



**DIRECT ADVISORY SERVICES  
WRAP FEE BROCHURE  
FOR SCHWAB ADVISOR NETWORK®**

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This wrap fee program brochure (this “Brochure”) provides information about the qualifications and business practices of Tactical Allocation Group, LLC (referred to in this Brochure as “us,” “we,” “our” or the “firm”). If you have any questions about the contents of this Brochure, please contact us at (248) 283-2520 or [info@tagllc.net](mailto:info@tagllc.net). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

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

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## INTRODUCTION

This brochure provides the specific fees, minimum account requirements and information for clients and potential clients referred to us by Charles Schwab & Co., Inc. through our participation in the Schwab Advisor Network®. As described in more detail in “**Client Referrals and Compensation**” on page 12, our participation in the Schwab Advisor Network may raise potential conflicts of interest.

In this brochure, references to “we,” “us,” “our,” or “our firm” refer to Tactical Allocation Group, LLC. Our firm’s clients and prospective clients are referred to as “you,” “your” or “our clients.” References to “custodian” refer to Charles Schwab & Co., Inc. We encourage you to read this brochure carefully and to ask questions if there is any information that you do not understand.

## **ITEM 4: SERVICES, FEES AND COMPENSATION**

### **Our Services**

We offer investment advisory services through a wrap fee program. A wrap fee program is an investment program where you pay us, as the sponsor of the program, a single fee which covers the costs of investment management, brokerage, custody and any other services provided under the program.

Clients may participate in our program in one of two ways, by working directly with one of our investment adviser representatives or by working through an independent financial advisor. Clients that are referred to us through the Schwab Advisor Network® receive our investment advisory services by working directly with one of our investment adviser representatives. If a client works through a broker or another independent financial advisor we will be a sub-advisor to the client. There is no difference in how we manage accounts that participate in our direct or sub-advisory wrap fee program.

### ***Direct Advisory Services***

Typically, we combine planning services with investment management services to offer a comprehensive review of your financial goals and objectives along with investing in our portfolios.

If you select to use our planning and investment management services, we will assist you in gathering the information necessary for us to understand your individual investment objectives, financial circumstances, and risk tolerance and we will use this information to complete an investment objective questionnaire. We use your responses to this questionnaire for investment planning, and creating your funding analysis and investment strategy. If you are a charitable organization or corporation, we will document your investment objectives in an investment policy statement. At least annually, we will review your current circumstances with you. Based

upon the information we obtain from you, we will then select our portfolio or portfolios which are appropriate for investment of your account(s).

As part of our services to qualified retirement plans which are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), we will act as a fiduciary of the plan under Section 3(21)(A) and as an Investment Manager under Section 3(38) of ERISA. As a 3(38) investment manager, the plan fiduciary gives us discretionary authority to manage the plan’s assets. This means that the plan fiduciary shifts its fiduciary responsibility to us for the selection of the plan’s investments. For all qualified plan clients we will work with the plan fiduciary to develop a formal written investment policy statement for the plan, or we will review and amend the existing investment policy statement, which establishes the plan’s specific standards and processes for investment operations. The investment policy statement may also place restrictions on the types of investments the plan invest its assets in. We will use the plan’s investment policy statement to recommend the portfolio and will continually monitor the performance of the plan’s investments.

### **Our Fees**

Our fees vary depending upon the market value of your assets under management. Our standard direct advisory service fee schedule for planning and investment management is as follows:

<b>PLANNING &amp; INVESTMENT MANAGEMENT</b> <i>INDIVIDUALS, TRUSTS AND ESTATES</i> Annual Fee					
<b>Asset Level</b>	<b>Tactical Income</b>	<b>Tactical Conservative</b>	<b>Tactical Moderate</b>	<b>Tactical Growth</b>	<b>Tactical Equity</b>
\$500,000 - \$999,999	0.75%	1.15%	1.15%	1.15%	1.25%
\$1,000,000 - \$1,999,999	0.75%	1.15%	1.15%	1.15%	1.25%
\$2,000,000 - \$4,999,999	0.70%	1.15%	1.15%	1.15%	1.25%
\$5,000,000 - \$9,999,999	0.70%	1.00%	1.00%	1.00%	1.20%
\$10,000,000 - \$24,999,999	0.65%	0.85%	0.85%	0.85%	1.15%
\$25,000,000 - \$49,999,999	0.60%	0.75%	0.75%	0.75%	1.10%
\$50,000,000 - \$99,999,999	0.55%	0.65%	0.65%	0.65%	1.05%
\$100,000,000 and over	0.50%	0.60%	0.60%	0.60%	1.00%

<b>PLANNING &amp; INVESTMENT MANAGEMENT</b> <i>QUALIFIED PLANS, CHARITABLE ORGANIZATIONS AND CORPORATIONS</i> Annual Fee					
<b>Asset Level</b>	<b>Tactical Income</b>	<b>Tactical Conservative</b>	<b>Tactical Moderate</b>	<b>Tactical Growth</b>	<b>Tactical Equity</b>
\$3,000,000 - \$4,999,999	0.70%	1.15%	1.15%	1.15%	1.25%
\$5,000,000 - \$9,999,999	0.70%	1.15%	1.15%	1.15%	1.20%
\$10,000,000 - \$24,999,999	0.65%	1.15%	1.15%	1.15%	1.15%
\$25,000,000 - \$49,999,999	0.60%	0.95%	0.95%	0.95%	1.10%
\$50,000,000 - \$99,999,999	0.55%	0.75%	0.75%	0.75%	1.05%
\$100,000,000 and over	0.50%	0.60%	0.60%	0.60%	1.00%

Unless we agree in writing to handle it differently, we bill our fee quarterly in advance. The fee is based on the total assets in your account. Once your assets reach the higher asset bracket, the entire account is charged the fee associated with that bracket. We may agree to aggregate your related accounts for purposes of calculating the asset level and fee. If you enter into an agreement directly with us, then the specific manner in which we charge fees is described in our investment advisory agreement with you. We may negotiate our fee under certain circumstances and negotiated fees may be higher or lower than those described above.

We will deduct your initial fee at the inception of your account and we will prorate your initial fee based upon the actual number of days remaining in the initial quarter. Generally, your fee for all subsequent quarters will be deducted within the first five business days following the close of each calendar quarter. Our fee will be calculated as of the end of each calendar quarter using the ending balance of assets in your account as reported by your custodian or as reconciled within our portfolio accounting software. We do not make adjustments or refunds for additions or partial withdrawals during any quarter.

Our fee includes brokerage commissions, transaction fees, and other related costs and expenses. This arrangement may present a conflict of interest for us to trade securities in your account since as the sponsor of the program we incur all transaction costs.

For qualified plans, we will disclose to the plan fiduciary all revenue arrangements and any other monetary benefits provided to us or our employees related to the qualified plan.

### **Termination of Services**

Either of us may terminate our investment advisory agreement by providing the other party with written notice. You have the right to terminate the agreement without penalty within five business days after signing the agreement. If the agreement terminates prior to the end of a billing period, we will refund advisory fees to you prorated from the date of termination to the end of quarter. If the agreement is terminated, you will still be liable for any transactions initiated by us in your account under the agreement prior to the termination date, such as the purchase of investments. If you request, we will initiate redemption instructions upon receipt of your written termination notice. Proceeds will be available for payment to you upon settlement of all transactions in the account. It may not be necessary to liquidate all securities positions when terminating our agreement and you should ask us about that at the time of termination. You are responsible for any cost incurred in transferring assets from the account to a different account.

### **Other Fees and Charges**

You may incur regulatory fees charged by the SEC to the sellers of equity securities that are exchange traded, and charges for other account services that are not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for transfers of securities.

Our fee includes such services as investment management such as in exchange-traded products (ETP) analysis and market analysis, execution of securities, the custodian's monthly reports, account servicing, and continuous account management. Participation in our program may cost you more or less than purchasing these services separately. The portfolio size and amount, number of transactions made in your account, as well as the commissions charged for each transaction, will determine the relative cost of our program versus paying for executions on a per transaction basis and paying a separate fee for advisory services. You may be able to receive services similar to those offered through our program from other investment advisers either separately or as part of a similar wrap fee program. These services or programs may cost more or less than our program, depending on the fees charged by the other service providers.

ETPs typically charge their shareholders various transaction and operating expense fees associated with the establishment and operation of the funds. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge. However, because of differences in distribution and often lower transaction costs, total operating expense ratios for ETPs often have been historically less than those for corresponding mutual funds. These separate fees and expenses are disclosed in each fund's current prospectus, which is available from the fund or we can provide it to you upon your request.

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

### **Direct Billing to Client's Custodian**

You may elect to be billed directly for our fees or you may authorize us to directly debit fees from your accounts. Generally, clients authorize us and grant the custodian permission to deduct the fees directly from their account. Under our agreement, you will authorize us to bill your custodian directly for our fees. As early as the first five business days following the close of each calendar quarter, your custodian will deduct and send to us the fee. The custodian's periodic statements will show each fee deduction from your account. You may withdraw this authorization for direct billing of these fees at any time by notifying us or your custodian in writing.

### **Family Accounts**

For our current or former employees or members of their immediate family, we may provide the same services for no fee or for fees lower than those charged to our other clients.

## **ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **Account Requirements**

We impose certain conditions for starting or maintaining an account in this program. For clients referred through Schwab Advisor Network®, our minimum cash and/or securities to open an account has been negotiated lower. The aggregate household minimum is \$500,000. The minimum for charitable organizations, corporations and pension and profit sharing plans is \$3,000,000. We may waive this requirement at our discretion.

### **Types of Clients**

We provide investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations, foundations, corporations, and other investment advisers.

## **ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Advisory Business**

#### ***Our Portfolios***

Your assets will be invested in our portfolios which are not managed securities, but rather tactically allocated portfolios utilizing investments ETPs like exchange traded funds (ETFs) and exchange traded notes (ETNs). Our portfolios are tactically allocated towards global equities, commodities and fixed income. We use a global blended benchmark to measure the risk we assume in allocating our portfolios.

We manage your assets on a discretionary basis in accordance with the selected portfolio. You retain individual ownership of all securities and you have the opportunity to place reasonable restrictions on the types of investments in your account although if we deem your restrictions to be unreasonable, we will not enter into an investment advisory agreement with you or we will terminate the existing agreement with you. There are no differences in how we manage accounts participating in our program from other accounts invested in our portfolios.

We are the sponsor and portfolio manager for all accounts in our program. We also offer investment advisory services outside of our wrap fee program including sub-advisory services to financial advisors, as well as investment management regarding variable life/annuity products, that you may own or various mutual funds in your individual employer-sponsored retirement plans. We offer those services on a fee basis. For additional information regarding these services and our fees, you may request a copy of the Part 2A of our Form ADV by contacting us at (248) 283-2520 or [info@tagllc.net](mailto:info@tagllc.net).

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

A performance based fee is a fee based on a share of capital gains on or capital appreciation of the assets of a client. We do not charge our advisory clients any performance-based fees; however, our fees will generally increase as the aggregate value of your account increases, or decrease if the value of the account decreases, subject to our fee schedule.

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

We start with a qualitative, top down analysis of global themes focused around social, political and economic trends with both historical and future perspectives. The trends are interpreted as to their “future” impact on various financial assets (asset classes). These financial forecasts are tested through various quantitative calculations and technical analysis.

We utilize our proprietary system to monitor various lagging, coincident, and leading macro and micro economic statistics and to calculate various valuation metrics. We utilize research data from numerous independent research firms and the public domain.

There are risks involved with this method, including the risk that the social, political and economic trends will change unpredictably, which is why we test our interpretations using various methods and obtain information from a variety of sources.

### ***Investment Strategies***

We use tactical asset allocation, a dynamic investment management style, adjusting asset allocations to our forward view of the relative risk and returns of various asset classes. This is distinguished from strategic asset allocation, a passive process, which rebalances portfolios back to their original static allocations. Our strategy is further distinguished from market timing, a strategy where portfolios are often invested in or out of the equity markets, by the degree and frequency of portfolio adjustments. We invest in asset class positions with a one-year or longer outlook, whereas market timing often trades on a less than one-year frequency. At any given time, our portfolios are invested in a blend of cash, equities, or fixed income positions according to their respective strategic risk parameters.

The portfolios utilize a “fund of funds” strategy, investing exclusively with asset class specific ETFs and ETNs versus investing directly in individual stocks and bonds. We construct our core portfolios, (e.g., Tactical Growth, Tactical Moderate and Tactical Conservative) using the following five integrated levels of risk management and toward a different targeted time, risk and return objectives. We integrate two of the risk levels, passive indexes and tactical overlay, to manage risk for the Tactical Equity and Tactical Income portfolios.

1. Target Allocation: Establish Equity Risk - We set the minimum to maximum target equity exposure for each portfolio.
2. Wide Diversification: Protect Allocation Risk



- a. We start with an investable universe of more than 30 asset classes that can be used to build each of the portfolios. Each portfolio will generally hold 8 to 15 ETPs with each representing a different asset class.
  - b. We use diversification to attempt to reduce volatility while retaining the flexibility to avoid asset classes that appear to have below average return potential in the coming years.
3. Position Limits: Reduce Concentration Risk
  - a. The maximum concentration in any given ETP is 15% (at cost). The lone exception to this rule is cash.
  - b. We believe an ETP maximum allocation of 15% can contribute to performance if the position appreciates in value while at the same time avoid doing significant damage to the portfolio if the position should decline in value.
4. Passive Indexes: Minimize Security Risk - We use ETPs in an attempt to minimize security selection risk associated with individual securities or mutual funds.
5. Tactical Overlay: Manage Event Risk - Our tactical process proactively modifies the portfolios. Our core belief is that asset classes move in synchronization with global economic cycles. The tactical overlay allows the investment team to select asset classes that should benefit from the forward changes in economic cycles and avoid those asset classes that could face headwinds from those changes.

We use a proactive investment management process globally across multiple asset classes in our portfolios. While the number and weighting of asset classes in the portfolios vary according to their objectives, all portfolios are consistent in our thematic diversification. Diversification does not ensure a profit and may not protect against loss in declining markets.

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

Investing in securities involves risk of loss that you should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. We will work with you to identify the balance of risks and rewards that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not understand fully the risks associated with any investment or investment strategy.

Also, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure you that your investments will be profitable or assure you that no losses will occur in your investment portfolio. Past performance is one consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.

We will discuss with you the investment risks of ETPs to determine the investment objectives that will guide your portfolio selection. We will explain and answer any questions you have about these kinds of investments, which present special considerations.

ETPs are types of securities that derive their value from a basket of securities such as stocks, bonds, commodities or indices and trade on exchanges during the day like individual stocks, while traditional mutual funds are priced once a day at the close. The value of our portfolio will fluctuate with the value of the underlying securities. ETPs trade like a stock, and there will be brokerage commissions associated with the buying and selling of the ETPs unless, trading occurs in a wrap fee program.

We primarily invest in passively managed funds designed to seek the investment results that correspond generally to the price and yield of an index however; we may invest in actively managed ETPs. ETPs that are actively managed do not merely seek to passively track an index; instead they seek to achieve a specified investment objective using an active investment strategy.

Equity-based ETFs have a similar risk profile to those of equity mutual funds, while fixed income-based ETNs have a risk profile that approximates bond mutual funds. You should anticipate that the value of an ETP's shares would decline, more or less, in correlation with any decline in the value of its corresponding index. An ETP's return may not match the return of the index. Sometimes referred to as a "tracking error," expenses and other factors may affect the performance of an ETP so that the ETP's performance will not exactly match the performance of their respective underlying indexes. The ETP may invest in small capitalization, mid-capitalization, emerging markets and international companies. Such companies may experience greater price volatility than larger, more established companies.

Commodities may provide protection against inflation and/or the inability of fiat currencies to maintain their store of real value. Commodities may provide imperfect correlations relative to other asset classes and serve as a diversifier for risk-tolerant portfolios. It is also important to understand that commodity ETFs can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

We also provide what we believe are the primary risks for you to review as listed below.

- **Market Risk.** ETPs are largely influenced by the value of the index it tracks. As the index value changes in response to news and general economic conditions of domestic, international and commodity/natural resource markets, in general, so will the value of the ETP, which can result in a loss of principal to investors.
- **International Investment Risk.** International investments may involve risk of capital loss from unfavorable fluctuations in currency exchange rates, differences in generally accepted accounting principles, or economic or political instability in other nations.

- **Emerging Markets Risk.** Investments in emerging markets may be subject to a greater risk of loss than investments in more developed markets. Emerging markets may be more likely to experience inflation risk, political turmoil and rapid changes in economic conditions than more developed markets. Emerging markets often have less uniformity in accounting and reporting requirements, unreliable securities valuation and greater risk associated with custody of securities.
- **Income Risk.** The ETPs income may decline when interest rates fall. This decline can occur because the ETP must invest in lower-yielding bonds as bonds in its portfolio mature, bonds in the underlying index are substituted or the ETP otherwise needs to purchase additional bonds.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Liquidity Risk.** Markets can also experience a decline in liquidity which can negatively impact ETP prices while increasing the difficulty to exit a position. The ability to purchase or sell large positions of ETP securities, due to possible low trade volume, may take time (i.e. days).
- **Natural Resources Industry Risk.** The value of securities issued by companies in the natural resources industry may decline for many reasons including changes in commodity prices, government regulation, environmental damage claims, changes in exchange rates or depletion of natural resources.

### **Voting Client Securities**

In general, we do not vote proxies. Your custodian will forward the proxy solicitation materials directly to you.

### **ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

We are the sponsor and the portfolio manager of the wrap fee program. You should notify us promptly if your financial situation, investment objectives or investment restrictions change. You may contact us at (248) 283-2520 or by email at [info@tagllc.net](mailto:info@tagllc.net).

### **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

As a portfolio manager of a wrap fee program, we must inform you if there are any restrictions placed on your ability to contact us. We do not place restrictions on you if we provide you with direct investment advisory services through our investment adviser representatives.

You may contact us at (248) 283-2520 or by email at [info@tagllc.net](mailto:info@tagllc.net). Our normal business hours are 8:30 a.m. to 5:00 p.m. Monday through Thursday and from 8:30 a.m. to 4:00 p.m. on Friday. In addition, our investment adviser representatives are available by appointment.

## **ITEM 9: ADDITIONAL INFORMATION**

### **Disciplinary Information**

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

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

Registered investment advisers are required to disclose information regarding its business activities, other than giving investment advice, its other activities in the financial industry, and any arrangements with related persons that are material to its advisory business or clients. We must inform you if we receive cash or other economic benefits from a third-party in connection with advising our clients. We have no information to disclose.

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

We have adopted a Code of Ethics (the "Code") describing the standards of business conduct we expect all officers, directors, employees, and advisory representatives to follow. The Code also describes certain reporting requirements with which particular individuals associated with or employed by us must comply. We will provide a copy of the Code to you upon request at no charge. You may request a copy of our Code by contacting us at (248) 283-2520 or [info@tagllc.net](mailto:info@tagllc.net).

Our principals, representatives and employees will often own the same securities recommended to you and may invest in one or more of our portfolios. When invested in the same portfolios, these accounts are traded concurrently with our other clients in our portfolios. Records are maintained of all such transactions. Orders for clients and orders for our own accounts may sometimes be aggregated or "batched" into one large order. If we aggregate an order for securities transactions, it will be on a portfolio basis such that all accounts invested in accordance with the same portfolio will be traded in a block trade. Aggregated orders may achieve better execution for all participating accounts and those benefits will be fairly allocated among all participating accounts. Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by us in that security on a given business day.

### **Brokerage Practices**

Clients referred by Charles Schwab & Co., Inc. through the Schwab Advisor Network®, will generally receive brokerage and custodial services through Schwab. As described in more

detail in “**Client Referrals and Compensation**” on page 12, we pay Schwab a referral fee if the client maintains their account at Schwab or if the client maintains, or transfers to a custodian other than Schwab.

We have instituted a trade rotation policy to ensure each client is treated fairly in the execution of tactical reallocation. We segregate the accounts into three sections: 1) trade signal accounts; 2) discretionary ETF portfolios; 3) custom accounts. This numbering determines the order in which your account is traded. Trades are then executed in the order of rotation number. With each tactical change, the three sections rotate one turn so that no one group of clients benefit to the detriment of another group of clients. If there is a new client, it enters the last position for rotation purposes. Clients referred through the Schwab Advisor Network®, are traded with the discretionary ETF portfolios.

We have adopted a trade allocation policy to govern how we aggregate orders for securities transactions on a portfolio basis. In doing so, we strive to treat each client fairly and will not favor one client over another client. Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by us in that security on a given business day. If an aggregated order is not filled in its entirety, it may be allocated among participating accounts on a pro rata basis. However, if the partial fill is determined to be inappropriate for an account such that the number of shares for a particular account would be too few to warrant the investment or result in partial shares, then the shares will not be allocated to that account. If the security is so thinly traded that we are unable to obtain sufficient shares for all clients, it is possible that the entire trade would be busted.

We will not aggregate trades for your accounts if you have placed restrictions on your accounts or when your account is subject to customized management. We have some accounts where the clients have required that we implement exceptions to trading the account in accordance with our model portfolios and those accounts are not subject to block trading. We are unable to include these accounts in our block trade because the restrictions placed on the account by the client require individual review before we make any trades. Thus, if you place restrictions on your account, we will not aggregate your trades with that of our other clients. We do not aggregate trades for delivery versus payment accounts processed through The Depository Trust & Clearing Corporation rather than the custodian, or assets held outside of the custodian.

## **Review of Accounts**

### ***Review and Reports of Accounts***

Our investment committee reviews the securities that we recommend for investment in the portfolios on an ongoing basis and determines any tactical changes.

## ***Client Reports***

You will receive a confirmation of each transaction that occurs in your account; and a statement, at least quarterly, describing activity, including the withdrawal of our fee and values from your custodian. We urge you to review such statements carefully.

If you use our planning and investment management program, semi-annually we will offer you an account specific performance summary. If you are a qualified plan, charitable organization or corporation, you will receive a quarterly investment performance report in the format set forth in your investment policy statement.

## **Client Referrals and Compensation**

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

We receive client referrals from Charles Schwab & Co., Inc. through our participation in Schwab Advisor Network<sup>®</sup>. The Schwab Network is designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of and unaffiliated with us. Schwab does not supervise us and has no responsibility for the management of our clients' portfolios or our other advice or services. We pay Schwab fees to receive client referrals through the Schwab Network. Our participation in the Schwab Network may raise potential conflicts of interest described below.

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

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

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

through the Schwab Network to maintain custody of their accounts and execute transactions at Schwab.

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

### ***Employees***

New business brought to us by an employee may increase the employee's total compensation. A portion of the compensation we pay to our sales employees is based upon a percentage of new assets brought to our firm. If one of our sales employees refers you to us, they will disclose to you their affiliation with our firm at the time of the solicitation or referral. However, we do not employ individuals whose sole compensation is based upon the amount of business brought to us. Certain professionals who are our associated persons are eligible to receive a bonus based on the revenue collected. This additional compensation is paid by us out of our own assets, and is not directly paid by the client.

### **Financial Information**

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

## **PRIVACY POLICY**

We are committed to safeguarding the confidential information of our clients because mutual trust is essential to the advisor-client relationship. This notice is our policy describing how we treat your nonpublic personal information.

"Nonpublic personal information" is nonpublic information about you that we obtain in connection with providing a financial service to you for personal, family, or household purposes.

It does not include information available from government records, widely distributed media (like telephone directories), or government mandated disclosures.

### ***Information We Collect From You***

We receive nonpublic personal information about you, our client, in the normal course of providing our investment management services. This information is usually communicated to us by you or your independent financial advisor to assist us in managing your investments.

The categories of nonpublic information that we collect from each client depends upon the scope of the client engagement. We collect nonpublic personal information about you from the following sources:

- Information we receive from you on your applications or other forms, such as your name, address, social security number, telephone number, assets, and income.
- Information about your transactions for your account, including such matters as your account balance, investment portfolio, investment cost, investment distributions, investment gain or loss.

### ***Third Parties With Whom We May Share Information***

We do not disclose nonpublic personal information about our clients or former clients to anyone except as otherwise permitted by law. For example, we are permitted by law to share information about you with:

- Our investment advisory representatives, employees, and the independent financial advisors who may have referred you to our firm and with whom you continue to work.
- Your accountant, tax preparer, or lawyer, with your prior consent.
- Companies that assist us in processing your transactions and servicing your account, such as introducing and clearing brokerage firms, mutual fund companies, and other account custodians.
- Our lawyers, accountants, and compliance professionals who assist us in complying with applicable laws, rules, and regulations.
- Federal and state regulators who regulate our firm and its representatives.

We do not provide your personally identifiable information to direct marketers or independent solicitors (for other companies) for any purpose.

### ***Disclosure of Information About Former Clients***

If you decide to close your account(s), we will continue to adhere to the privacy practices described in this notice when you become a former client. You become a former client when your investment advisory agreement with us (or your independent financial advisor) is terminated. We will maintain nonpublic personal information about you as required by federal and state securities laws. After the required period of record retention, all of your information will normally be destroyed.



### ***Our Security Policies and Practices***

We take reasonable steps to assure the privacy of client information. We restrict access to nonpublic personal information about you except to the extent necessary to provide our services, as permitted by law.

We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

### ***Changes in Our Privacy Policy***

If, at any time in the future, it is necessary for us to change our privacy policy to allow for disclosure of a client's nonpublic personal information which is inconsistent with this policy, we will give you advance notice of the proposed change, to allow you the opportunity to opt-out of such disclosure.

If you have questions regarding our Privacy Policy, please call us at (248) 283-2520.

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