

# FTJ FundChoice, LLC Part 2A of Form ADV The Brochure

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FTJ FundChoice, LLC (“we,” “us,” or “our”) is an investment advisor that is registered with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of FTJ FundChoice, LLC (“FTJFC”). For more information about the brochure and the type of information that is required to be disclosed see the “General Instructions for Part 2 of Form ADV” by visiting [www.sec.gov/rules/final/2010/ia-3060.pdf](http://www.sec.gov/rules/final/2010/ia-3060.pdf). If you have any questions about the contents of this brochure, please contact us at 800-379-2513 or 859-426-2000. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

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

## **Material Changes**

Since our filing in March of 2012 the following material changes have occurred. As of July 2012, we were acquired by FundChoice Investment Holdings, LLC (“FCIH”). FCIH is controlled by Seaport Capital, LLC (“Seaport Capital”), a private equity firm and Registered Investment Advisor. In addition to the ownership changes Ms. Heather Augustine replaced Mr. Michael Hall as Chief Compliance Officer. Wilshire Funds Management introduced two yield models, which were set up as a separate Strategist, Wilshire/Lord Abbett Income Solutions. And finally updates were made to this document to reflect the management and name change of Iron Point Capital Management to Ladenburg Thalmann Asset Management, a Strategist in our institutional portfolio Strategist Program.

## Table of Contents

Material Changes .....	2
Table of Contents .....	3
Advisory Business .....	3
Fees and Compensation .....	5
Performance Based Fees and Side-by-Side Management .....	8
Types of Clients.....	8
Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Disciplinary Information .....	10
Other Financial Industry Activities and Affiliations .....	10
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
Brokerage Practices .....	11
Review of Accounts .....	11
Client Referrals and Other Compensation.....	11
Custody .....	12
Investment Discretion.....	12
Voting Client Securities .....	12
Financial Information .....	12
Dean Cook’s Biographical Information .....	14
Phil Markgraf’s Biographical Information .....	15
Jacob Childers’ Biographical Information .....	16

## Advisory Business

### Background

As of July 2012, we were acquired by FundChoice Investment Holdings, LLC.(“FCIH”). FCIH is controlled by Seaport Capital, LLC (“Seaport Capital”), a private equity firm and Registered Investment Advisor. While our ownership structure changed, we have provided reporting and administrative services to affiliated and unaffiliated investment advisors and broker-dealer representatives (collectively “Investment Advisors”) since April 2001. Our firm provides a fee-based mutual fund platform allowing Investment Advisors the ability to develop their own model portfolios or outsource the asset allocation decision to institutional portfolio strategists (“Strategists”) that we have selected (“Strategist Program”). Through the Strategist program we retain third party non-affiliated investment managers, Strategists, to design and manage model portfolios which Investment Advisors can use to manage client assets. In 2003, we registered as an investment advisor with the SEC after the development of our Strategist program.

Our Strategist program provides access to asset allocation models developed by the third party Strategists who we have selected and regularly monitor. Currently, we have engaged the following investment managers as Strategists:

- Advanced Asset Management Advisors
- First Affirmative Financial Network
- Frontier Asset Management
- Ladenburg Thalmann Asset Management
- Litman Gregory Asset Management
- PGR Solutions
- Toews Corporation
- Wilshire Funds Management

Each Strategist will offer multiple models for various risk profiles and is responsible for creating and managing models using mutual funds available through our platform (“Strategist model”). Your account will be invested in accordance with the Strategist model you select with your Investment Advisor. You are not permitted to place any investment restrictions on the Strategist models. To the extent you reject any changes to the Strategist model, your account will no longer be managed in accordance with the Strategist model, and it will be your or your Investment Advisor’s responsibility to manage the account. In such cases, you will no longer be charged fees for the Strategist program.

It is up to you and your Investment Advisor to select the most appropriate Strategist model offered by our Strategist program. Once your Investment Advisor has selected a Strategist model and you have consented to their selection, we will provide trading, reporting and administrative services. When a Strategist suggests a transaction in any Strategist model, we have the authority to conduct trading activity to reflect the transaction in your account, as outlined in the Terms of Use and Client Service Agreement. Please read this document carefully, as it contains important information on how your account will be managed. When opening an account with us, you will be required to consent to this agreement.

### **Money Market Model Portfolio**

We also offer a model portfolio designed to provide investors with a way to earn income while preserving capital and maintaining liquidity. This portfolio is managed by us and is limited to investments in a money market mutual fund (“FTJFC Money Market Model”). You should work with your Investment Advisor to determine if the FTJFC Money Market Model should be used alongside your selected Strategist model.

### **Standalone Services**

The information contained in this document provides an overview of the Strategist program we have developed. Unless otherwise indicated, this brochure does not provide information about the reporting and administrative services offered to Investment Advisors as a standalone service. Investment Advisors may use our mutual fund platform to manage accounts according to their own proprietary models, in which case our service is limited to providing administrative, trade processing, and recordkeeping services. You should review your Investment Advisor’s disclosure document for information about his or her services and fees.

**Discretion**

On occasion we will work directly with individual clients who are friends and family of our employees. In such instances we are acting as the Investment Advisor and maintain discretion over the account. In all other cases where you are invested in a Strategist's model within the Strategist program, we have non-discretionary authority over your account.

As of August 1, 2012, FTJFC managed approximately \$4.5 million on a discretionary basis through our relationships with family and friends; a number of these accounts were invested in Strategist models.

**Fees and Compensation**

Fees for our services include Administration Fees, Account Maintenance Fees, and Strategist Fees. We do not charge a redemption fee, however; if a client would prefer an in-kind transfer out there will be a \$100 fee applied to the account being transferred. You should carefully review all fees charged by us, your Investment Advisor, and the underlying mutual funds to fully understand the total amount of fees that are paid.

It is your responsibility to verify the accuracy of the fee we charge to your account. The fee we collect will appear on your custodial statement, though the custodian does not determine whether the fee has been properly calculated. In addition, a fee summary is available online on a monthly basis. Fees charged by us are separate and distinct from fees and expenses charged by your Investment Advisor and mutual funds traded within the Strategist model. A description of these fees and expenses are available in each fund's prospectus.

Our service may be terminated by either party in accordance with the Terms of Use and Client Service Agreement. You are responsible to pay for services rendered until the termination of the agreement.

Below is a summary of the fees charged by us and our Strategists.

**Administration Fees**

You will pay an annual Administration Fee to us for providing our reporting and accounting services. This fee will be deducted from your account monthly in arrears and is based on the average daily account balance ("ADB") for the previous month. If your account was not open for the entire month, then the fee will be pro-rated. We changed our Administrative Fee schedule in July 2010. All accounts that were established prior to July 2010 were grandfathered under our previous fee schedule. Any changes to our fee schedule are outlined in our Terms of Use and Client Service Agreement. The current annual Administration Fee schedule for accounts opened after July 2010 is as follows:

### Administrative Fee Schedule

Less than \$50,000	0.45%
\$50,001 – \$100,000	0.35%
\$100,001 – \$250,000	0.20%
\$250,001 – \$500,000	0.175%
Over \$500,000	0.15%

Effective August 1, 2011, you may opt-in to an alternative calculation of your Administrative Fee where the ADB of all accounts in your household (that are under the Administrative Fee Schedule listed above) and apply that aggregate balance of accounts to the Administrative Fee Schedule, as well as any Investment Advisor breakpoint or tiered schedule. The aggregation of your household accounts may reduce the total Administrative Fee you pay to us. You should discuss this and other fee options with your Investment Advisor to ensure they are right for you.

The Administration Fee may be discounted for Investment Advisors who have a significant amount of assets invested on our platform. The amount of the discount is individually negotiated with each Investment Advisor and is at our discretion.

The Administrative Fee is also separate from the fees charged by your Investment Advisor.

### Account Maintenance Fees

In addition to the Administration Fee, the current Account Maintenance Fee for accounts opened after July 2010 is \$25.00 or \$50.00 per account annually. If you elect to receive statements electronically then the fee is \$25 per account. If you elect to receive mailed statements then the fee is \$50 per account.

We may also charge miscellaneous fees associated with administrative services, such as processing wire transfers, in-kind asset transfers out or overnighting checks. Please contact us for a list of these fees.

The Account Maintenance Fee may be discounted for Investment Advisors who have a significant amount of assets invested on our platform. The amount of the discount is individually negotiated with each Investment Advisor at our discretion.

### Strategist Fees

The fees charged by each Strategist vary and their fees are in addition to the Administration Fees charged by us and the fees charged by your Investment Advisors. The Strategist Fees charged by each Strategist are as follows:

## Strategist Fees

Advanced Asset Management Advisors	0.10%
First Affirmative Financial Network	0.10%
Frontier Asset Management	0.10%
Ladenburg Thalmann Asset Management	0.10%
Litman Gregory Asset Management	0.10%
PGR Solutions	0.10%
Toews Corporation	No additional charge
Wilshire Funds Management	No additional charge
Wilshire/Lord Abbett Income Solutions	0.10%
FTJ FundChoice	No additional charge

Strategists who do not charge any additional Strategist Fees generally select affiliated mutual funds when developing their Strategist model. For example, Wilshire Funds Management will build its Strategist models by selecting mutual funds affiliated with Wilshire Funds Management. Wilshire Funds Management will receive a management fee from the mutual fund they manage.

In some instances certain Strategists will share a portion of the Strategists Fee with us. Also, Strategists not charging a Strategist Fee will share fees they collect from mutual funds they manage with us. Below is the Strategist who shares their fees with us:

- Toews Corporation

This fee sharing arrangement creates a conflict of interest since we have an incentive to continue to recommend these Strategists for the Strategist program.

Strategists may refer or recommend their clients to invest via our mutual fund platform. This arrangement creates an incentive for us to keep these Strategists over others that we may be considering.

The Strategist fees are billed and collected in the same manner as the Administration Fee.

### **FTJFC Money Market Model Fees**

FTJFC's Money Market Model does not charge additional fees outside of our Administrative Fee and Account Maintenance Fee; however, you are subject to any fees of the underlying money market fund. You should read the money market fund prospectus to understand any applicable fees.

### **Advisors Fees**

You should review the fees charged by your Investment Advisors which are outlined in your Investment Advisor's Form's ADV Part 2A. Fees paid to your Investment Advisor are in addition to any fees charged by us.

## **Custodian Fees**

Your account will be maintained by Huntington Bank Trust Services (“HNB”). There is no additional custodial fee charged by HNB. We have entered into an agreement with HNB in which we receive a percentage of the 12b-1 and shareholder servicing fees HNB collects from mutual funds used in the Strategist program. 12b-1 fees are fees paid by the mutual fund out of fund assets to cover distribution expenses and sometimes shareholder service expenses. We do not determine the mutual funds used by Strategists; however, to the extent the mutual fund charges a 12b-1 or shareholder servicing fee, we will earn additional income. Information about 12b-1 and shareholder servicing fees can be found in the mutual fund’s prospectus. The Administration Fee we charge includes fees charged by HNB (please refer to *Brokerage Practices* for more information on trading).

## **Proxy Voting Compensation**

As discussed in *Voting Client Securities* below, we do not vote proxies; it is solely your responsibility to vote proxies. Occasionally, the issuer of the security may itself, or through a proxy voting service, contact us and request information in order to contact you for determination of how a proxy should be voted. We will direct such requests through HNB; we may receive compensation for providing your contact information to the proxy voting service.

## **Performance Based Fees and Side-by-Side Management**

Performance based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. An advisor charging performance fees to some accounts faces a variety of conflicts because the advisor can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (*e.g.*, an asset-based fee). As a result, the advisor may have an incentive to direct the best investment approach, or to allocate or sequence trades in favor of the account that pays a performance fee.

We do not charge a performance based fee.

## **Types of Clients**

FTJFC primarily provides investment management and recordkeeping services to Investment Advisors. These Investment Advisors use our Strategist program or our mutual fund platform to service their clients. Such clients may include individuals, pensions and profit sharing plans, trusts, estates or charitable organizations.



# Methods of Analysis, Investment Strategies and Risk of Loss

## Methods of Analysis and Investment Strategist

### Strategist program

We will utilize specific qualitative and quantitative screening criteria to identify appropriate Strategists for the Strategist program. The quantitative review focuses on performance and track record of the Strategist against various benchmarks. Our qualitative analysis reviews information surrounding the operations of the Strategists, including history, experience, firm size and structure, investment analysis and decision-making process, and portfolio risk review. Qualitative screening includes a review of each Strategist's organizational history and stability including: depth/experience of investment team and research group, investment process and strategy, internal resource allocation, legitimacy of track record, experience with taxable clients, client servicing capabilities, and other characteristics.

Each Strategist is reviewed and analyzed in detail by the FTJFC Investment Committee. On an annual basis, the Investment Committee will review the performance of each Strategist model along with any organizational changes that may have occurred during the year.

As your Investment Advisor determines which Strategist model to utilize based on your investment needs, you should consult their Investment Advisors' Forms ADV Part 2A for a full description of their investment analysis to determine how the Strategist model selected best suits your investment needs and risk tolerance.

### FTJFC Money Market Model

The FTJFC Money Market Model is available as a liquid investment option. FTJFC's Money Market Model is invested in a money market fund that was selected based on its liquidity and ability to trade within our trading platform. We do not actively look for other investments for the FTJFC Money Market Model but may utilize a different money market fund based on performance and trading capabilities.

### Risk of Loss

The description contained herein is an overview of the risks entailed in our Strategist program and FTJFC Money Market Model and is not intended to be complete. All investing involves a risk of loss and the Strategist program or the FTJFC Money Market Model could lose money over short or long periods. Performance could be hurt by a number of different market risks including but not limited to:

**Investing in securities is inherently risky.** An investment in mutual funds could lose money. The Strategists cannot give any guarantee that they will achieve their investment objectives or that any client will receive a return of its investment. Further, although money market funds are considered to have low risk, they are affected by other types of risk, mainly interest-rate risk and inflation risk. The underlying value of the instruments within the money market fund may change depending on the direction of interest rates.

**No Guarantees.** The value of your investment could decline and be worth less than the principle initially invested. And while a money market fund seeks a stable share price, its yield fluctuates. In addition, mutual funds are not insured or guaranteed by an agency of the U.S. government. Bond funds, unlike purchasing a bond directly, will not re-pay the principle at a set point in time.

The Strategist program generates multiple levels of fees and expenses. By investing in the Strategist program, the investor bears fees charged at different levels as described under Fees and Compensation. Thus, investors may be subject to higher operating expenses than if he or she invested in mutual funds directly.

## **Disciplinary Information**

Neither FTJFC nor our employees have been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

As discussed above, we are affiliated with Seaport Capital through their ownership of us. Seaport Capital is a private equity firm registered with the Securities and Exchange Commission. While we are affiliated with Seaport Capital, our advisory business and objectives materially differ from those of Seaport's and therefore we do not believe it presents any material conflicts of interest since Seaport does not provide any services to us or to you.

We are not affiliated with any of the Strategists within the Strategist program. However, certain Strategists will share fees with us as discussed above in *Fees and Compensation*. These fees are negotiated between us and the Strategist. We may receive up to 40% of the fee charged by the Strategist. Given this arrangement we have an incentive to continue to recommend Strategists that share fees with us.

Further, as mentioned above in the *Fees and Compensation* section, we have entered into an agreement with HNB in which we receive a percentage of the 12b-1 and shareholder servicing fees HNB collects from mutual funds used in the Strategist program. We do not determine the mutual funds used by Strategists; however, to the extent the mutual fund charges a 12b-1 or shareholder servicing fee, we will earn additional income. Information about 12b-1 and shareholder servicing fees can be found in the mutual fund's prospectus.

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

We have adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, and it is predicated on the principal that we owe a fiduciary duty to you.

Procedures have been adopted to ensure compliance with the provisions of the Code, including pre-approval of personal securities transactions for certain employees, annual affirmations of compliance and regular reviews of holdings and transactions. A copy of the Code is available upon request by contacting us at (859) 426-2000.

## **Brokerage Practices**

To participate in our Strategist program we require that your account be held at HNB. We will be responsible for placing all trades in accordance with the Strategist model you select; however, you will have the opportunity to approve purchases as indicated in the Terms of Use and Client Service Agreement. Our Administrative Fee covers all fees charged by HNB. Thus, you will not incur any additional custodial expenses. When placing trades for accounts invested in the same Strategist model, orders are communicated to HNB and every account receives the same price.

### **Trade Error Policy**

We have internal controls for the prevention of trade errors, however on occasion errors may occur. We recommend that you regularly review your HNB custodial statements. In the event you identify an error, you have 90 days from the occurrence of the error to notify us of its existence. Upon notification, we will perform an analysis of the reported discrepancy. If we made an error while placing your trade, we will seek to correct the error in a way that mitigates any losses. In the event an error results in a gain, we will retain such gains. If you do not notify us within 90 days of the occurrence of the trade error, you forfeit the reimbursement of any losses unless the error was the result of our bad faith, gross negligence, or willful misconduct.

Our CCO will maintain a record of identified trade errors, including details of the original transaction and the corrective actions.

## **Review of Accounts**

Strategists are subject to quantitative and qualitative reviews initially, and periodically thereafter. The FTJFC Money Market Model is strictly invested in a money market fund which we review on an ad-hoc basis.

We do not perform any review of your accounts. Instead, it is up to your Investment Advisor to review your account. Please review your Investment Advisor's Form ADV Part 2A to understand their review process over your account.

For accounts where we serve as the Investment Advisor, we will review accounts on an as-needed basis

## **Client Referrals and Other Compensation**

We do not compensate any person for client referrals, nor do we offer or receive sales awards or prizes for providing investment advice to you.

## **Custody**

Your account will be held in custody by HNB. We will have access to your funds and securities since you will give us authorization to debit your account to collect fees. HNB will send statements directly to you no less than quarterly. You should carefully review and compare these statements to any account information provided by us or your Investment Advisor.

## **Investment Discretion**

We only accept discretionary authority over accounts for our friends and family members. For accounts in which we serve as the Investment Advisor, we may accept discretionary authority to make investment decisions as outlined in the Terms of Use and Client Service Agreement.

For accounts within the Strategist program, you authorize us to place trades in your account in accordance with the Strategist model you select. At your discretion or the discretion of your Investment Advisor, you have the ability to remove your account from the Strategist program at any time without a termination fee.

## **Voting Client Securities**

We will not exercise proxy voting authority. The obligation to vote proxies shall at all-times rest with you. HNB will send all proxy information directly to you. You should contact your Investment Advisor if you have questions about voting proxies.

## **Financial Information**

FTJFC has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage your account.