

Form ADV Part 2A: *Firm Brochure*

Item 1 – Cover Page

**Pinnacle Wealth Management, Inc.**

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Date of Brochure: February 2016

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This brochure provides information about the qualifications and business practices of Pinnacle Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at (513) 874-4440. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Pinnacle Wealth Management, Inc. is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view information on this website by searching for Pinnacle Wealth Management, Inc.'s name or by using its CRD number: 121065.

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

## **Item 2 – Material Changes**

Since our last annual amendment dated March 2015, we have not made any material changes to this brochure.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## Item 4 – Advisory Business

### **Ownership**

Pinnacle Wealth Management, Inc. (“Advisor” or “we”) is an investment advisor registered with the Securities and Exchange Commission since July 2004. We also do business under the name The Pinnacle Group. We are an Ohio corporation that is wholly owned by Pinnacle Financial Advisors, LLC, which, in turn, is wholly owned by Jeffrey S. Sims, Anna C. Barton and Anthony J. Bruns.

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

We offer personalized investment advisory services including financial planning, retirement and pension plan services, asset management services and referrals to third party money managers. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

#### ***Retirement Plan Services***

We offer a suite of advisory services, which may be provided separately or in combination, for corporate retirement plans. While the primary clients for these services will be pension, profit sharing, and 401(k) plans, we can offer these services, where appropriate, at the individual and participant level. These services include fiduciary reviews for retirement plan sponsors, consulting and monitoring services and employee communication services. Services generally also include managing plan assets or consulting on plan assets.

#### ***Financial Planning Services (Plans and Consultations)***

Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning and other areas. The role of a financial planner is to find ways to help clients understand their overall financial situation and help them set financial objectives.

We offer advisory services in the form of financial plans. These services do not involve actively managing your accounts. Instead, comprehensive planning services focus on your overall financial situation. Modular planning services and consultations (both one-time and on-going) focus on specific areas of concern to you.

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

We offer asset management services providing you with continuous and on-going supervision over your accounts. This means that we continuously monitor your account and make trades in that account when necessary.

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

We offer advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

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

We provide educational seminars and workshops focused on investment and financial planning topics and issues. We do not charge to attend our seminars and workshops.

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

We provide investment advice to the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial debt)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities and commodities
- Futures contracts on tangibles
- Interests in real estate partnerships investing in real estate
- Alternative investments (i.e., REITs, UITs)

When providing some of our advisory services, we introduce you to investment managers who provide discretionary management of individual portfolios of equity and/or fixed income securities.

We reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives. Please refer to **Item 5, Fees and Compensation** and **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

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

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

### **Wrap-Fee Program versus Portfolio Management Program**

We offer services through both traditional and wrap-fee management programs. In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services (including portfolio management or advice regarding selecting other investment advisors) and transaction services are provided for one fee. The Financial Advisors Program, Managed Opportunities Program and some of the FundQuest Programs (described in **Item 5, Fees and Compensation**) are wrap-fee programs. Whenever a fee is charged to a client for services described in this Disclosure Brochure (whether wrap-fee or non-wrap fee), we will receive all or a portion of the fee charged.

From a management perspective, there is not a fundamental difference in the way we manage traditional management accounts versus wrap-fee management accounts. The only significant difference is the way in which transaction services are paid.

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

The amount of clients assets managed by Advisor totaled \$266,581,044 as of December 31, 2015, with \$264,158,873 managed on a discretionary basis and \$2,422,171 managed on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

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

### **Retirement Plan Services**

We offer investment advisor services relative to employee benefit plans subject to the *Employee Retirement Income Security Act of 1974*, as amended, and that are qualified under Section 401(a) of the *Internal Revenue Code of 1986*, as amended (the "plan"). The services may be both fiduciary and non-fiduciary in nature.

### ***Retirement Plan Advisory Program***

The following services are offered to retirement plan sponsors and to individual participants in retirement plans through SAA's Retirement Plan Advisory Program. Neither we, SAA, nor our representatives act as plan custodians. Qualified independent custodians maintain custody of all assets, funds and securities.

### **Non-Discretionary Fiduciary Services**

- **Assessment of Investments.** Conduct an initial and/or periodic review of plan investments and investment options. The review includes, without limitation, investment performance, fund expenses and style drift for investments offered by the plan to participants; providing suggestions to the named fiduciary from time to time as Advisor deems warranted about other investment options for the plan to make available to participants (which decision remains the sole and exclusive decision of the named fiduciary and/or their delegate).
- **Participant Investment Advice.** Meet at least annually with plan participants to deliver investment advice based upon the plan participant's individual financial situation, investment objectives and tax status pursuant to the terms set forth in the executed client agreement that qualify for exemptive relief from the prohibited transaction rules provided under ERISA Section 408(b)(14) and (g). Advisor prepares recommendations regarding the appropriate amount of contributions and choice of investments, which the plan participant may implement at his or her sole discretion.

Pursuant to a separate agreement, Advisor may also provide comprehensive financial planning services (which may include but not necessarily be limited to: retirement planning, education planning, planning for major purchases, life and disability insurance needs, long-term care needs, and/or estate planning issues) to the plan participants if they so elect. Under the terms of that separate agreement, the plan participant may receive a written financial plan from Advisor that may include investment advice concerning the participant's plan assets as well as his or her assets held outside of the plan;

Advisor acknowledges that in performing the non-discretionary fiduciary services listed above it is acting as a “fiduciary” as such term is defined under Section 3(21)(A)(ii) of the *Employee Retirement Income Security Act of 1974* (“ERISA”) for purposes of providing non-discretionary investment advice only. Advisor acts in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Advisor to be a fiduciary as a matter of law. However, in providing the fiduciary consulting services, Advisor (a) has no responsibility and does not (i) exercise any discretionary authority or discretionary control respecting management of your retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of your retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of your retirement plan or the interpretation of your retirement plan documents, (b) is not an “investment manager” as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets and (c) is not the “Administrator” of your retirement plan as defined in ERISA.

#### Discretionary Fiduciary Services

- Default Investment Alternative Management. Advisor develops and actively manages qualified default investment alternative(s) (“QDIA”), as defined in Department of Labor (“DOL”) Reg. Section 2550.404c-5(e)(4)(i), to allocate the assets of plan participant accounts to achieve varying degrees of long term appreciation and capital preservation through a mix of equity and fixed income exposures, offered through investment alternatives available under the plan, based upon the plan participants’ age, target retirement date or life expectancy.
- Investment Manager to Plan. Advisor meets with the named fiduciary and/or their delegate to select approved asset classes and maintain model portfolios on a discretionary basis, including investing, rebalancing of assets, changing asset allocations or changing underlying model portfolios. Advisor recommends, maintains and periodically updates the list of mutual funds to the plan for inclusion as investment options available to plan participants. The named fiduciary appoints Advisor as an “investment manager” and Advisor acknowledges its status as “investment manager” for purposes of ERISA Section 3(38) to the extent it is providing discretionary advisory services. Advisor has full discretion over fund changes within the approved asset classes and communicates its decisions to the named fiduciary on a reasonable basis. Advisor exercises this authority in accordance with objectives set forth by the named fiduciary, as may be amended from time to time and in accordance with additional written guidelines and/or investment policies provided by named fiduciary. Otherwise, the named fiduciary must only approve changes to the asset classes. Unless otherwise directed by the named fiduciary, Advisor arranges for executing securities transactions for the plan through brokers or dealers that Advisor reasonably believes provide the best execution.

#### Non-Fiduciary Services

- Participant Education and Communication. Advisor conducts initial and/or periodic enrollment and informational meetings with plan participants and provides investment education. In accordance with the DOL’s Interpretative Bulletin 96-1, Advisor may provide plan participants with information about the plan, general financial and investment information and information and materials relating to asset allocation models available through the plan. Advisor may also provide plan participants with interactive investment materials to assist plan participants in assessing their future retirement income needs and the impact of different asset allocations on retirement income. Advisor does not render individualized investment advice to plan participants and will not be held to a fiduciary standard for services rendered hereunder.
- Strategic Planning and Investment Policy Services. Advisor meets with the named fiduciary to gather information regarding the plan’s investment policies and objectives and assists the named fiduciary in developing a written Investment Policy Statement (“IPS”). Any assistance may include using a template developed by a third-party. Alternatively, if the plan has an existing IPS, Advisor reviews the existing IPS and assists the named fiduciary in determining whether the plan is performing consistent with the IPS and/or whether the IPS needs to be revised, based on an



analysis of the plan's asset class and risk tolerance guidelines, liquidity requirements and performance goals of the plan, using information provided by the named fiduciary. Advisor does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services. The named fiduciary retains sole discretion to implement the objectives of the IPS and Advisor cannot guarantee that the plan will achieve its investment objectives.

- Plan Establishment/Conversion. Advisor assists the named fiduciary in researching and evaluating the plan sponsor's needs to facilitate the named fiduciary's selection of a well-suited plan. Advisor's primary role is to present retirement plan providers which make the investment options available to the plan or deliver the investments on a platform and which can address services separately or which may offer bundled and integrated delivery of retirement plan support. Advisors assists the plan sponsor and/or named fiduciary in identifying different types of retirement plans, plan documents and other materials and services necessary to establish, maintain or convert a retirement plan. Advisor does not render individualized investment advice to the plan when providing these services and will not be held to a fiduciary standard with respect to any services rendered.

Advisor meets with the named fiduciary to assist with plan conversion to alternate vendors. Advisor may also assist in preparing Requests for Proposals ("RFPs") from prospective new vendors and may assist the named fiduciary in reviewing and comparing responses to RFPs. Advisor does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services. The named fiduciary retains sole discretion as to whether to replace existing vendors and/or contract with new vendors.

- Plan Review. Advisor meets with the named fiduciary and conducts a review of the IPS and plan design and offers recommendations to the named fiduciary regarding plan operation and documentation. Advisor does not provide legal advice to the named fiduciary and the named fiduciary is encouraged to have legal counsel review all plan documentation. Advisor does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services.
- Plan Fee and Cost Review. Advisor meets with the named fiduciary and conducts a periodic review, using a third-party tool, of fees and costs charged to plan by other service providers to assist the named fiduciary in discharging its duty to monitor the reasonableness of fees and costs paid by the plan. Advisor does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services.
- Third Party Service Provider Liaison. Advisor acts as liaison for the plan and the named fiduciary, on an as needed basis, when dealing with the trustee, custodian, plan actuary, tax, legal, accounting or other third party service providers to plan. Advisor does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services. The named fiduciary retains sole discretion as to whether to hire and/or terminate such third-party providers.

Fees charged for these services are negotiated with each plan based on the complexity of the plan, the services to be provided, the investment advisor representative providing the services and the nature and total dollar value of the plan assets. The maximum management fee is 1% annually and the exact fee is disclosed to you prior to services being provided. Related retirement services accounts can be bundled in order to receive a lower fee charge. Account bundling can only be done on accounts with the same fee schedule, within the same immediate family or under the same qualified plan. When accounts are bundled, the total average daily balance for all of the bundled accounts is used to determine the fee and this percentage is applied to each account respectively. SAA retains an administrative fee of up to 10% of the total fee charged as compensation for providing administrative and support services. Account

bundling does not reduce the SAA administrative fee. SAA is responsible for calculating and collecting all fees paid and then journaling Advisor's portion of the advisory fee to us.

Fees may be calculated in arrears based on the billing period ending balance or in advance based on the value at the end of the previous billing period. Advisor or SAA may provide an invoice to the plan sponsor within 10 business days following the end of the calendar billing period or the plan sponsor may authorize Advisor, SAA or other third party to authorize the payment of fees. Actual payment for services provided is outlined in the client agreement. All fees and charges are noted on the plan's account statements. The plan sponsor is responsible for verifying the accuracy of the fee calculation.

If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Retirement plan services can be terminated by either party upon 60 days written notice to the other party. Any services in progress are completed in the normal course of business. Fees are prorated based on the number of days services are provided. If fees are billed in advance, any prepaid, unearned fees are refunded based on the number of days remaining in the period after the termination date. If fees are billed in arrears, you are either billed for the prorated amount due or the prorated fee is deducted from your account.

### ***Pinnacle Wealth Management Retirement Services Program***

In addition to the above services offered through SAA's Retirement Plan Advisory Program, we also offer the following:

#### Fiduciary Consulting Services

- Consulting and Monitoring. Advisor's representatives meet with you (in person or by telephone) to determine your investment needs and goals. They then prepare a written Investment Policy Statement ("IPS") stating those needs and goals and describing a policy under which the goals can be pursued. The IPS also lists the criteria for selecting investment vehicles and the procedures and timing interval for monitoring investment performance.

The representatives review the various investments available to you, consisting exclusively of exchange traded funds, collective investment funds and mutual funds (both index and actively managed) to determine which of these investments may be appropriate to implement your IPS. The number of investments recommended and formation of model portfolios is determined by you, based on the IPS.

Your investments are monitored continuously based on the procedures and timing intervals delineated in the IPS. Advisor is not involved in any way in the purchase or sale of these investments. Advisor makes recommendations to you as market factors and plan needs dictate. You have the ultimate authority and responsibility to implement the recommendations and model portfolios made and prepared by us.

Fees for consulting and monitoring services are charged based on a percentage of assets under review. The maximum annual fee charged is 1% and is negotiable based on your financial situation and complexity. Fees are billed quarterly, either in advance or arrears, as you elect. Fees billed in advance are based on the account value as of the previous quarter ending balance. Fees billed in arrears are calculated based on the account value as of the end of the billing period. You can also elect to have fees deducted from your account or billed directly to you and due upon receiving Advisor's billing notice.

Consulting and monitoring services can be terminated by either party upon written notice of the other party. If services are terminated within five business days of executing the agreement for services, services are terminated without penalty. If fees are paid in advance, any prepaid but unearned fees are promptly refunded upon notice of termination. If fees are paid in arrears, fees for the final period are prorated based the number of days services were provided in the final period and billed to you.

## Non-Fiduciary Services

- Employee Communications. Advisor also offers educational support and workshops designed for plan participants exercising control over assets in their account. Advisor and plan sponsor jointly determine the nature of the topics to be covered under guidelines established in ERISA Section 404(c). Educational support and workshops can deal with any of the following topics:
  - Financial position (e.g., net worth, cash flow, mortgage strategies)
  - Risk management (e.g., assessing protection in the event of premature death)
  - Investment planning (e.g., risk and return principles, time value of investing)
  - Tax planning (e.g., pretax deferral versus after tax investing)
  - Retirement planning (e.g., retirement goals as affected by taxes, inflation and social security)
  - Estate planning (e.g., general understanding of wills, powers of attorney and estate settlement issues)

Educational support and workshops are not intended to and do not address the individual investment needs of a particular client or a particular plan participant. Plan participants should consult with their own financial, tax or legal advisers to determine an appropriate personalized investment plan after considering, among other factors, their individual investment objectives, risk tolerance and overall financial condition.

- Fiduciary Review Program. Advisor provides a written document to retirement plan sponsors outlining deficient areas in their responsibilities and obligations as fiduciaries to retirement plans. Our representatives meet with you to conduct a fact-finding process involving a series of discussion questions. You need to supply us with various documents that we use during the review process. A second meeting is held to conduct a discussion about the results of our analysis. We provide you with a written document outlining questionnaire results and commentary in areas that are deficient.

Advisor does not provide investment recommendations for the retirement plan; fiduciary review services are aimed solely at uncovering and identifying weaknesses and deficiencies of the fiduciary's administrative, regulatory and procedural obligations. Our report does not provide specific solutions to correct problems; however, it does provide a set of best practices the fiduciary may choose to implement in order to correct any weaknesses and improve the plan. Advisor does not provide any legal opinions about the status of retirement plans, nor assumes the role of fiduciary with respect to the investments made in retirement plans.

Advisor may use the services of outside consultants, such as accounting firms and law firms, to help with performing the review and preparing the report. If an outside firm is used, we provide disclosure to you and you must provide permission to share information. Outside consultants may receive a portion of the fee paid by you unless that consultant chooses not to bill for their services.

Fees for fiduciary reviews are charged on a negotiable fixed fee basis ranging from \$2,000 to \$10,000, based on your situation and the complexity of the review. You must sign the fiduciary review agreement before services are provided. The entire fee is due upon presentation of the review document.

Fiduciary review services terminate upon presentation of the review document and all fees being paid. Any party can terminate services within five business days of entering into an agreement with no penalty. If services are terminated after the initial five day period, you may be charged for the time spent and services provided up to the time of termination. Prorated fixed fees are calculated on the hours expended multiplied by \$250 per hour.

Fees for educational support and workshops are charged at an hourly rate of up to \$300 per hour plus out of pocket and travel expenses. Fees are charged in arrears and the hourly rate is negotiable depending on the group size and the number of workshops or programs scheduled for the employees.

Either party may terminate employee communication services by providing written notice to the other party. If services are terminated within five business days of executing an agreement for services, services are terminated without penalty. Fees are prorated based on the agreed upon hourly rate multiplied by the hours expended to date of termination plus any expenses incurred to date of termination. Advisor provides a detailed billing statement that is due upon receipt.

### ***Additional Information***

Advisor discloses to you, to the extent required by ERISA Regulation Section 2550.408b-2(c), any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or plan administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

### **Financial Planning Services**

In general, our financial planning services address any or all of the following areas:

- **Personal:** Family records, budgeting, personal liability, estate information and financial goals.
- **Tax and Cash Flow:** Income tax and spending analysis and planning for past, current and future years. We illustrate the impact of various investments on your current income tax and future tax liability.
- **Death and Disability:** Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis. This service is provided free of charge in states where statutory prohibitions exist against receiving compensation.
- **Retirement:** Analysis of current strategies and investment plans to help you achieve your retirement goals.
- **Investments:** Analysis of investment alternatives and their effect on your portfolio.
- **Insurance:** Analysis of insurance needs and current policies. This service may be provided to individuals, businesses and those acting in a fiduciary capacity.

### ***Financial Plans***

You can contract for either a comprehensive or a segmented written financial plan designed to help you pursue your stated financial goals and objectives. Our investment advisor representatives ("representatives") gather required information through in-depth personal interviews. Information gathered includes your current financial status, future goals and attitudes toward risk. We rely on the information provided by you. Therefore, it is very important that the information you provide is complete and accurate. We are not responsible for verifying the information supplied by you.

After completing a review and analysis of the information and documents received, our representatives develop their analyses and recommendations and present either a comprehensive or segmented written

financial plan. A comprehensive plan focuses on your overall financial situation and covers several of the areas previously noted, as needed by your specific situation. A segmented plan focuses only on one or more specific area(s) of concern, and you should be aware that other important issues may not be taken into consideration when our representatives develop their analyses and recommendations. Financial planning recommendations are of a generic nature and do not generally involve the recommendation of specific investment products. Recommendations are not limited to any specific product or service offered by a broker/dealer or insurance company. Our services do not include legal or tax advice. You are also urged to work closely with your attorney, accountant or other professionals regarding your financial and personal situation.

Fees for financial plans can be charged on either a fixed or hourly basis. Fixed fees range from \$500 to \$5,000, depending upon the specific services requested and the nature and complexity of your circumstances. Hourly fees range from \$100 to \$250 per hour, depending upon the nature and complexity of your circumstances. At the start of the advisory relationship, we provide you with an estimate of the total hours needed to complete the requested services. You are charged the actual hours worked by our representatives. For both fixed and hourly fees, up to 50% of the quoted fee may be due upon signing the client agreement with the remainder due upon completion of the service. Retainers are not requested from existing advisory clients or from clients who are referred from an existing advisory client or affiliated with an existing client.

Financial planning services terminate upon presentation of the financial plan. Prior to presentation of the plan, any party can terminate services by providing written notice to the other and termination is effective immediately. If services are terminated within five business days of signing the client agreement, they are terminated without penalty. You are responsible for the time expended by our representatives to the date of termination. Any collected but unearned fees are refunded to you at termination. If the fees due are over and above those already collected, we provide you with a billing statement detailing the charges, fees paid in and fees remaining due.

### ***Limited Consultations***

If you do not wish to contract for a financial plan, you can receive investment advice from us through consultations on any specific topic(s) of interest to you. Depending on your needs and wishes, these consultations may involve more than one meeting. No written plan is provided with limited consultations.

Fees for limited consultations can be charged on either a fixed or hourly basis. Fixed fees range from \$500 to \$5,000, depending upon the specific services requested and the nature and complexity of your circumstances. Hourly fees range from \$100 to \$250 per hour, depending upon the nature and complexity of your circumstances as well as the representative performing the work. An estimate of the total hours needed to complete the requested services is provided to you at the start of the advisory relationship. You are charged the actual hours worked by our representative. For both fixed and hourly fees, up to 50% of the quoted fee may be due upon signing the client agreement with the remainder due upon completion of the service. Retainers are not requested from existing advisory clients or from clients who are referred from an existing advisory client or affiliated with an existing client.

Limited consultation services terminate upon completion of the requested services. Any party can terminate services at any time by providing written notice to the other and termination is effective immediately. If services are terminated within five business days of signing the client agreement, they are terminated without penalty. You are responsible for the time expended by our representatives to the date of termination. Any collected but unearned fees are refunded to you at termination. If the fees due are over and above those already collected, we provide you with a billing statement detailing the charges, fees paid in and fees remaining due.

## ***Ongoing Consultations***

You may also wish to engage us for ongoing financial services. These ongoing services can include preparation of new written analyses and recommendations, updates to existing analyses and recommendations and communication with our representatives by personal visit, e-mail and/or telephone as you need or desire. Fees for ongoing financial services are charged on a fixed fee basis, with a minimum fee of \$5,000 and a maximum fee not exceeding \$50,000 per year. Fees are negotiable based on the requested and anticipated services and the complexity of your situation. The negotiated fee is disclosed to you prior to services being provided.

Ongoing financial services are provided for a one-year period, and are automatically renewable on the anniversary of the initial client agreement being signed. The services are renewed on the same terms and provisions as indicated in the initial client agreement. However, at renewal, we revise the fees charged for the next year due to a change in the complexity of your situation, due to the actual time spent providing services during the previous year or due to increased time anticipated to be needed in the coming year. In this case, a new client agreement is required.

Fees are billed quarterly in advance and are payable within 30 days of receiving our billing statement. Either party can terminate ongoing financial services at any time by submitting written notice to the other. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. After the initial five business days, termination is effective at the earlier of 30 days from receipt of the termination notice or at the end of the quarter. During that period, our representatives continue to complete work that they have already begun but do not begin any new work without specific instructions from you. Fees are prorated based on the number of days that our representatives provided services and any collected but unearned fees are refunded as of the effective date of termination. We provide you with a statement detailing the fees earned and any refund due to you.

## ***Wealth Management Services***

We offer wealth management services to those clients who desire a more comprehensive process and greater involvement by the advisory representatives. If you contract for wealth management services you also have accounts managed by us and/or accounts at third party money managers that are being monitored by us and we are receiving management and/or solicitor/referral fees for these accounts. Wealth management services can include, but are not limited to:

- A comprehensive or segmented written financial plan, including an action plan covering a specified time period. The plan is reviewed and updated as needed pursuant to two meetings scheduled by our representatives and any request from you.
- A review and analysis of your portfolio assets (if any) that may not be managed or previously advised upon by us.
- An insurance analysis.
- A tax analysis. This analysis can include participation in meetings with you and your accounting consultants or, with your permission, a one-on-one meeting with an accounting consultant concerning your financial situation.
- A review of legal documents (e.g., wills, trusts) as a part of your overall current situation, financial goals and investment needs.

There is a minimum fixed fee of \$10,000 per year for wealth management services and you are informed of the fee prior to any services being provided. In addition to the fee charged by us, you may also incur charges imposed by other third parties in connection with investments made in your managed/monitored accounts. These charges can include, but are not limited to, transaction fees, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity commissions and surrender charges, and IRA and qualified retirement plan fees. Fees are negotiable based upon the amount of funds already invested by

you through us, anticipated future deposits to new or existing accounts and whether you are a referral from an existing advisory client or affiliated with an existing advisory client.

Wealth management services are provided for a one year period and fees are reconciled at the end of that year. If your accounts already managed/monitored by us generated ongoing fees equal to the minimum \$10,000 fee during that one year period, no additional fees are due from you. If the ongoing fees generated are less than the minimum \$10,000, then you are billed for the difference between the fees generated and the fee quoted for wealth management services. In this case, we provide you with a billing statement detailing the quoted fee, ongoing fees received and amount due within 30 days of receiving our statement.

If you contract for wealth management services, you receive one year of ongoing services which are renewed automatically each year on the anniversary date of signing the original client agreement, unless terminated sooner by either party. If the fees for wealth management services change at the anniversary date, a new client agreement is required.

Either party can terminate wealth management services at any time by submitting written notice to the other, and termination is effective upon receiving the notice. If services are terminated within five business days of signing the original client agreement, services are terminated without penalty. After the initial five business days, you are responsible for the time expended by our representatives prior to receiving the termination notice. This is calculated by (1) taking the product of the quoted fixed fee divided by 365, (2) multiplying this by the number of days elapsed from the original client agreement being signed or the one-year anniversary date to the date of effective termination. If the fee due for prorated wealth management services is more than the ongoing fees already generated by the managed/monitored accounts during the same period, you are responsible for the difference. We provide you with a statement detailing the wealth management fees payable, the managed/monitored fees already earned and the amount remaining due.

### **Asset Management Services**

Some of our clients elect to engage us to provide fee-based asset management services where we are solely responsible for making all investment recommendations and also for making changes to the managed account. If you elect to engage us for this service, we will develop an individualized investment program for your account(s). We provide various investment strategies through our management services; a specific investment strategy and investment policy is crafted for you and focuses on your specific goals and objectives. When managing assets, we may also utilize model portfolios provided by institutional investment strategists and/or introduce you to investment managers who provide discretionary management of individual portfolios. Asset management services are separate from and in addition to the financial planning services previously discussed.

To provide these services, we need to obtain certain information from you to determine your financial situation and investment objectives. At least quarterly, you are reminded to notify us whether your financial situation or investment objectives have changed or if you want to impose and/or modify any reasonable restrictions on management of your accounts. At least annually, we contact you to determine whether your financial situation or investment objectives have changed, or if you want to impose and/or modify any reasonable restrictions on your managed accounts. We are always reasonably available to consult with you relative to the status of your accounts. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities. Your beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for you with the custodian and you retain right of ownership of the account (e.g., the right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations).

It is important that you understand we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or

actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

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

### ***Financial Advisors Program***

We also provide asset management services through the Financial Advisors Program ("FAP") offered and sponsored by Securities America Advisors, Inc. ("SAA"), an investment advisor registered with the Securities and Exchange Commission. FAP is a wrap-fee program providing investment advisory services and execution of client transactions and the specified fees are not based directly on transactions in your account. Under FAP, we assist you in establishing one or more FAP accounts with SAA. We require a minimum of \$25,000 to establish and maintain an FAP account. In addition, household members may aggregate or batch portfolios for purposes of reaching the minimum requirement. All brokerage transactions are processed by Securities America, Inc. ("SAI"), the affiliated broker/dealer of SAA, and cleared through National Financial Services, LLC ("NFS") pursuant to a clearing arrangement established by SAI with NFS. Neither we nor our representatives act as custodian of your account or have direct access to your funds and/or securities.

SAA has also entered into agreements with various insurance companies that allow for the management and valuation of client variable annuity accounts within SAA's FAP. NFS, insurance companies or other custodians maintain physical custody of all funds and securities. Please see **Item 15, Custody**, for additional information. Our representatives implement securities transactions for FAP accounts in their separate capacities as registered representatives of SAI. See, **Additional Compensation**, below.

The annual management fee is negotiable, with 3% being the maximum charged. However, if your account only has mutual funds, then the maximum fee is 2.25% per year. When determining the fee charged, we consider the amount of assets being managed, our overall relationship with you and your household and the source of any referrals. SAA retains 5 basis points (0.05%) of the annual management fee for FAP accounts with the remainder paid to us. SAA is responsible for collecting all fees paid by you through FAP and will journal our portion of the advisory fee to us. Please note that our fees may be higher than fees charged by other financial professionals providing similar services.

We may invest a portion of your assets in mutual funds, exchange traded funds (ETFs) or variable annuities and charge an investment management fee on your assets invested in these securities. Therefore, you may pay two levels of fees for management of your assets: one directly to us and one indirectly to the managers of the mutual funds, ETFs or variable annuities held in your portfolios.

A complete description of FAP related fees, charges, when due and termination procedures are described in the FAP Disclosure Brochure Appendix (Wrap Fee Program Brochure) prepared by SAA and which is given to you prior to or at the time an FAP account is established.

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

The SEI Asset Management Program ("SEI Program") is an institutional asset allocation program that we use when managing your assets. It is an alternative to the FAP described earlier in this Disclosure Brochure. The SEI Program also allows us to manage your account on an individual basis.



When you sign up for this service, we help you establish an SEI Program account at SEI Trust Company ("SEI"). There is a minimum of \$100,000 required to invest in the SEI Program. All account transactions are processed and cleared through SEI. The SEI Program uses asset allocation portfolios developed by SEI Investments. The portfolios consist of SEI Family of Institutional Mutual Funds (Mutual Funds) and other securities approved by SEI to be held in an account. We provide SEI with the asset allocation policy (Asset Allocation Policy) that you select for your account. We direct SEI to reallocate your investments in accordance with your asset allocation policy. In addition, we direct SEI to rebalance the investments in your account at least quarterly so that the market value of the shares of each mutual fund held in the account is the same percentage of the total market value of the account as required by your Asset Allocation Policy.

SEI Program management fees are payable quarterly in arrears and based on assets under management at the end of the quarter. Management fees are automatically deducted from your account. Each quarter, SEI sends you an account statement that includes a management fee notification showing the computed fee, any adjustments to fee, an explanation of any adjustment and the net management fee deducted by SEI later in the period from your account. Management fees are paid to us. Up to 5% of the management fees may be paid to SAA for marketing and administrative services SAA provides to us.

Fees do not exceed 1.75% and from that total fee, we receive up to 1%. SEI may charge a separate custodial fee for the custody services it provides to your account. Mutual funds held in the account pay their own advisory fees and other expenses, which are explained in each fund's prospectus. These fees and expenses are separate charges from the account management fees.

You may terminate the SEI Program account at any time by notifying us, and termination is effective upon receiving that notice. If services are terminated within five business days of executing the client agreement, services are terminated without penalty. After the initial five business days, you may be responsible for paying fees for the number of days services were provided by us prior to receiving the termination notice.

### ***Managed Opportunities Program***

We have established a relationship with SAA to participate in its Managed Opportunities Program ("Managed Opportunities"). Managed Opportunities is a wrap fee program developed by SAA that provides clients with the opportunity to establish mutual fund portfolios, separate account portfolios and unified managed account portfolios developed by third party money managers who are registered as investment advisors (collectively referred to as sub-advisors).

Through Managed Opportunities, we act as a referral party when referring you into the mutual fund portfolios, separate account portfolios and unified managed account portfolios options in Managed Opportunities. One or more of the sub-advisor may be affiliated with SAA. In addition, SAA's Managed Opportunities receives administrative, web site, transaction order entry services and other services from Envestnet, Inc. ("Envestnet"), a registered investment advisor, and other sub-advisors.

Managed Opportunities offers us directed portfolios through which we can work and advise you in selecting investments constituting a portion of Managed Opportunities. Your portfolio may be managed by SAA or other sub-advisors that SAA has established relationships with. You grant SAA and the sub-advisors limited discretionary authority with respect to the purchase and sale of securities in mutual fund portfolios, separate account portfolios and unified managed account portfolios and also grant us discretionary authority with respect to the initial Managed Opportunities master account and advisor directed portfolios. This authority allows us to use managers and products available under the approved platform selections.

We do not refer you to SAA unless SAA and the sub-advisors are registered or are exempt from registration as investment advisors in your state of residence. You grant SAA the discretionary authority to select one or more sub-advisors to provide administrative, web site, performance reporting, transaction order entry and other services to SAA and clients. SAA currently has a relationship with Envestnet to

provide these services. Clients establishing Managed Opportunities accounts receive Envestnet's Disclosure Brochure in addition to SAA's Disclosure Brochure.

We are always responsible for assisting you with identifying your risk tolerance and investment objectives and are available to meet with you on a continuous basis. We recommend managers and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance. Although the third-party investment managers are responsible for making all investment decisions, we are available to answer questions you may have regarding your account and act as the communication conduit between you and the investment manager.

Although we review the performance of numerous third-party investment managers, we are only able to select the investment managers approved by SAA and thus available on the Managed Opportunities platform. Therefore, we have a conflict of interest because we do not recommend third-party investment managers to you if the investment manager is not available through Managed Opportunities.

Fees do not exceed 3% annually for advisor directed accounts. If the account has only mutual funds, then the maximum fee is 2.25%. Fees are billed monthly in advance. SAA is responsible for collecting all fees paid by you through these programs and then journaling our portion of the advisory fees to us.

You should be aware that we are paid solicitor/referral fees by SAA for recommending mutual fund portfolios, separate account portfolios and unified managed account portfolios. SAA also shares fees with the sub-advisors. The amount of compensation we receive for recommending one Managed Opportunities portfolio over another portfolio may vary. Therefore, a potential conflict of interest may exist because these circumstances may result in us having a financial incentive to recommend one portfolio over another. However, portfolios are selected and recommended based on each individual client's needs, goals and objectives.

Trading by Managed Opportunities money managers may trigger wash sale rule implications. SAA does not manage accounts in the Managed Opportunities in a way to avoid wash sale implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in Managed Opportunities.

A complete description of Managed Opportunities and related fees, charges, when due and termination procedures are described in SAA's Managed Opportunities Disclosure Brochure Appendices (Wrap Fee Program Brochure) which you receive at or prior to the time a Managed Opportunities account is established.

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees can be made that your financial goals or objectives will be achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance can ever be offered by us.

### ***FundQuest Investment Programs***

We have established a relationship with a registered investment advisor, FundQuest Incorporated ("FundQuest"), to participate in the FundQuest Wealth Management Program ("FundQuest Program"). The FundQuest Program offers a variety of wrap-fee managed programs that we can use when you want to contract for management of your investment portfolio. We have established a relationship with FundQuest through which we utilize the FundQuest Discretionary Manager Program, Sub-Account Manager Discretionary Program and Adviser Firm Managed Program.

We have you complete a client profiling questionnaire containing a variety of financial and personal data, including investment goals, income requirements, time horizon and risk tolerance. We perform an analysis of this data and generate an investment strategy report that includes an asset allocation strategy

for you. We and our representatives work with FundQuest to determine the appropriate investment profile, time horizon and risk tolerance and agree upon an appropriate asset allocation. We periodically communicate with you to determine whether the initial investment strategy should be modified or continued and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity or risk tolerance. The sub-account manager(s) can be changed by you or by us as a result of this review (if applicable).

SAA and SAI provide us with back office, execution and administrative services. Our representatives may also be registered representatives of SAI and such support services are provided to us as a result of this relationship. Neither we, FundQuest, SAA or SAI maintain custody of your assets. NFS maintains custody through a relationship that it has established with SAI.

We use the following program(s):

#### Discretionary Manager Program

Upon analyzing your personal and financial information, we assist you in determining the FundQuest Model Portfolio(s) to be used. FundQuest is responsible for providing discretionary investment advisory services using its asset allocation methods within the Model Portfolios consisting of mutual funds. FundQuest makes a number of investments that it determines are appropriate risk-adjusted choices for your individual needs. FundQuest periodically monitors your portfolio and, when deemed appropriate, makes changes in both asset allocations and specific security selection. You can impose reasonable restrictions regarding management of your assets.

#### Sub-Account Manager Discretionary Program

FundQuest has pre-selected a group of sub-account managers who are available to provide discretionary investment advisory services through the FundQuest Sub-Account Discretionary Program. After analyzing your personal and financial information, we select the appropriate sub-account manager(s) who is responsible for managing all or a portion of the assets in your managed account. You can impose reasonable restrictions regarding management of your assets. Sub-account managers are pre-screened by FundQuest for a variety of different asset classes. This allows the opportunity to provide diversification specifically tailored to your specific investment objectives. FundQuest may also be one of the money managers in this Program responsible for managing a portion of your assets. FundQuest has discretionary authority to hire and fire sub-account managers within the program. In addition, we may have discretionary authority to hire and fire sub-account managers within the client's managed account.

#### PWM Managed Program

When providing investment advisory services through this program, we are responsible for managing your assets through a FundQuest Program. We manage assets on a discretionary basis and you can impose reasonable restrictions regarding the management of your assets. After analyzing your personal and financial information, our representatives work with FundQuest and you to develop an asset allocation based on your investment profile. We are responsible for performing periodic reviews and communicate with you to determine whether the initial investment strategy should be modified or maintained and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity or risk tolerance.

All FundQuest Program accounts are subject to a FundQuest platform fee, transaction fees and advisor fees. The total annual management fees charged by us, FundQuest, and the sub-account managers (if applicable) may be negotiated with each client, with 3% being the maximum management fee that may

be charged, unless the account only has mutual funds and then the maximum is 2.25%. For our services, we receive a maximum of 50% of the fee charged to you (which is 1.5% of your managed assets). In addition, if a sub-account manager is used, the sub-account manager charges an investment management fee in addition to our fee, typically .25% to 1%. FundQuest charges an annual platform fee of up to .20% for all assets managed by FundQuest, us or sub-account managers. The platform fee is subject to a minimum of \$380 annually. SAA may retain a portion of this fee for the administrative and back office support services provided to us. Fees are determined based on the size of the account, the level of service provided to you and the complexity of your financial situation. However, any number of accounts for your benefit and your family members for assets managed by sub-account managers and us can be linked together to meet a platform fee breakpoint, in accordance with your directives. The FundQuest platform fee is separate from the asset management fees charged by us or sub-account managers.

SAI/SAA also charge fees for execution/clearing and custody services, collectively referred to as transaction fees. If your account is managed by FundQuest in model portfolios, there are generally no transaction fees. However, a flat fee of \$200 may be charged for the cost of sale transactions for non-cash assets placed in Sub-Account Manager Discretionary Program client accounts that require initial sale prior to being invested for management. In our managed accounts, transaction fees are charged based on the transactions implemented in your account. These costs are charged according to SAI's standard ticket charge schedule and are charged to our representative on the account who may then pass these fees on to you at his or her discretion. If your account is managed by a sub-account manager, transaction fees are based on the amount and type of assets being managed and the frequency of trades being implemented in the account. The maximum amount of this fee is .35%. The fee mix is slightly different for each program option previously described based on the work to be completed by the parties involved in the management, the size of the account and the complexity of your situation and investment objectives. All fees are disclosed to you in the client services agreement prior to services being provided.

Complete details regarding all FundQuest Programs, as well as any fees related to these programs, are disclosed in FundQuest's disclosure document and the client services agreement. When utilizing any of the FundQuest Programs, you receive a copy of FundQuest's disclosure document and our disclosure document prior to services being provided. In addition, if any sub-account managers are used to manage your assets, a copy of the disclosure document for each sub-account manager is provided to you. You should review these documents carefully in order to fully understand the services that are provided and the costs involved in receiving services through these programs.

### **Third Party Money Managers**

#### ***Independent Managed Assets Program***

Through this service, we are able to establish agreements directly with third-party money managers offering a wide range of advisory services, including asset allocation, market timing and portfolio management. We can then refer you to a third-party money manager and the third-party money manager provides asset management and investment advisory services directly to you. This means the third-party money manager is responsible for continuously monitoring your accounts and making trades in your accounts when necessary.

When you agree to engage a third-party investment advisor that we recommend, we are considered a solicitor to the third-party investment advisor. As a result, we are paid a portion of the fee charged and collected by the third-party investment advisor in the form of solicitor fees or consulting fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

We are always responsible for assisting you with identifying your risk tolerance and investment objectives. We recommend third-party investment advisors and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance. You must enter into an agreement directly with the unaffiliated third-party investment advisor.

Although the third-party investment advisor is responsible for making all investment decisions, we are available to answer questions you may have regarding your account and act as the communication conduit between you and the third-party investment advisors. The third-party investment advisors we recommend generally require discretionary authority to determine the securities to be purchased and sold in your accounts. Neither we nor our representatives have any trading authority with respect to your managed account(s) with the third-party investment advisor(s).

Although we review the performance of numerous third-party investment advisor firms, we enter into only a select number of relationships with third-party investment advisor firms that have agreed to pay us a portion of the overall fee charged to our clients. Therefore, we have a conflict of interest because we only recommend third-party investment advisors that agree to compensate us for referring our clients.

We are also limited in this program because we can only select the services of money managers approved through Securities America Advisors' Independent Managed Assets Program ("IMAP"). One or more of these money managers may be affiliated entities of SAA.

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees can be made that your financial goals or objectives will be achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance can ever be offered by us. See **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss**, for more details.

Trading by IMAP money managers may trigger wash sale rule implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in the IMAP program.

If we recommend a third-party investment advisor to you, a complete description of that advisor's services, fee schedules and account minimums is provided in the advisor's Form ADV Disclosure Brochure or Wrap Fee Program Brochure. These brochures are provided to you when we initially recommend the third-party investment advisor.

While the actual fee charged to you varies depending on the third-party investment advisor utilized, the portion retained by us in the form of solicitor fees or consulting fees will not exceed 1%. Our portion of the fee is not negotiable. Under a typical fee schedule for accounts managed by a third party, we receive a fee of 1% on the first \$1,000,000 of assets, a 1% fee charged on the next \$1,500,000 of assets, and a fee of .80% on assets in excess of \$2,500,000. All fees are calculated and collected by the selected third-party investment advisor firm who is responsible for delivering our portion of fee to us.

SAA receives a portion of the solicitor fee, a marketing override or an administrative fee for providing administrative and marketing services. You may incur additional charges including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees. We will never receive any portion of such commissions or fees. We are only compensated by the consulting fee described above. We receive no other compensation in connection with your account managed by a third-party investment advisor. When we negotiate lower fees and expenses charged by third parties, all negotiated improvements are for your benefit.

### **Additional Compensation**

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by our representatives. If you do decide to implement recommendations, you are responsible for taking any actions or implementing any transactions required. You are free to select any broker/dealer and/or insurance agent to implement our recommendations.

You should be aware that our representatives are also registered representatives of Securities America, Inc., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, they can receive a

commission for selling securities products. This is a potential conflict of interest. As a registered representative, they may sell mutual funds and receive 12(b)-1 fees in addition to commissions. The 12(b)-1 fees, named after a section of the *Investment Company Act of 1940*, are annual marketing or distribution fees and considered an operational or administrative expense. The fees are included as a part of the mutual fund's total expense ratio and paid from fund assets. Therefore, the fees come indirectly from your account. Every mutual fund prospectus includes a description of the fund's fees and expenses. Receiving 12(b)-1 fees represents an incentive for a registered representative to recommend funds with 12(b)-1 fees or with higher 12(b)-1 fees than funds with no fees or lower fees. This is also a potential conflict of interest. Our representatives will only recommend mutual funds to clients if those funds are suitable for you and appropriate to help fulfill your objectives.

We are a wholly owned subsidiary of Pinnacle Financial Advisors, LLC ("PFA"), an insurance agency licensed in the state of Ohio. Some of our representatives, are also the owners of PFA and can receive compensation in the form of profits from PFA. In addition, some of our representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to PFA or to insurance companies with which our representatives may be licensed. Suitable insurance and investment products may be available from other companies. This is a potential conflict of interest, since any commissions earned could be in addition to advisory fees earned in their capacity as an investment advisor representative.

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

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. Both we and our representatives endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

### **Comparable Services**

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

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

- The fee charged for developing an asset allocation study and/or developing an investment strategy
- Transaction and custody costs or other miscellaneous fees and taxes and/or charges, as well as commissions or mark ups and mark downs, on the purchase and/or sale of securities
- The cost of producing a quarterly performance report covering managed assets
- The value of the consulting service provided by Advisor in designing and monitoring your managed assets

- The cost of investment advice provided by SAA and Advisor
- The cost of the additional administrative, marketing, asset management, and other support services that may be provided by SAA and (when applicable) any sub-advisors used in managing a program account

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

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

### **Item 7 – Types of Clients**

We generally provide investment advice to:

- Individuals (including high-net worth individuals)
- Pension and profit sharing plans and 401(k) plans and 403(b) plans
- Trusts, estates or charitable organizations
- Corporations or business entities other than those listed above

### **Minimum Investment Amounts Required**

There is a minimum fee of \$5,000 per year for ongoing consultation services. There is a minimum fee of \$10,000 per year for wealth management services.

There is a \$25,000 minimum required to establish and maintain an FAP account, although an exception may be granted to this minimum at our discretion or at the discretion of SAA.

The minimum investment required in the SEI Program is \$100,000.

As a general rule, the minimum Plan size that will be accepted into the Retirement Opportunities is \$1,000,000. Smaller Plans may be accepted on an exception basis; exceptions may be granted to this minimum upon request.

As a general rule, SAA requires a minimum of \$50,000 to establish and maintain Managed Opportunities mutual fund portfolios, \$100,000 for separate account portfolios, \$250,000 for multi asset class portfolios and \$50,000 for advisor directed portfolios.

FundQuest may impose certain minimums on assets managed through its programs. These minimums will be disclosed in the FundQuest Disclosure Brochure. We require a minimum of \$100,000 to establish and maintain an account through one of the FundQuest Programs, although exceptions may be granted to these minimums at our discretion.

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

#### **Methods of Analysis**

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

#### ***Fundamental***

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

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

### ***Technical***

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

### ***Charting***

Charting is a technical analysis that charts the patterns of stocks, bonds and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs in order to predict future price movements. A graphical historical record assists the analyst in spotting the effect of key events on a security's price, its performance over a period of time and whether it is trading near its high, near its low or in between. Chartists believe that recurring patterns of trading, commonly referred to as indicators, can help them forecast future price movements.

### ***Cyclical***

Cyclical analysis looks at recurring periods of expansion and contraction that can impact a company's profitability and cash flow. Cyclical stocks tend to rise quickly when the economy turns up and fall quickly when the economy turns down (i.e., housing, automobiles, telecommunications, paper, etc.). Non-cyclical industries (i.e., food, insurance, drugs, health care, etc.) are not as directly impacted by economic changes.

### **Investment Strategies**

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

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Short sales
- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Advisor.)
- Option writing (Including covered options, uncovered options or spreading strategies.) (Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.)



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

### **Risk of Loss**

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

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

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

### **Primary Recommend One Type of Security**

We do not recommend any specific security to clients. Instead, we recommend any product that may be suitable for each client relative to their specific circumstances and needs.

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

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

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

We are not and do not have a related person that is:

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

We are an independent registered investment registered advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment advisor representatives with us.

### **Securities Sales**

Our representatives are also registered representatives of Securities America, Inc. You can engage them in this separate capacity to render securities brokerage services under a commission arrangement. Our representatives may have a financial incentive to recommend that a financial plan be implemented using

a certain product or service. This is a conflict of interest because they could receive commissions in their capacity as a registered representative and could also receive advisory fees in their capacity as an investment advisor representative.

You are under no obligation to use the services of our representatives in this separate capacity or to use Securities America, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use Securities America, Inc. Prior to effecting any transactions, you are required to enter into a new account agreement with Securities America, Inc. The commissions charged by Securities America, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

### **Insurance Sales**

We are a wholly owned subsidiary of Pinnacle Financial Advisors, LLC ("PFA"), an insurance agency licensed in the state of Ohio. PFA is owned by some of our representatives. In addition, some of our representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to PFA or to insurance companies with which our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

### **Third-Party Money Managers**

As described in **Item 5, Fees and Compensation**, we have formed relationships with independent, third-party money managers.

We may recommend clients work directly with third-party money managers. When we refer clients to a third party money manager, we receive a portion of the fee charged by the third party money manager. Therefore, we have a conflict of interest because we only recommend third party money managers that agree to compensate us by paying us a portion of the fees billed to your account managed by the third party money manager.

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

### **Code of Ethics Summary**

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

Some of our representatives are also Certified Financial Planners<sup>™</sup> (CFP<sup>®</sup>) and abide by the Code of Ethics and Responsibility Code of the Certified Financial Planner<sup>™</sup> Board of Standards, Inc. The Code of Ethics and Responsibility Code requires CFP<sup>®</sup> designees to not only comply with all applicable laws and regulations but to also act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP<sup>®</sup> designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from us.

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

We, our representatives and employees may buy or sell securities or have an interest or position in a security for our personal accounts that is recommended to clients. We are and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. It is our express policy that no one employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, which is designed to prevent employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, we have established the following restrictions in order to ensure its fiduciary responsibilities:

1. An officer or employee will not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her possession of material non-public information. No person associated with us will prefer his or her own interest to that of the advisory client.
2. We maintain a list of all securities holdings for our self and anyone associated with us with access to advisory recommendations. These holdings are reviewed on a regular basis by one of our officers.
3. All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
4. We require that all of officers or employees act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
5. Any individual not observing any of the above may be subject to termination or other sanctions.

### **Item 12 – Brokerage Practices**

#### **Securities America, Inc.**

If you elect to implement our advice, you are free to select any broker you wish. If you elect to have our representatives implement the advice in their capacity as registered representative or through one of the

Securities America Advisors, Inc. (“SAA”) programs detailed in **Item 5, Fees and Compensation**, then our representatives’ broker/dealer, Securities America, Inc. (“SAI”) is used.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with SAI, we require the use of SAI when opening an account through our programs. We are limited in the broker/dealer or custodians we are allowed to use due to our relationship with SAI. SAI may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Because our representatives are registered representatives of SAI, they are required to use the services of SAI and SAI’s approved clearing broker/dealers when acting in their capacity as registered representatives. SAI serves as the introducing broker/dealer. All accounts established through SAI are cleared and held through National Financial Services, LLC. SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI’s registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Because our representatives are also registered representatives of SAI, SAI provides compliance and supervision support to our representatives. In addition, SAI provides our representatives, and therefore us, with back-office operational, technology and other administrative support.

Economic benefits are provided to us by SAI that are not provided if you select another broker/dealer or account custodian. These benefits may include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services SAA/SAI participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system
- Electronic download of trades, balances and position information
- Access, for a fee, to an electronic interface with the account custodian’s software
- Duplicate and batched client statements, confirmations and year-end reports

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

### **Best Execution**

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

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

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered. We perform periodic reviews to determine that the relationship with SAI and National Financial Services, LLC are still in the best interests of clients.

### **Soft Dollar**

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

Although we don’t allow directed brokerage, we may still receive products and services from SAI, SAA or other program sponsors and product issuers. These products and services may be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues
- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

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

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

### **Handling of Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and we absorb any loss resulting from the trade error if we caused the error. If the error is caused by the broker/dealer, the broker/dealer is responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain remains in the client’s account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. We may also confer with clients to determine if they should forego the gain (e.g., due to tax reasons). We never benefit or profit from trade errors.

## **Block Trades**

Advisors may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used when advisors believe such action may prove advantageous to clients. We do not block trades.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Financial planning and limited consultation services terminate upon presentation of the plan or completion of the consultations and no reviews are conducted. However, we recommend that you have your financial situation reviewed and updated at least annually. If you elect this review and update, a new client agreement is required and additional fees are charged. Ongoing consultations and wealth management services can include reviews and updates of plans and recommendations, as requested by you.

Program providers review their model portfolios at a frequency described in the client contract and implement asset allocation shifts within each model portfolio as indicated by market and economic conditions. The program provider or we, as part of our investment management or supervisory services, or any independent sub-advisers engage in periodic account reviews to ascertain that the account is structured in accordance with your investment objective and strategy as derived from your relevant investment information. Program providers may engage third parties to assist in the ongoing monitoring of separate account managers. To assist in these monitoring services, our representatives periodically request and review updates to your investment information to ascertain that your options remain consistent with your stated investment objectives and strategy.

SAA reviews the performance information in Managed Opportunities Accounts to determine its accuracy. Performance information provided by SAA is believed to be accurate, but cannot be guaranteed. Fund and other securities values and other information are obtained from third parties. Managed Opportunities accounts are reviewed as needed by SAA supervisors, SAI principals and our representatives. Triggering factors for reviews may include material market, economic or political events, change in your personal or financial situations or performance of the accounts in general.

Reviews for retirement and pension plan services are performed only as originally contracted for by you. Managed accounts are reviewed at least quarterly. Accounts at third party money managers are also reviewed at least quarterly.

The calendar is the main triggering factor, although reviews may also be conducted due to your request, due to a change in your circumstances or due to unusual market or political activity. Our representatives review all accounts, no matter who is the assigned representative of record. Absent your specific instructions, we review accounts to verify portfolio holdings, appropriate asset allocation, possible re-balancing needs, anti-money laundering concerns, fee calculation accuracy, continued suitability and that performance continues to work toward your investment goals and objectives.

### **Account Reports**

Financial planning clients do not receive any reports other than the written plan originally contracted for. You will receive a statement at least quarterly from the broker/dealer, investment advisor or money manager where your account is maintained.

For retirement plan services accounts, the service provider provides the plan sponsor with consolidated performance reports of the plan's model portfolios at least quarterly. Third parties provide fund values

and other information. Neither SAA nor we guarantee the accuracy of the information provided by the service provider or other third parties.

For all other platforms and services, clients are provided with transaction confirmation notices and regular account statements directly from the broker/dealer or custodian for their accounts. In addition, we provide written performance reports on a quarterly and on-demand basis. Reports provided by our firm include relevant account and/or market-related information with an inventory of account holdings and account performance. You should carefully review the reports prepared by our firm against account statements received from your broker/dealer or custodian. If you have questions or believe there are discrepancies between the reports provided by our firm and your brokerage account statements, please contact us.

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

### **Client Referrals**

We currently have agreements with unaffiliated solicitors (Referring Parties) to refer clients to us, and may enter into additional agreements in the future. If a client is referred to us by a solicitor, the solicitor provides the client with a copy of our Disclosure Brochure as required by Rule 204-3 of the *Investment Advisers Act of 1940*. The client also receives a copy of the solicitor disclosure statement containing the information set forth in Rule 206(4)-3 of the *Investment Advisers Act of 1940*. If a referred client enters into an investment advisory agreement with us, a referral fee is paid to the solicitor. The referral fee is 15% of the net advisory fee earned by us. The referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided.

The referral agreements between us and the solicitors are in compliance with regulations as set out in 17 CFR §275.206(4)-3 and the Rules under the *Investment Advisers Act of 1940*.

Please see **Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations** and **Item 12, Brokerage Practices**, for additional discussion about solicitor/referral fees from third party managers, other compensation and non-economic benefits.

## **Item 15 – Custody**

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

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



## **Item 16 – Investment Discretion**

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

When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian. You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement. Discretion in SEI accounts is limited to no-load mutual funds.

When managing assets through Retirement Opportunities, we may recommend model portfolios to the Plan sponsor to be included as investment options available to participants under the Plan. We maintain the model portfolios, including investing, rebalancing of assets, changing of asset allocations or changing underlying model portfolios. In addition, we recommend, maintain and periodically update the list of mutual funds to the Plan sponsor for including as investment options available to Plan participants. Using discretionary authority does not give us authority to withdraw funds and/or securities from Plan assets other than for advisory fees we are due.

If management services are provided on a non-discretionary basis, we always contact you before implementing any transactions in an account. You must accept or reject our investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, we are responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. You should know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of implementing trades and we may not achieve the optimal trading price.

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

We do not vote proxies on your behalf. You should read through the information provided with the proxy-voting document and make a determination based on the information provided. Upon your request, our representatives may give recommendations or clarifications based on their understanding of issues presented in the proxy voting materials. However, you are solely responsible for all proxy voting decisions.

## **Item 18 – Financial Information**

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