

Item 1 - Cover Page

Greenbush Financial Group, LLC
75 Troy Road
East Greenbush, NY 12061
(518) 477-6686
www.greenbushfinancial.com

February 2016

This brochure provides information about the qualifications and business practices of Greenbush Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at (518) 477-6686. 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 Greenbush Financial Group, LLC is also available on the Internet at www.adviserinfo.sec.gov. You can view information on this website by searching for Greenbush Financial Group, LLC's name or by using its CRD number: 125500.

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

Item 2 – Material Changes

Since our last annual update was filed in February 2015, we have updated our assets under management. Please refer to Item 4 – Advisory Business for more details.

In September 2015 the firm added a performance based fee option. Please refer to **Item 4 – Advisory Business** and **Item 5 - Fees and Compensation** for more specific information.

In 2016 the firm added a WRAP Account Managed Account option. Please refer to **Item 4 Advisory Business** and our ADV Part 2A Appendix 1 for more information.

We will continue to 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.

Clients and prospective clients can always receive the most current Disclosure Brochure for Greenbush Financial Group, LLC at any time by contacting Michael R. Ruger at (518) 477-6686.

Item 3 – Table of Contents

Item 1 - Cover Page	1
Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business	5
Ownership	5
General Description of Primary Advisory Services	5
Financial Planning Services (Plans and Investment Consulting)	5
Retirement Plan Investment Advisory Services	5
Asset Management Services	6
Specialization	6
Limits Advice to Certain Types of Investments	6
Tailors Advice or Services to Individual Needs of Clients	6
Wrap-Fee Program versus Portfolio Management Program	6
Client Assets Managed by Advisor	7
Item 5 – Fees and Compensation	7
Newsletters	7
Financial Planning Services	7
Investment Consulting Services	8
Retirement Plan Investment Advisory Services	10
Asset Management Services	14
Performance Based Fees	15
Additional Compensation	16
Comparable Services	17
Item 6 – Performance-Based Fees and Side-By-Side Management	17
Item 7 – Types of Clients	19
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	19
Methods of Analysis	19
Fundamental	19
Technical	19
Primary Method of Analysis or Strategy	19
Investment Strategies	20
Risk of Loss	20
Primarily Recommend One Type of Security	22
Item 9 – Disciplinary Information	22
Item 10 – Other Financial Industry Activities and Affiliations	22
Securities Sales	22
Insurance Sales	23
Accounting Services	23
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading	23
Code of Ethics Summary	23
Participation in Client Transactions and Personal Trading	24
Item 12 – Brokerage Practices	25
American Portfolios Financial Services, Inc.	25
Best Execution	26
Soft Dollar	26

Handling of Trade Errors	27
Block Trading	27
Item 13 – Review of Accounts	27
Account Reviews.....	27
Account Reports.....	28
Item 14 – Client Referrals and Other Compensation.....	28
Client Referrals	28
Other Compensation and Non-Client Economic Benefit.....	29
Item 15 – Custody.....	29
Item 16 – Investment Discretion	30
Item 17 – Voting Client Securities	30
Item 18 – Financial Information.....	30
Class Action Lawsuits	30
Customer Privacy Policy	31

Item 4 – Advisory Business

Ownership

Greenbush Financial Group, LLC (“Advisor” or “we”) is an investment advisor registered with the Securities and Exchange Commission since January 2012. We were registered with the State of New York from February 29, 2009 to January 2012. Advisor is a limited liability company formed under the laws of the State of New York. David M. Wojeski and Michael R. Ruger are the owners.

General Description of Primary Advisory Services

Advisor offers personalized investment advisory services including full and modular financial plans, newsletters, investment consultations, retirement plan services and asset management services. The following are brief descriptions of our primary services. A detailed description of all services 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.

Financial Planning Services (Plans and Investment Consulting)

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.

Advisor offers advisory services in the form of full and modular financial plans. These services do not involve the active management of client accounts. Instead, full planning services focus on a client’s overall financial situation, specifically including the areas estate planning, investment planning, insurance planning, retirement planning and education planning. Modular planning services focus on specific areas of client concern and may not take other important issues into consideration.

Advisor also offers investment consulting services to clients wanting advice on a specific area or concern, such as evaluating a specific account, investment opportunity or other financial or investment-related matter. Investment consulting services can include advice on non-securities matters. These services are provided only to accounts where an associated person of Advisor is *not* the investment advisor representative on the account.

Retirement Plan Investment Advisory Services

Advisor sponsors a proprietary employer sponsored retirement plan solution called “Active(k)” and serves as a plan consultant and investment advisor to these qualified retirement plans. In this capacity, we can provide plan analysis, plan design recommendations, assistance with selection and monitoring of the plan investment menu, education meetings for plan participants, participant level advice and management of Active(k) Lifestyle Portfolios.

Asset Management Services

Advisor offers investment management services providing clients with continuous and on-going supervision over their accounts. This means that Advisor will continuously monitor a client's account and make trades in that account when necessary.

Specialization

Advisor specializes in employer sponsored qualified retirement plan services. Please refer to the **Retirement Plan Investment Advisory Services** section of **Item 5, Fees and Compensation**, for additional details and discussion about these services.

Limits Advice to Certain Types of Investments.

Advisor generally limits its 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 paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities

However, 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 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information

Tailors Advice or Services to Individual Needs of Clients

Advisor's services are always provided based on the specific needs of the individual client. Clients are given the ability to impose restrictions on their accounts, including specific investment selections and sectors. However, Advisor will not enter into an investment advisor relationship with a client whose investment objectives may be considered incompatible with Advisor's investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Wrap-Fee Program versus Portfolio Management Program

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 and transaction services are provided for one fee. The Advisor offers both Wrap-Fee and traditional management

programs. The choice of whether or not to use a wrap-fee account for an advisory client is at the complete discretion of the Advisor.

Client Assets Managed by Advisor

The amount of client assets managed by Advisor totaled \$115,802,927 as of December 31, 2015, with \$51,333,616 managed on a discretionary basis and \$64,469,311 managed on a non-discretionary basis.

Item 5 – Fees and Compensation

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

Newsletters

Advisor offers newsletters to clients at no charge. These newsletters are delivered by both U.S. mail and e-mail and are informational in nature. No specific investment advice or recommendations is given. Prospective clients can also request to receive the newsletters.

Financial Planning Services

We offer full and modular financial planning services. Full services include, but are not limited to:

- Estate planning
- Investment planning
- Insurance planning
- Retirement planning
- Education funding

You can also elect to focus on a more specific area of concern. However, focusing on one or more specific areas may not take other important issues into consideration that could impact the analysis and recommendations of our investment advisor representatives ("representatives") and your objectives.

Our representatives meet with you to gather information and documentation needed to perform an analysis and review. We rely on the information provided by you to us. Therefore, it is very important that the information provided by you be complete and accurate. Our services do not include legal or tax advice. Therefore, with your permission, our representatives may also gather information and advice from your other professional consultants (i.e., attorney, accountant, etc.). You are also encouraged to seek the advice of qualified attorneys and accountants. We are not responsible for verifying the information supplied by you or for verifying the information and advice provided by your other professional consultants.

After completing a review and analysis of the information and documents received, our representatives develop their recommendations on investment solutions to help you meet you financial goals and objectives. These recommendations are presented to you as a written and/or oral plan and our

representatives discuss the plan with you. You have sole responsibility for deciding whether or not to implement our recommendations and advice. If you do decide to implement the recommendations, then you are responsible for taking any actions or implementing any transactions required.

You are also free to select any broker/dealer to implement our recommendations. However, you should be aware that Michael Ruger and Robert Mangold are also registered representatives of American Portfolios Financial Services, Inc., a registered broker/dealer. Michael Ruger and Robert Mangold are also independently licensed insurance agents. If you elect to follow the representatives' recommendations, you could select Mr. Ruger or R. Mangold to implement the transactions. In this case, they could receive fees in their capacity as investment advisor representatives and receive commissions in their capacity as registered representatives and/or independent insurance agents. Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

Fees for financial planning services are charged as an hourly fee at the rate of \$150 per hour, although the hourly rate is negotiable depending on the complexity of your financial situation, the actual services provided by us and the relationship that we have with you. Our representatives calculate the number of hours needed to complete the requested service, multiply that by the hourly rate and quote a fee for the requested services. The quoted fee is given prior to any services being provided and will not be revised whether the hours actually required to complete the services are more or less than used in the original estimate. A retainer of one-half of the quoted fee is due at the time the client agreement is signed with the remainder due upon presentation of the plan to you and receipt of our billing statement.

If you elect to implement our representatives' advice using one of the other advisory programs described in this Brochure, we may receive on-going fees. In this event, our representatives may decide to waive or reduce the financial planning fees charged. The representatives consider the amount of time spent on the initial services requested and the anticipated amount of fees earned from the other advisory program(s) you contract for. The representatives always inform you of any reduction or waiver of financial planning fees before they provide any additional advisory services.

Services terminate upon presentation of the requested financial plan. However, either party can terminate services at any time by providing written notice to the other party. Termination is effective immediately upon receipt of the notice. If services are terminated before completion, fees are calculated on a prorated basis and you are responsible for paying fees for the time and effort expended by us prior to the effective date of termination. Fees are calculated using the original hourly rate quoted and a prorated refund is issued or a prorated fee is due. We provide you with an invoice detailing the services provided and refund or fees due.

Investment Consulting Services

You can also request advice on specific areas of concern regarding evaluating a specific account, an investment opportunity or other financial or investment-related matters. Investment consulting services may also include some of the financial planning services previously described. In addition, the services can include advice on non-securities related matters. These consultations may be a one-time event or last multiple sessions. Investment consulting services are only provided to accounts where our representative is not the investment advisor representative of record on the account.

Our representatives meet with you to assist in determining your goals and objectives. They assist you by providing direction for actions steps needed in order to accomplish the representatives' advice and recommendations. The scope of the investment consulting project is specified in the signed client agreement. Services do not include on-going reviews, investment monitoring or implementing any transactions required as a suggested action step. You have sole responsibility for deciding whether or not to implement our recommendations, advice and suggested action steps. If you do decide to follow the suggested action steps, then you are responsible for taking any actions or implementing any transactions required.

You are also free to select any broker/dealer to implement our recommendations. However, you should be aware that Michael Ruger and Robert Mangold are also registered representatives of American Portfolios Financial Services, Inc., a registered broker/dealer. Michael Ruger and Robert Mangold are also independently licensed insurance agents. If you elect to follow their recommendations, you could select Mr. Ruger or R. Mangold to implement the transactions. In this case, they could receive fees in their capacity as investment advisor representatives and commissions in their capacity as registered representatives and/or independent insurance agents. Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

Fees for investment consulting services are generally charged as an hourly fee at the rate of \$150 per hour, although the hourly rate charged is negotiable depending on the complexity of your financial situation, the actual services provided by us and the relationship that we have with you. For multiple event consultations, our representatives calculate the number of hours needed to complete the requested service, multiply that by the hourly rate and quote a fee for the requested services. The quoted fee is given prior to any services being provided and will not be revised whether the hours actually required to provide the services are more or less than used in the original estimate. For multiple event consultations, a retainer of one-half of the quoted fee is due at the time the client agreement is signed with the remainder due upon completion of the consultations and receipt of our billing statement. For one-time consultations, the fee is due upon completion of the consultations.

In special circumstances, you may request that we provide on-going consultation services lasting for a one-year period. In these cases, fees are charged on a fixed basis and generally do not exceed \$15,000 per year. Fees are negotiable based on the actual services requested and the complexity of your situation. We provide you with a fee quote prior to any services being provided. On-going consultation fees are charged quarterly in advance.

If you elect to implement our representatives' advice using one of the other advisory programs described in this Brochure, we may receive on-going fees. In this event, our representatives may decide to waive or reduce the investment consulting fees charged. The representatives consider the amount of time spent on the initial services requested and the anticipated amount of fees earned from the other advisory program(s) you contract for. Our representatives always inform you of any reduction or waiver of financial planning fees before they provide any additional advisory services.

Services terminate upon completion of the investment consultations. However, either party can terminate services at any time by providing written notice to the other party. Termination is effective immediately upon receipt of the notice. If services are terminated before completion, fees are calculated on a prorated basis and you are responsible for paying fees for the time and effort expended by us prior to the effective date of termination. Fees are calculated using the original hourly rate quoted and a prorated refund is

issued or a prorated fee is due. We provide you with an invoice detailing the services provided and refund or fees due.

Retirement Plan Investment Advisory Services

For a corporate sponsor of a retirement plan, Advisor's retirement plan services can include, but are not limited to, the following services:

Fiduciary Consulting Services

- **Investment Policy Statement Preparation.** Advisor helps you develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. You have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- **Non-Discretionary Investment Advice.** Advisor provides you with general, non-discretionary investment advice regarding assets classes and investment options, consistent with your plan's investment policy statement.
- **Investment Selection Services.** Advisor provides you with recommendations of investment options consistent with ERISA section 404(c).
- **Investment Due Diligence Review.** Advisor provides you with periodic due diligence reviews of the plan's reports, investment options and recommendations.
- **Investment Monitoring.** Advisor assists in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement. Advisor makes recommendations to maintain or remove and replace investment options.
- **Default Investment Alternative Advice.** Advisor provides you with non-discretionary investment advice to assist you with developing qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the plan or who otherwise fail to make an investment election. You retain sole responsibility to provide all notices to participants required under ERISA Section 404(c)(5).
- **Individualized Participant Advice.** Upon request, Advisor provides one-on-one advice to plan participants regarding their individual situations.
- Due Diligence Review, Fiduciary File Set-Up, Participant Educational Presentations, Participant Enrollment, Participant Advice, Qualified Plan Development

Advisor acknowledges that in performing the fiduciary consulting services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of *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 administering your retirement plan or interpreting 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.

Fiduciary Management Services

Active(k) Managed Port.

Advisor sponsors a proprietary employer sponsored retirement plan solution called “Active(k)” and serves as plan consultant and investment advisor to these qualified retirement plans. The Active(k) plan investment menu is a list of individual mutual funds recommended by us (in accordance with our fiduciary consulting services described above) and approved by the plan trustee. The Active(k) investment menu also includes the option to include three model portfolios that are managed by us with the assistance of a third-party sub-advisor. We have the discretionary authority to hire and fire a sub-advisor. The third-party sub-advisor is an unaffiliated registered investment advisor that provides investment recommendations to us about the allocations in Active(k) portfolios. The sub-advisor makes these recommendations pursuant to investment guidelines contained in the agreement between us and the sub-advisor.

With respect the model portfolios managed by us in under Active(k) retirement plan solution, , Advisor will be acting as an investment manager to the plan, as defined by ERISA Section 3(38), with respect to our fiduciary management services for the managed model portfolios available under Active(k), and Advisor hereby acknowledges that it is a fiduciary with respect to these fiduciary management services. For plan’s that elect not to include these model portfolios within the plan’s investment menu, we do not serve as an investment manager to the plan, as defined by ERISA Section 3(38), with respect to our fiduciary management services for the managed model portfolios available under Active(k).

Non-Fiduciary Services

Advisor offers the following non-fiduciary retirement plan consulting services:

- Participant Education. Advisor provides education services to plan participants about general investment principles and the investment alternatives available under the plan. Advisor’s assistance in participant investment education is consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations do not take into account the individual circumstances of each participant and individual recommendations are not provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment. Advisor assists you with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- Qualified Plan Development. Advisor assists you with establishing a qualified plan by working with you and a selected third party administrator. If you have not already selected a third party administrator, we assist you with reviewing and selecting a third party administrator for the plan.
- Due Diligence Review. Advisor provides you with periodic due diligence reviews of your plan’s fees and expenses and your plan’s service providers.
- Fiduciary File Set-up. Advisor helps you establish a “fiduciary file” for the plan, which contains trust documents, plan adoption agreement, summary plan description, investment menu options, services agreements with investment management vendors, and the investment policy statement.
- Benchmarking. Advisor provides you with benchmarking services and provides analysis concerning the operations of the plan.

Although an investment adviser is considered a fiduciary under the *Investment Advisers Act of 1940* and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-

fiduciary should not be considered fiduciary services for the purposes of ERISA since Advisor is not acting as a fiduciary to the Plan as the term “fiduciary” is defined in Section 3(21)(A)(ii) of ERISA.

The exact services provided to you are listed and detailed in the Qualified Retirement Plan Agreement.

All recommendations of investment options and portfolios are submitted to you for your ultimate approval or rejection. Therefore, it is always your responsibility to accept Advisor's investment recommendations and then physically make changes to the plan itself

In the event a client contracts with Advisor for one-on-one consulting services with plan participants, such services are consultative in nature and do not involve test implementing recommendations in individual participant accounts. It is the responsibility of each participant to implement changes in the participant's individual accounts.

We can also meet with individual participants to discuss their specific investment risk tolerance, investment time frame and investment selections.

Retirement plan consulting services are not management services, and Advisor does not serve as administrator or trustee of the plan. Advisor does not act as custodian for any client account or have access to client funds or securities (with the exception of some accounts having written authorization from the client to deduct our fees). In addition, we do not implement any transactions in a retirement plan or participant's account. For retirement plan consulting services, the retirement plan or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Advisor will disclose 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 disclose 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 disclose 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.

Fees for retirement plan investment advisory services can be charged as an annual percentage of total plan assets and range from 0% to 2% or a flat annual fee ranging from \$2,000 - \$90,000.

For the asset based fee structure, when determining the fee, we consider the total market value of the plan assets, the complexity of the plan (although our provided services remain the same), the number of participants and the geographical location of the plan and its participants. We also consider any special situations, relationships with the client or conflicts of interest, such as prohibitions on fees under the

Employee Retirement Income Security Act of 1974 (ERISA). Fees are billed at the end of the quarter and calculated on the fair market value of the plan assets at the end of that quarter. If an account is created at any time other than the beginning of a quarter, the fee is prorated based on the number of days that services are actually provided in the quarter.

For our flat fee structure, when determining the fee, we consider the total market value of the plan assets, the complexity of the plan (although our provided services remain the same), the number of participants and the geographical location of the plan and its participants. We also consider any special situations, relationships with the client or conflicts of interest, such as prohibitions on fees under the *Employee Retirement Income Security Act of 1974 (ERISA)*. Fees are billed at the end of the quarter. Our fee is expressed as an annual flat fee and we assess 25% of that annual fee at the end of each calendar quarter in arrears. If an account is created at any time other than the beginning of a quarter, the fee is prorated based on the number of days that services are actually provided in the quarter.

The decision of whether to assess the advisory fees as an asset based fee or flat fee is at the full discretion of the Advisor.

If the model portfolios are selected by the plan sponsored to be offered as an investment option on the Active(k) platform, the sub-advisor receives a portion of the advisory fee charged by us for the services provided by the sub-advisor. While the fee that we pay each sub-advisor varies, it is usually 35% of the total fee charged by us and received from the plan/plan sponsor. We deduct expenses from the total fee received and pay the sub-advisor its net portion as described in the sub-advisor agreement. The plan trustee has a copy of the sub-advisor agreement and disclosure about the sub-advisor's compensation is included in the agreement between us and the plan trustee.

The plan trustee decides whether to be billed directly for our services or to have our fees deducted from the plan assets. If the trustee elects to be billed directly, we send a billing invoice to the plan sponsor within 15 days of the end of the quarter. Fees are due upon when the sponsor receives the billing invoice. If we do not receive payment within 45 days of the billing invoice date, the plan sponsor authorizes us to automatically deduct fees from plan account assets. If the plan sponsor elects to have fees automatically deducted from the plan account, the sponsor provides written authorization to the plan custodian and/or third-party administrator for the advisory fees to be deducted from the plan account and paid directly to us. If fees are deducted from plan assets, we do not send a billing notice to the trustees. We, the plan trustee, the third party administrator and/or record keeper all receive executed copies of the fee authorization documents at the onset of the plan. At least quarterly, the plan custodian sends an account statement that includes the advisory fees deducted from the plan account.

Retirement plan services automatically renew on the one year anniversary of the original client agreement being signed. Services are renewed on the same terms and conditions as contained in the original agreement. However, if there is a change in services or fees, a new client agreement is required.

Either party can terminate the agreement by providing written notice to the other party. Termination is effective 30 days after receipt of the notice. If services are terminated within five business days of executing the agreement for services, the agreement is terminated without penalty. In this case, termination is effective immediately and there is no prorated fee charged for time spent during the first five business days. If services are terminated after the initial five business day period, fees are prorated based on the number of days that services are provided during the quarter. If advisory fees are billed directly, we provide a billing notice to the trustee and/or sponsor detailing the prorated charges. If advisory fees are deducted from plan assets, no billing notice is sent.

Asset Management Services

We offer investment supervisory services that include giving continuous investment advice and/or making investments for the client based on the individual needs, goals and objectives of a client. We offer a customized and individualized investment program providing clients management services regarding allocations among various asset classes, ongoing assistance with evaluating and selecting investments, adjusting and rebalancing portfolios. We provide these services on a discretionary basis only. This means that 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 the client before making any transactions. Clients must provide us with written authorization to exercise this discretionary authority. See **Item 16, Investment Discretion**, for additional discussion on discretionary and non-discretionary authority.

Clients contracting for our asset management services must establish an account at American Portfolios Financial Services, Inc., a registered broker/dealer, who uses Pershing LLC as its clearing broker/dealer and qualified account custodian. We do not maintain custody of client assets. Clients should be aware that two of our representatives, Michael Ruger and Robert Mangold, are also registered representatives of American Portfolios Financial Services, Inc., which is a conflict of interest. Please see **Additional Compensation** (below), **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on this conflict of interest.

Our representatives assist clients in establishing an account at American Portfolios Financial Services, Inc. There is a \$50,000 minimum requirement to establish and maintain a managed account but exceptions can be granted at the decision of the Advisor to allow advisory accounts below the \$50,000 threshold.

Fees for management services are charged as an annual percentage of assets under management and range from .1% to 1.5%. When determining the fee, we consider the aggregate dollar value of the assets managed, the complexity of the assets held in the managed account, the actual services provided, any other advisory services the client has or will be contracting for, and our relationship with the client. We disclose the exact percentage based fee to clients prior to any services being provided.

Retirement Plan Participants that choose to rollover their 401(k) assets in to an individual retirement account and sign an asset management agreement directly with the Advisor will be subject to the management fee referenced above which may be higher than the fee charged on the same assets while they were enrolled in the retirement plan.

Fees are billed at the beginning of each quarter and are based on the total value of account assets as of the end of the previous quarter. If an account is created at any time other than the beginning of a quarter, the fee is prorated based on the number of days that services are actually provided in the quarter. In this case, the prorated fee is billed in arrears along with the first full quarter's fees that are billed in advance. Fees are deducted from a client's account and the client must provide American Portfolios Financial Services, Inc. with written authorization to have fees deducted from the account and paid directly to us. While we send a billing notice to the account custodian, we do not send a billing notice to clients. Clients should review account statements received from their account custodian and verify that appropriate advisory fees are being deducted.

Asset management services automatically renew on the one year anniversary of the original client agreement being signed. Services are renewed on the same terms and conditions as contained in the original agreement. However, if there is a change in services or fees, a new client agreement is required.

Either party can terminate the agreement for services by providing written notice to the other party. Termination is effective upon receipt of the notice. If services are terminated within five business days of executing the agreement for services, the agreement will be terminated without penalty and no fees will be charged for services provided in the first five business days. If services are terminated after the initial five business day period, fees will be prorated based on the number of days that services were provided prior to receipt of the termination notice. If services are terminated during the first partial billing period, Advisor will bill the client for the number of days that services were provided. If services are terminated at any time after completion of the first partial billing period, fees are prorated based on the number of days that services were provided and we refund any prepaid, unearned fees. This prorated refund occurs as a credit back to the client's account and is reflected on the account statement.

Clients should be aware that management services billed as a percentage of assets managed could still lead to potential conflicts of interest between Advisor and clients. For example, conflicts could arise relating to financial decisions in life such as incurring or paying down debt; gifting to charities or individuals; purchasing a home, car or other non-investment assets; purchasing a lifetime immediate annuity; travel or other expenditures; investments in private equity programs (private real estate ventures, closely held businesses, etc.); and placing funds in non-managed cash reserve accounts.

Our goal is that recommendations are always made with the best interests of its clients in mind, disregarding any impact the decision has on us. To help fulfill this goal, we have adopted internal policies to help manage these conflicts. For example, if the client has a mortgage or other debt, we consider this a negative allocation to fixed income and analyze the after-tax benefit of deductible mortgage debt versus an anticipated long-term return on fixed income investments. We also consider whether state income tax (if any) could impact to pay off debt rather than invest funds in a taxable account. Each client's circumstances (i.e., liquidity issues, risk tolerances, etc.) are considered and our representatives are required to document their analyses and client's decision in the file. Because each client's and potential conflicts are unique, each situation is handled on a case-by-case basis.

Performance Based Fees

Under certain situations, Advisor charges performance based fees to investors who meet the definition of "qualified client". Under these arrangements, you will be charged a fee based on the assets under management within your account and in accordance with the fee schedule and parameters detailed below. As a result, Advisor has developed two basic fee schedules. The first fee schedule illustrated above is applied to non-qualified clients and the second fee schedule is applied to qualified clients.

To be considered a qualified client, the client must have at least \$1 million under management with our firm immediately after entering into an advisory contract or we must have reasonable belief that the client has a net worth of more than \$2 million at the time the investment advisory agreement is executed.

In addition to an annual fee based on the value of the client's assets under management, we may be compensated for our asset management services through a performance based fee. Under this arrangement, the client will be charged a fee contingent upon the performance within the client's account(s). The performance based fee will be tied to the capital appreciation (i.e. capital gains) within

the account as evaluated at the end of each calendar quarter. In order for our firm to receive a performance based fee, we must achieve capital appreciation within the account.

The asset based fee will be payable quarterly, in arrears. The performance based fee over and above the asset based fee will be payable annual, in arrears. The performance based fee charged will be separately negotiated with each qualified client based on the complexity of client's situation, number of accounts managed, total assets under management and other factors specific to the client. The exact fee arrangements for each client will be specified in the client's advisory services agreement with Advisor.

Additional Compensation

Pershing LLC charges a separate fee for maintaining custody of managed client accounts. In addition, both Pershing LLC and American Portfolios Financial Services, Inc. can charge brokerage commissions and/or transaction fees directly to the client. Advisor does not receive any portion of the custody fee, commissions or fees from either the custodian or from the client. In addition, the client may incur certain charges imposed by third parties other than Advisor in connection with investments made through the client's account, including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges and IAR and qualified retirement plan fees. Advisor only recommends mutual funds that do not charge sales fees (no load funds), but clients should be aware that they may have other investments in their portfolios that could incur the fees and expenses previously discussed.

Mutual funds can charge a 12(b)-1 fee, which is named after a section of the *Investment Company Act of 1940*. It is an annual marketing or distribution fee and considered an operational or administrative expense. The fee is included as a part of the fund's total expense ratio and is paid from fund assets. Therefore, the fee comes indirectly from a client's account. Every mutual fund prospectus includes a description of the funds fees and expenses. Advisor's management fees are separate and distinct from the fees and expenses charged by the custodian, broker/dealer or any mutual fund.

However, Michael Ruger and Robert Mangold, two of our Advisor's representatives, are also registered representatives of American Portfolios Financial Services, Inc. In this separate capacity, they can receive a portion of any 12(b)-1 fees paid by mutual funds. 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 a potential conflict of interest. Advisor's representatives only recommend mutual funds to clients if those funds are suitable for the client and appropriate to help fulfill client's objectives. In addition, if any Active(k) qualified retirement plan account holds a mutual fund that pays 12(b)-1 fees, those fees are returned to the plan.

In their capacity as registered representatives, Advisor's representatives can sell securities products to any client. In addition, Advisor's representatives may also be independently licensed as insurance agents and sell insurance products to any client. The representatives can earn commissions when selling securities and insurance products in these separate capacities. 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.

As independently licensed insurance agents, Michael Ruger and Robert Mangold may enter into formal agreement with various third party insurance brokerage firms and refers insurance business to them. Although Mr. Ruger and R. Mangold are not the agents on these policies, because of these referrals he

receives a share of the commissions generated by the third party insurance firm. This is a potential conflict because he may recommend the purchase of an insurance product resulting in a commission being paid to him in addition to advisory fees being paid to Advisor.

David Wojeski is an owner of Advisor and is the president of a Wojeski & Company, CPAs, PC, a public accounting firm. If any of his accounting clients need assistance with advisory matters, he refers them to Advisor. Mr. Wojeski does not provide advisory services to Advisor's clients and does not receive advisory fees. However, this is still a conflict of interest due to his ownership interest in Advisor. While Mr. Wojeski is not directly compensated for the accounting client referrals, as an owner of Advisor he receives profits earned by the company. Advisor may also refer advisory clients needing assistance with accounting matters to Mr. Wojeski and his firm. Clients are not obligated to use Mr. Wojeski or his firm for accounting services, and no referral fees are paid to Advisor if they elect to do so. However, if an advisory client decides to utilize the services of Wojeski and Company for their tax preparation needs in 2016 the Advisor initiated a program in which the firm may pay Wojeski and Company for all or a portion of the tax preparation fees for advisory clients with asset under management of over \$250,000. The decision to pay the tax preparation fees on behalf of qualified clients will not be available to all clients and will be solely at the discretion of the Advisor. This payment program will not be available for clients who utilize other CPA Firms for their tax preparation services.

From time to time, Advisor 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. Advisor and its representatives endeavor at all times to put the interest of the clients first as a part of their fiduciary duty. However, clients 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 the representatives when making advisory recommendations.

Comparable Services

Advisor believes its 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.

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

As described above in *Item 5 – Fees and Compensation*, Advisor charges certain clients a performance fee, which is based upon a share of capital gains or capital appreciation of the assets of such client. We also provide services and are compensated on asset based fees, which are based on the total amount of assets owned by the client.

There are conflicts of interest Advisor faces by managing performance based accounts at the same time as managing asset based, non-performance based accounts. For example, the nature of a performance

fee poses an opportunity for Advisor to earn more compensation than under a stand-alone asset based fee. Consequently, Advisor may favor performance fee accounts over those accounts where we receive only an asset based fee. One way Advisor may favor performance fee accounts is that we may devote more time and attention to performance fee accounts than to accounts under an asset based fee arrangement.

There are other conflicts associated with performance fees that are not as common under an asset based fee arrangement. The nature of performance fees can encourage unnecessary speculation with client assets in order to earn or increase the amount of the fee. The result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset based fee account. On the other hand, riskier investments historically have a higher chance of losing value. Also, since in a performance fee arrangement an adviser is compensated based on capital gains or capital appreciation, these arrangements could give an investment adviser an incentive to time transactions in a client's account on the basis of fee considerations rather than on what is in the best interest of the client.

Performance fees can potentially cause an investment adviser to engage in transactions or strategies which will increase the amount of the performance fees, but which may not increase the overall performance of the client's account. For example, an account may lose value during a year and no performance fee will be earned. In the following year, Advisor may receive a performance fee for simply recouping losses from the previous year. Advisor controls for this potential conflict of interest by using the high-water mark fee calculation method described in the preceding paragraph. A performance fee may also encourage Advisor to make riskier and more speculative investments. Advisor does not represent that the amount of the performance fees or the manner of calculating the performance fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The performance fees charged by Advisor may be higher than the performance fees charged by other investment advisers for the same or similar services.

Advisor has established policies and procedures to address the various conflicts of interest associated with charging a performance fee:

- Advisor devotes equal time to the management of performance fee accounts and asset based fee accounts.
- Only clients that are able to assume additional risk are solicited to engage in a performance fee arrangement. Advisor provides such clients full disclosure of the additional risks associated with a performance fee arrangement.
- Client accounts eligible to be charged a performance based fee must reach a pre-determined and agreed upon high-water mark before the performance based fee is charged.

Performance based fee arrangements of Advisor will comply with Section 205(e) of the Investment Advisers Act of 1940. According to Section 205(e) (see Rule 205-3 thereunder), only natural individual clients meeting the SEC's definition of "qualified clients" may enter into agreements providing for performance based compensation to Advisor. A natural person or company must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000 under management with Advisor at the time the client enters into an agreement with KB Asset Management; **or**
- Provide documentation to Advisors that Advisor will reasonably believe the client has either a net worth of \$2,000,000 or is a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act.

Item 7 – Types of Clients

Advisor generally provides investment advice to the following types of clients:

- Individuals
- Trusts, estates, or charitable organizations
- 401(k) plans, pension plans, and profit sharing plans

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

Methods of Analysis

Advisor uses fundamental and technical analysis when considering investment strategies and recommendations for clients. In simple terms, fundamental analysis involves analyzing the characteristics of a company to estimate its value while technical analysis studies past market data looking for price trends and movements.

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.

Primary Method of Analysis or Strategy

There are risks involved in fundamental and technical analysis methods. Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data

reviewed is released over years (e.g., quarterly financial statements). Technical analysis uses a shorter timeframe—often weeks or days. The price and volume data reviewed is released on a daily basis. Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its "correct" value over the long run--perhaps several years.

As a general statement, technical analysis is used for a trade while fundamental analysis is used for an investment. It could also be said that traders buy assets they believe they can sell to someone else at a greater price while investors buy assets they believe will increase in value. The frequency of trading securities using technical analysis could have both a positive or negative impact and could also lead to increased brokerage and transaction costs, thus lowering performance. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

Investment Strategies

The investment strategies we use when implementing investment advice to clients include:

- Long term purchases (investments held at least a year)
- Short term purchases (investments sold within a year)
- Trading (investments sold within 30 days)
- Short sales (borrowing securities in anticipation of a price decline and returning an equal number of securities at some future time)
- 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)

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

Primarily Recommend One Type of Security

We do not primarily recommend one type of security to clients. Instead, we recommend any product that may by itself or in a diversified portfolio of investments be suitable for each client relative to that client's specific circumstances and needs.

Item 9 – Disciplinary Information

Advisor has no legal or disciplinary events that are material to a client's or prospective client's evaluation of Advisor's business or the integrity of its management. Therefore, this item is not applicable to Advisor's brochure.

Item 10 – Other Financial Industry Activities and Affiliations

Advisor does 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
- 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

Some of our representatives are also registered representatives of American Portfolios Financial Services, Inc. In this separate capacity, they can sell securities to any client and can earn commissions as a result. 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. The advisors compensation to have clients executed advisory accounts may be higher than the compensation that they would typically receive from a commission based account therefore they would have a conflict of interest. Our goal is that recommendations are always made with the best interests of its clients in mind, disregarding any impact the decision has on us. To help fulfill this goal, we have adopted internal policies to help manage these conflicts. Clients are under no obligation to use the

services of our representatives or American Portfolios Financial Services, Inc. and can select any broker/dealer they wish to implement securities transactions.

Insurance Sales

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. Clients are under no obligation to direct insurance transactions to insurance companies with which our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

Michael Ruger and Robert Mangold, two of our representatives and licensed insurance agents, may enter into formal arrangements with various third party insurance brokerage firms and refers insurance business to these firms. While Mr. Ruger and R. Mangold are not the agents of record on these policies, they can receive a share of the commissions generated by the third party insurance firms as a result of their referrals.

Accounting Services

David Wojeski is an owner of Advisor and is also the President of Wojeski & Company, CPAs, PC, a public accounting firm. If any of his accounting clients need assistance with advisory matters, he refers them to Advisor. Mr. Wojeski does not provide advisory services to Advisor's clients and does not receive advisory fees. This is a potential conflict due to Mr. Wojeski's ownership in Advisor. While he is not directly compensated for accounting client referrals, as one of Advisor's owners he receives profits earned by the company. Advisor may also refer advisory clients needing assistance with accounting matters to Mr. Wojeski and his firm. Clients are not obligated to use Mr. Wojeski or his firm for accounting services, and no referral fees are paid to Advisor if they elect to do so.

As stated previously, if an advisory client decides to utilize the services of Wojeski and Company for their tax preparation needs in 2016 the Advisor initiated a program in which the firm may pay Wojeski and Company for all or a portion of the tax preparation fees for advisory clients with asset under management of over \$250,000. The decision to pay the tax preparation fees on behalf of qualified clients will not be available to all clients and will be solely at the discretion of the Advisor. This payment program will not be available for clients who utilize other CPA Firms for their tax preparation services.

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. Advisor and its representatives have a fiduciary duty to all clients. Advisor has established a Code of Ethics which all associated persons must read. They must then execute an acknowledgment stating that they understand and agree to comply with Advisor's Code of Ethics. The fiduciary duty of Advisor and its associated persons to clients is considered the core underlying principle for Advisor's Code of Ethics and represents the expected basis for all associated persons' dealings with clients.

Advisor has the responsibility to make sure that the interests of clients are placed ahead of it or its associated persons' own 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. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted.

All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the associated persons' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of Advisor's Code of Ethics. If current clients or potential clients wish to review Advisor's Code of Ethics in its entirety, a copy may be requested from any of Advisor's associated persons and a copy will be provided promptly.

In addition to abiding by Advisor's Code of Ethics, Advisor's representatives also abide by the Code of Ethics and Responsibility of the Certified Financial Planner™ Board of Standards, Inc. The Code of Ethics and Responsibility requires CFP® 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® 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

Clients can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from one of Advisor's representatives.

Participation in Client Transactions and Personal Trading

Advisor or its representatives may buy or sell securities or have an interest or position in a security for their personal account which they also recommend to clients. Advisor is and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. As these situations may represent a potential conflict of interest, it is a policy of Advisor that no associated persons will prefer his or her own interest to that of the advisory client. No person employed by Advisor may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account. Associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In order to help minimize the conflict of interest, securities recommended by Advisor are widely held and publicly traded.

Item 12 – Brokerage Practices

American Portfolios Financial Services, Inc.

Clients wishing to implement Advisor's advice are free to select any broker/dealer or investment advisor they wish and are so informed. If clients wish to have Advisor's representatives implement the advice in their capacity as registered representative, American Portfolios Financial Services, Inc. will be used. Advisor's representatives are registered representatives of American Portfolios Financial Services, Inc. and are required to use the services of this broker/dealer. American Portfolios Financial Services, Inc. has a wide range of approved securities products for which it performs due diligence when selecting. The registered representatives are required to adhere to these products when implementing securities transactions through American Portfolios Financial Services, Inc. Commissions charged for these products may be higher or lower than commissions clients could obtain if transactions were implemented through another broker/dealer.

If clients elect to contract for Advisor's asset management services they are required to establish an account at American Portfolios Financial Services, Inc. When Advisor is responsible for managing client accounts, it is also responsible for seeking best execution of all client transactions. Best execution does not necessarily mean the lowest price, but includes the overall services received from a broker/dealer. Advisor recommends broker/dealers and custodians that it feels will provide services in a manner and at a cost that allows Advisor to meet its duty of best execution. However, clients should be aware that Advisor may be limited in the broker/dealer or custodian that it is allowed to use due to the relationship of Advisor's representatives with American Portfolios Financial Services, Inc. American Portfolios Financial Services, Inc. has a regulatory duty to supervise the transactions implemented by its registered representatives. Therefore, it may limit the broker/dealer or custodial platforms that can be used by its registered representatives in their separate capacity as Advisor's representatives.

All accounts established at American Portfolios Financial Services, Inc. are cleared through Pershing LLC. Pershing LLC also acts as the qualified custodian for all accounts. All Active(k) Accounts are held at Matrix Trust Company. Advisor and its representatives will not act as custodian for any client account or have direct access to the client's funds or securities except for the ability to have advisory fees deducted from the client's account and paid to Advisor.

There is no direct link between the investment advice given to clients and Advisor's recommendation of American Portfolios Financial Services, Inc. However, economic benefits are provided by American Portfolios Financial Services, Inc. to Advisor that may not be provided if the client selects another broker/dealer or account custodian. These benefits include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that exclusively services American Portfolio Financial Services, Inc. participants
- A dedicated service group and an account services manager dedicated to Advisor's accounts
- Access to a real-time order matching system
- Ability to "block" clients' trades
- 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

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 representatives 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 Pershing is 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 American Portfolios Financial Services, Inc. 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 Trading

We 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 we believe such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions are averaged as to price and are allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation or remuneration as a result of blocking trades.

Item 13 – Review of Accounts

Account Reviews

Financial planning and investment consulting accounts terminate upon presentation of the plan or completion of the consultation. However, Advisor recommends that clients have their financial situation reviewed and updated at least yearly. If clients wish to undertake a review and update, a new client agreement is required and additional fees may be charged.

Clients contracting for asset management services have their accounts reviewed at least quarterly. For retirement plan advisory accounts, reviews are conducted on a plan level at least quarterly. The individual investments making up a plan's investment menu are monitored on a daily, weekly and/or monthly basis for both fundamental and technical merit. See **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss**, for additional discussion on fundamental and technical analysis considerations.

Reviews are conducted by Michael Ruger and Robert Mangold. Although the calendar is the main triggering factor, account reviews are also conducted due to:

- Client request
- Change in client circumstances, account holdings or investment objectives
- Unusual economic conditions
- Changes in geopolitical environment.

Account reviews include asset allocation and security specific considerations. Absent specific client instruction, accounts are reviewed relative to asset allocation and security specific considerations, to be sure portfolio holdings are accurate, investment products are still suitable and account performance continues to work toward the client's goals and objectives.

Account Reports

Financial planning and investment consulting clients do not receive any account reports other than those included as a part of the services originally contracted for.

Asset management clients receive confirmation statements as trades occur in the accounts. In addition, clients receive statements from the account custodian at least quarterly. Advisor also provides a quarterly position and performance report to clients detailing asset allocation, account transactions and account contributions/withdrawals. Clients are urged to compare the account statements received from their custodian with the reports prepared and delivered by Advisor.

Clients contracting for retirement plan investment advisory services receive statements at least quarterly from the plan's record keeper and/or custodian. Advisor does not provide any additional reports or statements.

Item 14 – Client Referrals and Other Compensation

Client Referrals

Advisor may enter into agreements with unaffiliated solicitors (Referring Parties) to refer clients to Advisor. If a client is referred to Advisor by a solicitor, the solicitor provides the client with a copy of Advisor's 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 Advisor, a referral fee is paid to the solicitor that can be either a one-time flat fee or a recurring fee based on a percentage of the annual advisory fee collected by Advisor. The flat fee does not exceed \$5,000 per year and is ongoing as long as the referred client maintains a relationship with Advisor. The percentage fee does not exceed 50% of the advisory fees paid annually by the referred client to Advisor (net revenue less expenses) and is ongoing as long as the referred client maintains a relationship with Advisor. The referral relationship does 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 Advisor 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*. In addition, the solicitors are qualified within the applicable New York regulations.

Other Compensation and Non-Client Economic Benefit

For additional discussion on other compensation received by Advisor, its owners or its representatives please refer to Additional Compensation under **Item 5, Fees and Compensation**, **Item 10, Other Financial Industry Activities and Affiliations**, and **Item 12, Brokerage Practices**, for discussion about the services and products Advisor may receive from American Portfolios Financial Services, Inc.

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. Please note that regulators have deemed the authorization to trade in client accounts to not be custody. However, 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. Our procedures do **not** result in our maintaining custody of client funds and securities.

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, asset management services are provided on a discretionary basis only. 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 impose 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.

Investment discretion also applies to the Managed Portfolios within the Active(k) solution. Advisor has discretionary authority over the Lifestyle Portfolios.

Item 17 – Voting Client Securities

We do not vote proxies or accept proxy materials on your behalf. All proxy materials are sent directly to you from the product sponsor, custodian or transfer agent. You have the ultimate responsibility for making 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 its 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.

Class Action Lawsuits

Clients retain the right under applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for clients. Advisor does not initiate such a legal proceeding on behalf of clients and does not provide legal advice to clients regarding potential causes of action against such a security issuer and whether the clients should join a class-action lawsuit. Advisor recommends that clients seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. Moreover, Advisor's services do not include monitoring or informing clients of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased or sold by or for clients.

Customer Privacy Policy

Regulation S-P, Privacy of Consumer Financial Information, requires financial institutions, including Advisor, to provide notice to current clients and prospective clients about their policies and practices concerning the collection and use of customer, non-public information. This privacy policy notice is given to all prospective clients of Advisor upon entering into a contract with Advisor and annually thereafter.

Privacy Disclosure Statement. A primary goal of Advisor is to protect the privacy of its clients. Advisor does not sell the personal information of clients to anyone.

To conduct regular business, Advisor may collect non-public personal information from clients. This information is provided by clients to Advisor on applications and other forms provided by clients to Advisor as well as transactions with the firm, our affiliates, or others.

Advisor may enter into contracts with outside third parties so that Advisor can assist its clients in servicing their accounts. In order to do this, Advisor will disclose personal information to companies that help Advisor process transactions for client accounts (for example, executing client trades at through a broker/dealer). However, Advisor does not share or disclose any non-public customer information except as allowed or required by law. In addition to sharing information in order to provide financial services to clients, Advisor may be required to disclose personal information to cooperate with regulators or law enforcement authorities, to resolve customer disputes, or for risk control.

Information Safeguarding. Advisor has implemented strict policies and procedures aimed at protecting the sensitive nature of client information. Advisor restricts access to client information to only those members of Advisor that must provide products and services to clients in order to service client accounts. Advisor has implemented physical, electronic, and procedural safeguards aimed at meeting Advisor's duty to protect nonpublic client information.

If you have any questions concerning Advisor's customer privacy policy or concerns about your personal information, please feel free to contact Michael Ruger.