S. Government activities, particularly those of the Federal Reserve Board, can have a profound effect on interest rates that, in turn, substantially affect securities and futures prices, as well as the liquidity of such markets. Politics, recession, inflation, employment levels, trade policies, international events, war, acts of terrorism and other unforeseen events can also have significant impacts upon the prices of securities. A variety of possible actions by various government agencies also can inhibit the profitability of the investments or can result in losses. Such events, which can result in huge market movements and volatile market conditions, create the risk of catastrophic losses. Various techniques may be employed to attempt to reduce a portion of the risks inherent in the strategies utilized by TMD. The ability to achieve the desired effect through a particular technique is dependent upon many factors, including the liquidity of the market at the desired time of execution. Thus, a substantial risk remains that the techniques employed by TMD cannot always be implemented or effective in reducing losses.

*Investment Strategies.* There can be no assurance that any investment method employed by TMD will produce profitable results. Profitable investing is often dependent on anticipating trends. In addition, markets experiencing random price fluctuations, rather than defined trends or patterns, may generate a series of losing investments. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. Any factor that may lessen major price trends (such as governmental controls affecting the markets) may reduce the prospect for future profitability. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in prices moving the maximum amount allowed in a single day could also be detrimental to profits or cause losses. Increases in margin levels on securities may occur in the future. Such increased margin and other potential regulatory changes may adversely impact investment strategies. Future investment proceeds may be reinvested at a potentially lower rather of

return.

*Dependence upon the Principal of TMD.* The services of Todd M. Douma, as the principal of TMD, are essential to the continued operations of TMD. If his services were no longer available, his absence could have a material adverse impact upon TMD. In addition, this individual may in the future serve as an officer, director, advisor and investor in other entities. Mr. Douma believes that he has sufficient resources to fully discharge his responsibilities to TMD and any projects he may organize in the future, if any. Mr. Douma will devote only so much of his time to the business of TMD as is required in and by the client agreements, and beyond that only to the extent in his judgment is reasonably required.

*Limits on Hedged Strategies.* TMD may engage in hedging strategies in order to manage risk by investing in specialized ETFs and mutual funds which may use short sales, options, swaps, caps and floors, futures and forward contracts and other derivatives in an effort to protect assets from losses resulting from fluctuations in market prices. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the portfolio positions' value.

*Currency Risk.* Currency risks arise from changes in the relative valuation of currencies, which can create unpredictable gains and losses when the profits or dividends from an investment are converted from a foreign currency into U.S. dollars. Clients can reduce currency risk by using hedges and other techniques designed to offset any currency-related gains or losses.

*Business Risk.* These risks are associated with a particular industry or a particular company within an industry. When investing in stock there is always a certain level of company or industry specific risk that is inherent in each investment. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

*Lack of Liquidity.* TMD may invest in illiquid securities or securities subject to substantial restrictions on transfer on behalf of its clients. There may not always be a public market for the investments made on behalf of TMD's clients. TMD's clients may not be able to acquire securities or sell securities promptly after a decision has been made to do so because of the illiquid nature of the investment. The markets for securities may be illiquid, making purchases or sales of securities or commodities at desired times, at prices or in desired quantities difficult or impossible. The liquidity of the market may also be affected by a halt in trading on a particular securities exchange or exchanges. Illiquid markets may make it difficult to get an order executed at a desired price. Clients may not be able to liquidate their investments quickly, thus, extending the period in which a client may receive the proceeds from their investment or may result in a decrease in the value of a particular investment.

*Mutual Fund Risk.* Mutual Funds mainly invest in marketable securities such as domestic and overseas equities and fixed incomes that are subject to price fluctuations of markets, and thus the unit prices of such funds may also fluctuate depending on changes in the market indices of such assets, and changes in foreign exchange rates in case of assets denominated in foreign currencies. The price of the fund is therefore exposed to the risk of fluctuations in the price of marketable securities and/or foreign exchange rates. Accordingly, the client's investment principal investment is not guaranteed. As each mutual fund has its own target asset class, investment restrictions, markets and countries to be invested, the degree and characteristics of the risks entailed by each mutual fund vary.

*Equities Risk.* The common stock of an issuer in a client's portfolio may decline in price for a variety of reasons such as if the issuer fails to make anticipated dividend payments. Common stock in a client's portfolio may be structurally subordinated as to income and residual value to preferred stock, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stock or debt instruments of such issuers. In addition, while common stock has historically generated higher average returns than fixed income securities, common stock has also experienced significantly more volatility in those returns.

*Fixed Income Risk.* When investing in fixed income instruments, such as bonds or notes, the bondholder is exposed to the risk of the debtor defaulting. The price of a bond depends on the issuer's credit rating, or perceived ability to pay its debt obligations. Consequently, increases in an issuer's credit risk may negatively impact the value of a bond investment. Issuers of high-yield bonds have more credit risk, since there is likely a greater risk of default. To compensate investors for this higher risk, such bonds often pay higher interest rates. Bond-rating agencies publish ratings that assess the likelihood of default for individual bonds on the market in an effort to help investors gauge the risk associated with certain bonds. Further, interest rates may increase, and the principal value of a client's investment may decrease. Individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power.

*Inflation and Interest-Rate Risk.* Portfolio impacts of inflation can be evaluated in the long-term, short term and the overall impact. The inflation risk in the long-term, the most common evaluation period of inflation, is the chance that the cash flows from an investment will not be worth as much in the future because of changes in purchasing power due to inflation. Unlike other forms of risk, inflation cannot be avoided by investing conservatively. Various economic factors affect the level and direction of interest rates in the economy, but inflation is one of the most influential. Interest rates typically climb when the economy is growing, and fall during economic downturns. When interest rates rise, yields on existing bonds become less attractive, causing their market values to decline. With respect to fixed income securities, there is the risk that future proceeds from investments may be invested at a lower interest rate.

*Options.* The purchase of a call or put option subjects a client to the risk of loss of his or her entire investment in the option if the price of the underlying security does not increase above the exercise price of the call option, or it declines below the exercise price of the put option, as the case may be, by more than the premium paid. The risk of loss on a call option can be offset, in whole or in part, by a short sale of the underlying security. If the underlying security is held, the loss on a put option will be offset, in whole or in part, by the gain on the security.

*Brokers and Custody.* There is a possibility that brokerage firms and/or banking institutions at which TMD maintains custody of a client's assets may encounter financial difficulties including bankruptcy, fraud and/or insolvency. There is potential direct and indirect exposure to losses as a result of such an institution's financial difficulties. There can be no assurances as to what effect such a brokerage firm's or banking institution's failure would have on the assets.

## Item 9 Disciplinary Information

---

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of TMD or the integrity of TMD's management. TMD has no information to disclose applicable to this Item.

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

---

### **Financial Industry Activities**

TMD is not registered as a broker-dealer, and none of its management persons are registered representatives of a broker-dealer, nor have an application pending to register.

Neither TMD nor any of its management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor, nor are associated persons of the foregoing entities.

### **Affiliations**

Prism Capital Advisors, LLC ("Prism"), a related person of TMD, is an Arizona exempt reporting advisor that provides investment management services to its advisory clients, which are comprised of various pooled investment vehicles, including registered investment companies and private funds. Todd Douma and Steven Neeley, investment adviser representatives of TMD, also provide portfolio management services to Prism's funds. See Item 11 for a discussion of the material conflicts of interest that may arise and how TMD addresses such conflicts.

Prism MGMT GRP LLC, a related person of TMD, is a commodity pool advisor and general partner for a private fund of Prism.

TMD and Todd M. Douma are licensed and registered with the insurance department of the State of Arizona. Mr. Douma may be appointed with several insurance companies and receive separate compensation for fee based transactions implemented through various insurance companies. Although Mr. Douma may offer insurance services in a very limited capacity, clients are not obligated to utilize any of these services for insurance purchases. All clients are free to utilize any insurance agent they choose. Upon request, more information is available regarding these services.

TMD does not have any other relationship or arrangement with any financial industry entity that is material to TMD's advisory business or to its clients.

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

---



## **Code of Ethics**

TMD's employees must comply with a Code of Ethics (the "Code") and Statement for Insider Trading. The Code describes TMD's standard of business conduct and its fiduciary duty to its clients.

TMD, and its employees, must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect TMD's duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of TMD's Code. The Code is designed to prevent TMD and its personal and certain of their relatives, from inappropriately benefiting from TMD's relationships with its clients. The Code provides that TMD and its employees must (a) place clients' interests ahead of TMD's or employees' interests; (b) engage in personal investing that is in full compliance with the Code; (c) avoid taking advantage of their position as investment managers; and (d) maintain full compliance with relevant securities laws.<sup>2</sup>

The Code's key provisions include:

- A statement of general principles;
- A policy on and reporting of personal securities transactions;
- A prohibition on insider trading;
- Restrictions on the acceptance of significant gifts;
- Procedures to detect and deter misconduct and violations; and
- Requirement to maintain confidentiality of client information.

Policies and procedures contain certain restrictions regarding pre-clearance of all IPO and private fund purchases by employees for their own account and filing quarterly personal securities trading reports.

TMD's employees must acknowledge the terms of the Code at least annually. Any individual not in compliance with the Code may be subject to disciplinary action, including termination.

Clients and prospective clients can obtain a full copy of TMD's Code of Ethics by contacting Todd M. Douma at (602) 279-2020.

## **Financial Interest and Principal/Agency Cross Trading**

TMD may recommend, buy or sell for its client's accounts, securities in the funds in which Prism, its related person, acts as the adviser, and therefore, has a material financial interest in the fees, compensation and remuneration provided to Prism. Conflicts of interest may arise for TMD in connection with such transactions involving investments in the funds advised or sub-advised by Prism. When permitted by applicable law, TMD acting on behalf of its clients, may determine that an investment in the funds is appropriate for a client but that such investment is not appropriate for other clients.

TMD's principal and certain employees have a financial incentive to allocate client assets to Prism's funds rather than to accounts or funds managed by third parties. TMD's principal and certain employees, who are also beneficial owners of Prism, have a financial incentive to recommend or select funds that may result in greater compensation and profit to Prism, and indirectly, to its principals and owners. Prior to subscribing for interests in a fund advised or sub-advised by Prism, investors receive information relating to the potential conflicts of interest that may arise. TMD maintains policies and procedures that

---

<sup>2</sup> "Relevant securities laws" means all relevant state securities laws and regulations, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Investment Company Act of 1940, the Investment Advisers Act of 1940, Title V of the Gramm-Leach-Bliley Act, any rules adopted by the Commission under any of these statutes, the Bank Secrecy Act as it applies to funds and investment advisers, and any rules adopted thereunder by the Commission or the Department of the Treasury.

require its supervised persons to at all times act in the best interests of its clients, given that client's investment objectives, investment strategies, suitability of the investment and the client's risk profile. As noted above in Item 5 - Fees and Compensation, TMD does not charge a management fee for private placements offered by TMD's related persons (including Prism). This policy was adopted as a means of managing inherent conflicts of interest with its related persons.

Pursuant to a separate agreement, Todd M. Douma acts as a purchaser representative for clients investing in certain private placements. Most private placement transactions are typically recommended pursuant to an offering memorandum and subscription document from a sponsor. Neither Mr. Douma nor TMD is compensated by the sponsor(s) of these private placements. TMD may be reimbursed by sponsor(s) for administrative expenses associated with its role as purchaser representative.

It is TMD's policy that it will not affect any principal or agency cross securities transactions for client accounts. TMD will also not cross trades between client accounts.

### **Personal Securities Transactions**

TMD and its employees may buy or sell securities identical to those recommended to clients for their personal accounts. The Code, described above, is designed to assure that the personal securities transactions, activities and interests of the employees of TMD will not interfere with (a) making decisions in the best interest of advisory clients, and (b) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities, primarily mutual funds, have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of TMD's clients. In addition, the Code requires pre-clearance of certain transactions. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code, and designed to reasonably prevent conflicts of interest between TMD and its clients.

### **Investment Opportunity Allocation**

TMD and Prism, its related person, may recommend the same securities or related securities that TMD and/or Prism recommends to clients. TMD implements policies and procedures designed to fairly allocate investment opportunities between TMD and Prism. When determining which firm or client to allocate the investment opportunity to, TMD's employees consider the following: (a) the size of the opportunity relative to the client's portfolio, (b) the duration of the investment, (c) the complexity of the investment structure, (d) the investments' level of sophistication, (e) the cash available for investment, (f) whether the investment meets the asset specifications of the firm's modeling, (g) suitability given the client's risk/return profile, (h) the tax implications of the investment, (i) sector/asset concentration, and (j) investment cash flow expectations.

## **Item 12 Brokerage Practices**

---

### **Research and Other Soft Dollar Benefits**

TMD does not receive formal soft dollar benefits other than execution from broker-dealers in connection with client securities transactions.

### **Other Economic Benefits**

TMD participates in the institutional advisor program offered by TD Ameritrade Institutional ("TDAI Program"). TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services that include custody of securities, trade execution, clearance and settlement of transactions. TMD receives some benefits from TD Ameritrade through its participation in the TDAI Program. (Please see the disclosure under Item 14 below.)

### **Brokerage for Client Referrals**

TMD does not receive client referrals from broker/dealers.

### **Directed Brokerage**

While not routine, a client may direct TMD to use a broker-dealer to execute some or all transactions for the client. This brokerage direction must be requested by the client in writing. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and TMD will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by TMD. By directing brokerage, the client 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. Not all advisers require or allow their clients to direct brokerage. Subject to its duty of best execution, TMD may decline a client's request to direct brokerage if, in TMD's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or expenses.

Where TMD has authority to select or recommend broker-dealers for client transactions and to determine the commissions to be paid, it seeks the best execution reasonably available under the circumstances (which may or may not result in paying the lowest available brokerage commissions or spread). In doing so, TMD considers all factors it deems relevant, such as: (a) the nature and character of the security or instrument being traded and the markets on which it is purchased or sold; (b) the desired timing of the transaction; (c) TMD's knowledge of negotiated commission rates and spreads currently available; (d) the broker's execution capability; (e) the full range of brokerage services provided; (f) the broker's or dealer's capital strength and stability, as well as its execution, clearance, and settlement capabilities; (g) the reasonableness of the commission or its equivalent for the specific transaction; and (h) the broker's responsiveness.

While TMD may at times recommend brokers, the client may direct TMD in writing to use a particular broker or dealer to execute transactions for the client's account and the client will negotiate terms and arrangements with that broker or dealer. With respect to the brokers recommended by TMD, commission rates will be the lowest rate available to TMD based on its volume of activity. However, commissions charged by the broker selected by the client may be higher or lower than commission rates of other broker dealers.

### **Trade Aggregation**

TMD has a fiduciary obligation to seek the "best execution" on securities transactions. Best execution entails the efficient placement of orders, clearance, settlement and overall execution quality as well as the price obtained in the transaction. As part of its efforts to obtain best execution, where possible, TMD may aggregate orders for several clients. When it does so, TMD will generally allocate the proceeds arising out of those transactions (and the related transactions expenses) on an average price basis among the various participants in the transactions. In addition, accounts for TMD or its employees may be included in a batch trade with client accounts.

TMD will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. TMD seeks to allocate investment opportunities among client accounts in a fair and equitable manner over time. Completed orders will be allocated as specified in the initial trade orders. Partially filled orders will be allocated among client accounts on a pro rata, percentage or other objective basis, however, there may be exceptions, including filling small orders entirely. TMD may also allocate securities among its funds based upon the nature of the investment opportunity and an assessment of the appropriateness of that opportunity for such clients, taking into consideration the various risk characteristics associated with the investment opportunity and the relative risk profile of the clients. Any exceptions will be explained on the order.

Regardless of whether TMD aggregates orders or not, the Firm attempts in good faith to ensure that its trading allocations are fair to all of its clients.

## **Item 13 Review of Accounts**

---

### **Reviews**

Reviews of client accounts are performed under the direction of Todd M. Douma, President and Chief Compliance Officer of TMD. Both Todd M. Douma and the Firm's investment adviser representatives actively review client accounts on at least a quarterly basis. Reviews may also occur at the time of new deposits, material changes in a client's financial information, changes in economic cycles, at TMD's discretion, or as often as the client may direct. Reviews include, but are not limited to, analyzing portfolio allocation, individual securities, sensitivity to overall markets, economic changes and investment results to ensure the investment strategy and expectations are structured to continue to meet each client's objectives and risk tolerance.

TMD encourages investment adviser representatives to engage in frequent client contact. Clients are obligated to promptly notify TMD of any changes in the client's financial status to ensure that investment strategies continue to meet the client's changing needs.

For those clients that receive general financial planning advice such as budgeting, cash flow management, asset allocation, tax-planning, estate planning and retirement planning, TMD routinely reviews these topics with clients on an ad-hoc basis and will normally perform a full financial plan review every few years.

Other conditions that may trigger a review are changes in market, political or economic conditions, tax laws, new investment information and changes in a client's own situation.

Clients receive holding and activity reports at least quarterly from custodial and brokerage firms as well as trade confirmations. At least quarterly, clients receive a brokerage statement from their custodian. The brokerage statement contains the cash balance, type, name and amount of each security, account activity for the period and when available, the unrealized gain or loss of each security.

Additionally, clients typically receive a personalized quarterly statement generated by TMD demonstrating the value of their investments, current asset allocations, and current holding gains/losses within the accounts. The Firm urges clients to compare account statements from the custodian with those from the Firm.

All clients have access to account statements and activity via TMD client account custodian's secure

broker network.

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

---

### **Compensation - Client Referrals**

As disclosed in Form ADV Part 2B - Additional Compensation, TMD, and its Supervised Persons, do not make or accept referral fees, or any form of remuneration, from other professionals when a prospect or client is referred to them.

### **Other Compensation**

As disclosed under Item 12 above, TMD participates in the TD Ameritrade institutional advisor Program (the "TDAI Program") and TMD may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between TMD's participation in the TDAI Program and the investment advice it gives to clients, although TMD receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): (a) receipt of duplicate client statements and confirmations; (b) research-related products and tools; (c) consulting services; (d) access to a trading desk serving TMD participants; (e) access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); (f) the ability to have advisory fees deducted directly from client accounts; (g) access to an electronic communications network for TMD order entry and account information; (h) access to mutual funds with no transaction fees and to certain institutional money managers; and (i) discounts on compliance, marketing, research, technology and practice management products or services provided to TMD by third-party vendors.

TD Ameritrade retains and pays for consultants that TMD may contact for business related items such as operational efficiency and website design. For further assistance, these consultants may also refer TMD to third-party vendors of which they already have an existing relationship. Some of the products and services made available by TD Ameritrade through the TDAI Program may benefit TMD but may not benefit all of its client accounts. These products or services may assist TMD in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help TMD manage and further develop its business enterprise. The benefits received by TMD or its personnel through participation in the TDAI Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, TMD endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by TMD or its related persons creates a potential conflict of interest and may influence TMD's choice of TD Ameritrade for custody and brokerage services.

## **Item 15 Custody**

---

TMD does not obtain custody of client's monies or securities. However, pursuant to Rule 206(4)-2 of the Advisers Act (the "Custody Rule"), for certain accounts, in certain circumstances, TMD may be deemed to have custody of the client's assets by virtue of its ability to deduct fees from its client accounts or acting in a capacity that gives TMD access to client securities. The cash and securities of TMD's clients

are held by unaffiliated qualified custodians, including a bank, trust company or brokerage firm agreed upon by the client and TMD.

TMD has developed stringent internal controls and procedures in order to ensure compliance with the Custody Rule, which requires an annual surprise examination conducted by an independent accountant. TMD distributes invoices to the client that state the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which the fee was calculated. The broker provides statements to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to TMD.

In addition, and as described above and in Item 13, clients receive at least quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that TMD provides. TMD statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

## **Item 16 Investment Discretion**

---

TMD offers discretionary and non-discretionary investment management services. When a client elects TMD's discretionary management services, the client will sign an agreement, or any other relevant forms provided by TMD, that will provide TMD with a limited power of attorney to act on a discretionary basis on behalf of the client. The agreement may be in a form of an Investment Advisory Agreement for wealth management clients, or an Investment Policy Statement for ERISA corporate plan clients. A limited power of attorney allows TMD to execute trades on behalf of clients.

When such limited powers exist between the TMD and the client, TMD has the authority to determine, without obtaining specific client consent, both the amount and type of securities to be bought to satisfy client account objectives. TMD's discretionary authority is limited by (a) any reasonable restrictions and limitations that the client places on the management of the account, as agreed upon in writing by TMD and the client, and (b) the investing parameters set forth by TMD and the client, if any.

TMD has discretion in implementing the investment strategy with the exception of private placements, private real estate, and/or other non-traded assets. In these instances, TMD obtains the written approval of the client prior to effecting a transaction recommended to the client.

## **Item 17 Voting Client Securities**

---

As a matter of Firm policy and practice, TMD does not have any authority to and does not vote proxies on behalf of its clients. Clients retain the responsibility for receiving and voting proxies for any and all securities owned by the client. Clients receive these proxies directly from either custodians or transfer agents. Generally, TMD does not provide advice to its clients regarding the voting of proxies. If requested, TMD may provide advice to clients regarding proxy votes. If any conflict of interest exists, it

will be disclosed to the client. Clients may contact Todd M. Douma at (602) 279-2020 for information about proxy voting.

Notwithstanding the foregoing, with respect to private placements in which TMD's clients invest, TMD's management persons may serve in an informal advisory role with the issuers and may also have some right to direct or control such investments and vote on proxies on behalf of the client. TMD's management persons act in such capacity on behalf of its clients based on the best interests of its affected clients. TMD's management persons may be subject to conflicts of interest in acting in such capacity. A potential conflict of interest may occur in the event that TMD, its management persons or any of its related persons, or their respective employees, has a direct or indirect economic stake in the investment that is different from a client's stake. When such a potential conflict may arise, the matter is evaluated by the Chief Compliance Officer to determine whether an actual conflict exists. Where an actual conflict exists, TMD will take necessary and appropriate steps to address the conflict. TMD will maintain records of all actions taken or decisions made by TMD's management persons, including: (a) a copy of its policies and procedures relating to such activities; (b) a copy of any document created that was material to making a decision on behalf of a client or that memorializes the basis for that decision; and (c) each written client request for records and TMD's written response to any (written or oral) client request for such records.

## **Item 18 Financial Information**

---

Registered investment advisers are required in this Item to provide investors with certain financial information or disclosures about TMD's financial condition. TMD has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. However, since TMD does not require prepayment of fees of more than One Thousand Two Hundred Dollars (\$1,200) per client, six (6) months or more in advance, it is not required to provide a balance sheet.