

## Item 1. Cover Page

**Form ADV, Part 2A  
Disclosure Brochure  
of  
FGMK/Preservation Capital Partners, LLC  
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Dated: January 1, 2013**

This brochure provides information about the qualifications and business practices of FGMK/Preservation Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (847) 964-5145 and [szapfel@fgmkpreservationcapital.com](mailto:szapfel@fgmkpreservationcapital.com). 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. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about FGMK/Preservation Capital Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2. Material Changes Summary

This brochure provides prospective clients with information about FGMK/Preservation Capital Partners, LLC that should be considered before or at the time of obtaining our advisory services.

Effective March 31, 2011, the SEC adopted a new form of brochure for registered investment advisers that includes the information previously required in Form ADV Part II. This brochure is required to be updated at least annually, or sooner when material changes to our business take place.

Each year we will deliver to you, by no later than April 30<sup>th</sup>, a free updated brochure that includes or is accompanied by a summary of material changes; or a summary of material changes and an offer to provide a copy of the updated brochure and how to obtain it.

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## **Item 4. Advisory Business**

### *Firm Description*

FGMK/Preservation Capital Partners, LLC (“Adviser”) has been operating as an investment advisory firm since 2005.

### *Principal Owners*

The Adviser’s principle owner is FGMK Advisory, LLC.

### *Types of Advisory Services*

The Adviser provides professional investment portfolio management services and occasionally furnishes advice to clients on matters not involving securities. Adviser's services also include consulting with clients about their financial situation, investment objectives and restrictions, and tax circumstances; selecting, purchasing and selling securities for clients; monitoring securities and providing appropriate reports as to asset holdings, valuation and performance.

The Adviser primarily offers advice on the following types of investments: equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual fund shares and other investment company securities and U.S. government securities.

### *Assets Under Management*

As of December 31, 2012, the Adviser’s total approximate assets under management are as follows:

Discretionary Clients = \$69,950,000

Non-Discretionary Clients = \$37,930,000

## **Item 5. Fees and Compensation**

### *Description*

Adviser charges fees to its clients based on a percentage of the market value of assets under management. Fees will be based on the following schedule: Fixed income asset under management are charged 0.50%

Alternative investment assets under management are charged according to the following fee schedule:

1.00% on the first \$10,000,000

0.50% on assets greater than \$10,000,000

All other types of assets under management are charged according to the following fee schedule:

Fee	Account Size	1.00%	\$0 - 999,999	0.75%	\$1,000,000 - 1,999,999	0.70%	\$2,000,000 - 2,999,999	.65%	\$3,000,000 - 3,499,999	.60%	\$3,500,000 - 3,999,999	.55%	\$4,000,000 - 4,999,999
.50%	\$5,000,000 - 5,999,999 . All fees may be waived or negotiated in Adviser's discretion.												

#### Fixed and Hourly Fees

Hourly charges are negotiated on a project by project basis in advance.

#### *Fee Billing*

Annual fees are paid quarterly in advance. In any partial calendar quarter, the fee will be prorated based on the number of days the client account was open during the quarter. For the purpose of determining the fee, the market value of assets under management shall be measured on the last trading day of the month immediately preceding the billing quarter. Clients typically grant Adviser authority to receive quarterly payments directly from the client's account held by an independent custodian. Adviser will notify the custodian regarding the amount of advisory fees due in a quarter through the custodian's electronic disbursement system. The custodian will send to the client a statement, at least quarterly, indicating all the amounts disbursed from the account, including the amount of advisory fees paid directly to Adviser. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not.

#### *Other Fees and Expenses*

The Adviser's fees do not include custodial fees or brokerage commissions or other transaction costs, if any, charged by client's custodian and broker. Mutual funds in which client's assets may be invested charge additional advisory fees and other fees and expenses, as described in the applicable fund's prospectus. ***See additional information under Item 12.***

#### *Termination of Advisory Agreement*

Adviser's Investment Management Agreement provides for termination of the investment management relationship between Adviser and the client upon written notice. In the event a client terminates their account or otherwise withdraws assets prior to the end of the quarter, the client will be reimbursed a pro rata portion of their fee.

### **Item 6. Performance Based Fees and Side by Side Management**

Advisor's performance fee arrangements are designed to comply with the provisions of Rule 205-3 under the Act. To pay a performance-based fee, each client must be a "qualified client," which includes any person that, immediately after entering into the advisory agreement, has at least \$750,000 under the management of Advisor, or has a net worth (together, in the case of an individual, with assets held jointly with a spouse) of more than \$1,500,000 at the time the advisory agreement is entered into.

The Advisor will receive a performance fee only if gains are realized upon the sale of an investment.

Therefore, performance fee arrangements may create an incentive for Advisor to sell client securities in order to generate revenue for the Advisor without regard for the client's best interest.

## **Item 7. Types of Clients**

The Adviser generally provides investment advice to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, corporations and other business entities.

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

### *Methods of Analysis*

The Adviser's methods of security analysis include: charting, fundamental, technical, and cyclical, based up sources of information from research materials, corporate rating services, financial newspapers and magazines, annual reports, prospectuses, filings with the SEC and company press releases.

When using fundamental analysis, we generally rely on, among other things, company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. The data we review is generally considered reliable but we cannot guarantee nor have we verified its accuracy. In addition, the data that we review is sometimes subjective in nature and open to interpretation. Even if our data and interpretation of the data is correct, there may be other factors that determine the value of securities other than those considered in fundamental analysis.

When using technical analysis we review statistics to determine trends in security prices and make our investment decisions based on those trends. This analysis may only be able to predict how an investment will perform short-term. In addition, this analysis does not take into account, the more fundamental properties of what an investment may be worth such as company performance and balance sheet variables which may play a part in determining the value of an investment.

### *Principal Investment Strategies*

The investment strategies used to implement investment advice given to clients include long term purchases, short term purchases, trading, short sales and margin transactions.

A long-term purchase strategy generally assumes the financial markets will go up in the long-term, which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may involve an opportunity cost - that of "locking-up" assets that may be better utilized in the short-term for other investments.

A short-term purchase strategy generally assumes that an adviser can predict how financial markets will perform in the short-term, which may be very difficult. There are many factors that can effect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

### *Principal Investment Risks*

***Investing in securities involves risk of loss that clients should be prepared to bear.*** Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make money on an investment. The Adviser cannot guarantee that it will achieve a client's investment objective. Below are

some of the more specific risks of investments which the Adviser may recommend to clients:

**Fixed Income Risk.** The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.

**Clients should carefully review the offering materials of underlying funds to ensure that they are aware of and understand the risks and costs involved in such investments.**

### **Item 9. Disciplinary Information**

The Adviser has no material legal or disciplinary events to report.

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

Stacie J Zapfel, an Investment Advisor Representative and Chief Compliance Officer of the Adviser, is also an Investment Advisor Representative for Caldwell International Securities, Inc. Mrs. Zapfel spends about 10% of her time on this business activity.

Adviser and its principals are required to disclose their participation or interest in the transaction to any client to which it recommends the funds.

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

#### *Code of Ethics*

Adviser strives to maintain a responsible and ethical way of conducting business. All employees are bound to abide by the ethics standards set forth in our policy and handbook, adopted pursuant to the Investment Advisers Act of 1940. Employees are responsible for reporting their personal securities transactions regularly and reviewing the Code of Ethics at least annually. A copy of the Code of Ethics is available to all clients upon request.

#### *Participation or Interest in Client Transactions*

Adviser may recommend investments to clients in which Adviser or its principal has a financial interest. If any such investment were proposed, the principal would be required to disclose any participation or interest in the transaction to the client.

#### *Personal Trading*

Members and employees of Adviser may purchase securities for their personal accounts, which are recommended to clients of Adviser. However, Adviser's employees are subject to the firm's Code of Ethics and must report their personal securities transactions to our Chief Compliance Officer for review on a regular basis to the extent required under the Investment Advisers Act of 1940. Strict surveillance will be imposed to ensure that the clients' interests supersede those of any employee. Position limits will be imposed on employees to be certain that securities held by clients are not influenced by any employee

holding or trading. Adviser has adopted an Insider Trading Policy that prohibits its investment advisory representatives from trading on material non-public information.

## **Item 12. Brokerage Practices**

### *Recommending Brokerage Firms*

Adviser typically recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Company, Inc. (Schwab) or TD Ameritrade, each a registered broker/dealer, member FINRA/SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Adviser is independently owned and operated and not affiliated with these brokers. These brokers provide Adviser with access to its institutional trading and custody services, which are typically not available to their retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the Adviser's clients' assets are maintained in accounts at these brokers, and are not otherwise contingent upon Adviser committing to Schwab any specific amount of business (assets in custody or trading). TD Ameritrade and Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Commission rates and securities transaction fees charged to effect a client's transactions are established by the executing broker-dealer. Adviser has the authority to negotiate commission rates charged by certain broker-dealers, such as TD Ameritrade. Although Adviser believes that the commission rates negotiated by the Adviser are competitive, they may not be the lowest commission rates charged by TD Ameritrade.

For Adviser's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. TD Ameritrade charges separately for custody.

### *Best Execution*

Adviser will arrange for the execution of securities transactions for the Account through brokers or dealers that Adviser reasonably believes will provide best execution. Adviser seeks to execute client transactions in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. Adviser has evaluated the full range of brokerage services offered by TD Ameritrade and Schwab and considers these brokers to have reliable execution capabilities, compared to other comparable brokers. Based on these factors, Adviser believes that TD Ameritrade and Schwab provide the best price and execution to its clients compared to other broker-dealers that offer institutional advisory platforms. If client establishes a brokerage/custodial account with one of these brokers, then Adviser will place all orders pursuant to its investment determinations on behalf of client's portfolio through the custodial broker, even though the client potentially could obtain a more favorable net price and execution from another broker-dealer in particular transactions or from a discount broker in general. While we believe TD Ameritrade and Schwab's transaction rates to be competitive, transactions may not always be executed at the lowest available commission rate.

In selecting a broker or dealer, Adviser may consider, among other things, the broker or dealers execution capabilities, reputation and access to the markets for the securities being traded. Adviser generally will seek competitive commission rates but will not necessarily attempt to obtain the lowest possible

commission for transactions for the Account.

### *Soft Dollars*

TD Ameritrade and Schwab offer an institutional trading platform to advisers. Through participation in this program, these brokers make available to Adviser other products and services that benefit Adviser but may not benefit its clients' accounts. Some of these other products and services assist Adviser in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Adviser's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Adviser's accounts. These brokers also make available to Adviser other services intended to help Adviser manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, they may make available, arrange and/or pay for these types of services rendered to Adviser by independent third parties. TD Ameritrade and Schwab may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Adviser. While as a fiduciary, Adviser endeavors to act in its clients' best interests, and Adviser's recommendation that clients maintain their assets in accounts at these brokers may be based in part on the benefit of Adviser of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest. Consistent with obtaining best execution, transactions for a client's account may be directed to brokers in return for research services furnished by them to Adviser. Such research generally will be used to service all of Adviser's clients, but brokerage commissions paid by Client may be used to pay for research that is not used in managing client's account. Adviser may, in its discretion, cause the Account to pay brokers a commission greater than another qualified broker might charge to effect the same transaction where Adviser determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

### *Order Aggregation*

As a matter of general policy and practice, Adviser will aggregate transactions for advisory clients where practicable. Aggregating transactions allows the trading of aggregate blocks of securities of assets from multiple client accounts. Generally, aggregating client transactions allows Adviser to execute transactions in a more timely, efficient and equitable manner and to seek best execution and/or to reduce commission charges for clients. Adviser may not apportion shares to participating clients in equal percentage amounts. Adviser may aggregate trades of its advisory personnel with those of clients so that personnel of Adviser participate alongside clients in such trades. All participants in an aggregated trade will be allocated securities on a pro rata, average price per share basis.

When and where possible, Adviser will aggregate transactions for all clients including directed and non-directed brokerage transactions for individual client portfolios. Where a client has directed Adviser to use a particular firm for its portfolio transactions their transactions cannot necessarily be aggregated with other non-directed client transactions. However, Advisor will generally aggregate client transactions in directed brokerage arrangements when clients have directed Advisor to use the same firm.

### **Item 13. Review of Accounts**

Adviser will review each account at least quarterly, or more often if investment conditions require. Accounts will be reviewed by Stacie J. Zapfel, who will also monitor economic, investment and market conditions that might dictate changes in strategy or portfolio holdings.

Adviser will attempt to contact each client at least annually, and will meet with each client as needed to review investment needs and to provide economic analysis, performance review, and other pertinent information. Clients can receive copies of confirmations from the custodian for all transactions. Clients also receive monthly custodial statements providing a summary of transactions, with the exception of qualified accounts, such as IRAs with no activity, which will receive quarterly statements from the custodian.

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

#### *Incoming Referrals*

In appropriate circumstances, Adviser pays to third parties a portion of the fee received from clients. Such payments may be made in connection with the third party's referral of new clients to Adviser, and in all events, such payments are fully disclosed and approved by the Client in compliance with Rule 206(4)-3 of the Investment Adviser's Act of 1940. The cost of this referral fee is borne entirely by the Adviser.

#### *Referrals of Other Professionals / Other Compensation*

Adviser receives referral fees from outside insurance professionals if and when Adviser engages those insurance professionals to provide insurance and/or insurance advice and services to Clients. Such payments are fully disclosed to and approved by the Client. The cost of this referral fee is borne entirely by the insurance professional.

### **Item 15. Custody**

Adviser does not maintain physical custody of client assets, which are held by the independent qualified custodian selected by the client. All checks deposited into client's custodial accounts must be made payable either to the custodian or for the benefit of the account name. Adviser is deemed to have custody of private investment funds for which it serves as general partner or manager. In compliance with the applicable regulations, each of these funds is audited by an independent public accountant and financial statements are distributed to fund investors annually. Adviser may be deemed to have custody of client assets if it has the authority to deduct its fees from the client's custodial account. Clients will receive account statements from their custodian at least quarterly. Clients should review their account statements carefully. Clients are encouraged to compare the account statements received from their qualified custodian with any reports received from the Adviser.

### **Item 16. Investment Discretion**

#### *Discretionary Trading Authority*

Adviser will be retained on a fully discretionary basis and will be authorized to determine and direct execution of portfolio transactions, pursuant to the terms of the Investment Management Agreement.



### *Limited Power of Attorney*

Clients who have granted discretionary trading authority to the Adviser are required to grant a “limited power of attorney” to Adviser over client’s custodial account for purposes of trading and fee deduction. The client grants this authority in the brokerage account application.

### **Item 17. Voting Client Securities**

It is currently the Adviser’s policy not to exercise proxy voting authority over client securities. The Adviser does not have authority to vote proxies for its clients on any matters regardless of whether the Adviser’s investment authority is discretionary or non-discretionary. Each client retains sole and absolute authority and responsibility to vote proxies at client’s own expense with respect to investments owned by the client.

Clients will receive their proxies or other solicitations directly from their custodian. Clients are free to contact us about a particular solicitation and our office may provide them with assistance.

### **Item 18. Financial Information**

We are not aware of any financial conditions that are reasonably likely to impair the fulfillment of our contractual commitments to our clients.

### **Item 19. Requirements for State Registered Advisers**

Because Adviser is a federally registered investment adviser, this Item is not applicable.