



Part 2A of Form ADV: Firm Brochure

Item 1. Cover Page

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF CAPITAL MARKETS IQ, LLC (THE “COMPANY”). IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 310.882.6380 EXT. 103. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “COMMISSION”) OR BY ANY STATE SECURITIES AUTHORITY.

Additional information about Capital Markets IQ, LLC also is available on the SEC website at www.adviserinfo.sec.gov.

Any reference in this Brochure to “*registered investment advisor*” or being “*registered*” does not imply a certain level of skill or training.

This Form ADV, Part II is offered to potential and existing investment advisory clients to provide an understanding of the services we provide, our conflicts of interest and the experience and education of certain personnel. Any information contained in this Brochure is intended solely for the use of the intended client. If you are not the intended recipient of this Brochure, you are hereby notified that you received this in error, and that the taking of any action in reliance on this Brochure is expressly prohibited. Management does not represent that this information is complete or accurate, and it should not be relied upon as such. This document is not a solicitation for the sale of securities.

November 13, 2013

Capital Markets IQ, LLC (the “*Company*”) is an investment advisory firm that is registered with the U.S. Securities and Exchange Commission. The Company provides services to clients through individuals registered as investment adviser representatives (“*IARs*”). Our *IARs* may focus on specific areas such as wealth management, investment consulting, portfolio management, asset allocation, cash management and treasury services, and business planning. Our clients include high net worth families as well as individuals, businesses and institutions.

Clients are under no obligation to act on any of the recommendations of the Company or its *IARs*. If you elect to act on any of our recommendations, you are under no obligation to effect any transaction through us or any other party introduced by us.

Item 2. Material Changes

Since the date of the last annual update of our Brochure, dated March 27, 2013, we have added two new *IARs* in California. Each of the new *IARs* also hold insurance licenses and may advise clients in connection with insurance products.

The Company terminated its clearing and custody agreement with Pershing Advisor Solutions, LLC (“*PAS*”) during the fourth quarter of 2013 due of lack of activity by our clients.

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Disclosure Regarding Forward-Looking Statements

This Brochure contains “forward-looking statements,” which are subject to a number of risks and uncertainties, many of which are beyond our control. Forward-looking statements are typically identified by the words “believe,” “expect,” “anticipate,” “intend,” “estimate” and similar expressions. Although management believes that the plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that such plans, intentions or expectations will be achieved.

All forward-looking statements are expressly qualified in their entirety by these cautionary statements. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those expected. Given these uncertainties, users of the information included in this Brochure, including clients and prospective clients, are cautioned not to place undue reliance on such forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the results and events contemplated by the forward-looking information will in fact occur. We do not undertake any obligation to update or revise or otherwise notify you of any changes of forward-looking statements. All subsequent written or oral forward-looking statements are expressly qualified in their entirety by these factors.

This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any security. Any such offer or solicitation can only be made when preceded or accompanied by an offering memorandum which complies with all applicable laws. Investments involve various risk factors, conflicts of interest and compensation to advisors. Past performance is not indicative of future results.

Neither the Securities and Exchange Commission nor any state securities administrator has passed on or endorsed the merits of this Brochure. Any misrepresentation to the contrary is unlawful.

IRS Circular 230 Disclosure

Any statements contained herein as to tax matters were neither written nor intended by the Company to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on such taxpayer. If any person uses or refers to any such tax statement in promoting, marketing or recommending a partnership or other entity, investment plan or arrangement to any taxpayer, then the statement expressed above is being delivered to support the promotion or marketing of the transaction or matter addressed, and you should seek advice on your particular circumstances from an independent tax advisor.

U.S. Patriot Act Disclosure

The Company hereby notifies you that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 [signed into law October 26, 2001]) (the “Act”) and other applicable laws, rules and regulations, we may be required to obtain, verify and record information that identifies you. Such information includes your name and address and other

information that will allow us to identify you in accordance with the Act and such other laws, rules and regulations.

Item 4 Advisory Business

The Company is a limited liability company formed in Delaware in 2005. It registered under the Investment Advisors Act of 1940, as amended, with the Commission in 2009. We offer investment advisory, management, supervisory and consulting services to institutional and retail clients for compensation. IntralineSM, Dynamic Retirement SolutionsSM and ASAR: Active Strategic Asset RotationSM are registered service marks of the Company.

The principal owners of the Company are as follows:

- LCM/HPW Trust 61.0%
- Extensor Capital N.A., LLC 39.0%

The officers of the Company are as follows:

- Kenneth N. Wiseman, II President and CEO
- Penelope Y. Turnbow Vice President, Chief Legal Officer, Secretary and Chief Compliance Officer
- D. Michele Bratcher Controller

Ms. Turnbow and Ms. Bratcher hold similar positions with Extensor Capital N.A., LLC, an affiliate. Ms. Turnbow owns 33.3% of Extensor Capital N.A., LLC.

Mr. Wiseman is the founder of the Company and has served as an investment advisor and registered representative of a broker-dealer for more than the past 10 years. He has passed the following principal/supervisory exams: Series 7, Series 24, Series 55, Series 63 and Series 65. He holds a Bachelor of Science from the University of Texas.

Ms. Turnbow is a licensed attorney and has practiced law for more than the past 10 years. She received a Bachelor of Business Administration, *cum laude*, in economics and finance, a Master of Business Administration and a Juris Doctorate from the University of Memphis.

Ms. Bratcher is a licensed certified public accountant and has served as such for more than the past 10 years. She received a Bachelor of Business Administration, *cum laude*, from the University of Texas at Arlington.

The Company and its IARs offer advice on various types of investments including, but not limited to, the following:

- Equity Securities – stocks, warrants
- Debt Securities – government, agency, corporate, municipal, structured products
- Repurchase and reverse repurchase agreements
- Hybrids – preferred, convertibles

- Investment companies – mutual funds, exchange-traded funds
- Options - equity
- Futures – interest rates, currencies
- FOREX
- Alternatives – hedge funds, real estate, minerals
- Securitization
- Illiquid assets – credit instruments, tangible assets
- Fixed indexed annuities

We advise with respect to exchange traded, OTC and foreign securities and derivatives. For time to time, we may advise clients with respect to asset-backed loans and non-financial assets.

We enter into a written investment management agreement with each client which describes the services to be performed and our compensation. As part of the written agreement, you, the client, complete a client profile, a risk tolerance questionnaire and specify in a written investment policy the investments we are permitted to make on your behalf. Your investment policy is designed to meet your unique needs, risk tolerance and suitability requirements. In the investment policy, you may impose restrictions on investing in certain securities, types of securities and other investment products. Either party may terminate the investment management agreement upon 30 days prior written notice to the other party. In such case, our fees will be paid pro rata through the termination date and we are entitled to be reimbursed all out-of-pocket expenses.

As of September 30, 2013, the amount of client assets managed by the Company was approximately:

Discretionary	\$968,631,954
Non-Discretionary	<u>0</u>
Total	\$968,631,954

Item 5. Fees and Compensation

The Company executes a written investment management agreement with each of its clients. All of our fees are negotiable and once agreed are set forth in the client investment management agreement. We do not have a standard fee schedule because each client is free to negotiate its own fees with us.

Types of Fees and Compensation

While we may agree with a client on any number of fee structures, the most common fee structures are as follows:

- Institutional clients – incentive fees based on profits determined under generally accepted accounting principles (“GAAP”). These fees may range from 20% - 50%. We may agree with a client to use a high-water mark for calculating fees. The measurement date for this

type of fee is generally the last day of each calendar quarter, unless otherwise agreed with the client. The Company serves as investment advisor to three private investment companies of which Extensor Capital N.A, LLC, an affiliate, is the manager of two of them under Delaware law. Certain clients of the Company are also investors in one of these private companies.

- Retail clients – a percentage of assets under management, which is typically 1.0% - 2.0% of your portfolio balance at the end of the prior quarter or any portion thereof (pro-rata for services provided). These fees are charged quarterly in arrears.
- Consulting clients - \$350 per hour with a minimum non-refundable retainer of \$5,000. These fees are billed monthly and due upon receipt of an invoice.
- Investment advisor representatives (“IARs”), with the prior written consent of the Company, may recommend that any suitable client invest in one or more alternative investments such as private investment pools or “hedge funds,” including one of the two Extensor Capital private investment pools mentioned above. The issuer of alternative investments often pays finder fees or commissions to those who introduce clients that actually invest. These fees or commissions may be paid upon initial investment, typically ranging from 1%-7% depending on the issuer, or in the form of a carried interest in the pools or funds ranging from 1% - 30% of net income, as defined by the issuer. If the Company receives this type of compensation with respect to a retail client, it waives that client’s fees which are based on a percentage of assets under management. This practice may present a conflict of interest, which will be discussed with you in advance, and give the Company or its IARs an incentive to recommend investment products based on compensation received, rather than on a your needs. Further, performance-based compensation may create an incentive for an IAR to recommend an investment that may carry a higher degree of risk to you.

Payment Method

At the end of each quarter, we invoice you for the fees due or ask the custodian to debit your account. Invoices are prepared by our controller and sent to you with a copy to the qualified custodian, as applicable. Generally, when you become our client you will give the qualified custodian written instructions to deduct from your account the amount of the fee and credit our account with the custodian in the amount of the fees. Alternatively, you may choose to pay our fees directly and not have fees deducted from your account. Our fees are billed quarterly in arrears, unless otherwise agreed in writing with the client.

We do not charge fees in advance. Our fees are non-refundable.

Other Fees and Expenses

You may pay other fees and expenses such as custodian fees (account servicing fees, commission on trades, transaction costs, ticket charges, wire fees, etc.). See Item 12 below for more details of brokerage fees.

As part of our investment advice, we may recommend or select mutual funds for you. In addition to our fees, mutual funds may charge you various management and other fees for investments.

Institutional clients may choose to retain third parties to conduct due diligence or review performance and pay fees for these services.

With respect to services surrounding asset-backed loans for clients, the client may pay loan origination and other fees to the lender, a portion of which may be shared with the Company with the prior written consent of the client. This practice presents a conflict of interest and gives the respective IAR an incentive to recommend a loan arrangement or lender based on the compensation received rather than on a client's needs. We address this conflict with prior disclosure to the client in the investment management agreement and obtain the client's consent before accepting such compensation at closing of the transaction.

You have the option to purchase investment products and non-investment products that our IARs recommend through other brokers or agents that are not affiliated with the Company. These other parties may charge you additional fees.

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

As mentioned in Item 5 above, the Company accepts performance-based fees, that is, fees based on a share of capital gains, on capital appreciation of the assets or profits of a client (such as a client that is a pooled investment vehicle).

We manage both accounts that are charged a performance-based fees and accounts that are charged another type of fee, such as a percentage of assets under management (AUM) or an hourly fee. However, retail clients are typically charged only one type of fee; AUM fee.

The Company and its IARs may face conflicts of interest by managing these accounts at the same time, including that an IAR may have an incentive to favor accounts for which it or the Company receives a performance-based fee. In such situations, we intend to discuss these conflicts (actual or perceived) upfront with you.

While we seek to avoid conflicts of interest with our clients, conflicts exist. We address these conflicts through disclosure so you can make an informed decision as to whether to become or continue as a client of the Company. For example, an IAR may recommend that a suitable client invest in one of the Extensor Capital companies which the Company also serves as investment advisor and receives fees from Extensor Capital. Information regarding fees would be disclosed to you prior to any investment. If the Company receives this type of compensation with respect to a retail client, it waives that client's AUM fee. All investments by Company clients into Extensor Capital companies require the prior approval of our chief compliance officer.

Item 7. Types of Clients

We offer services to accredited investors, qualified clients, qualified purchasers and retail clients as defined by the federal securities laws. These may include the following types of clients:

- Individuals
- High net worth individuals and family offices
- Operating businesses
- Municipalities
- Private investment companies
- Small to mid-sized banks and credit unions
- Trusts
- Non-profit entities
- Non U.S. citizens

The minimum account size of a retail client is \$250,000, unless otherwise agreed by management and the respective custodian.

For retail clients, accounts must be held at a qualified custodian designated for retail clients. The respective custodian has its own account opening, maintenance and compliance requirements. Each account must be approved by the respective custodian.

For institutional clients, the Company may be retained as an investment manager over a client account at a financial institution which the Company may or may not have an existing relationship. The minimum account size for institutional clients is \$1,000,000, unless otherwise agreed by management and the respective custodian.

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

Methods of Analysis

In formulating investment advice or managing assets, we use technical and fundamental analysis. The Company also uses proprietary methods developed by its founder and its IARs. Analysis has risk of human error.

The sources of information we use are primarily:

- Financial news
- Research materials published by others (accounting firms, law firms, other advisory companies, broker-dealers, government economic data)
- Reports filed by issuers with the Commission
- Ratings
- News releases
- Bloomberg
- Online trade organizations

- Publications of self-regulatory agencies (SROs)

Investment Strategies

We use several investment strategies to implement investment advice provided to our clients, including but not limited to:

- Long term purchases (to hold more than one year)
- Short term purchases
- Trading
- Short sales
- Repurchase and reverse repurchase agreements
- Margin transactions
- Options writing, including spread strategies
- Futures contracts

Each investment strategy has risk of loss and you should be prepared to bear losses. Each strategy has differing transaction costs and tax consequences. Certain investment strategies are not suitable for certain clients.

Risk of Loss

In General

An investment in securities involves a substantial degree of risk which you should carefully consider before investing. These risks include, but are not limited to:

- You could lose all of your money in an investment. No investment is risk free.
- Alternative investments are speculative and often illiquid depending upon the lock-up and liquidity provisions in the investment documents, which means you may have to exit such an investment at a price less than you originally purchased. Generally, short-term lock-up and liquidity provisions limit profits.
- The issuers and obligors of securities default from time to time, which means you may lose all of your investment.
- Returns are not guaranteed and you may not receive any returns at all.
- Performance is volatile and dependent upon services of the asset managers.
- The price of securities fluctuates which changes the value of your investment.
- Changes in economic conditions, regulations, tax laws, interest rates, yield curves and payment rates affect the value of your investment.

- The use of margin and leverage increases risk.
- Some investments have restrictions on transfer and redemption such as notice periods and penalties.
- Transactions in securities are subject to substantial fees and expenses, which offset profits.
- Frequent trading of securities can affect investment performance particularly through increased brokerage and other transaction costs and taxes.

High Yield Investments

An investment in high yield securities is subject to special risks which you should carefully consider. This document is not intended to be an exhaustive description of the risks involved in any individual security, but rather a general statement of the risks commonly associated with investments of this type. Information has been obtained from sources we believe to be reliable, but we cannot guarantee its accuracy or completeness.

High yield securities are securities that a nationally recognized credit rating organization, such as Standard & Poor's, Moody's or Fitch, has rated below "investment grade" or may be non-rated securities. These securities typically offer a higher yield than investment grade securities, but also present greater risks with respect to liquidity, volatility and non-payment of principal and interest. As a result of being classified as below investment grade, high yield securities present a greater degree of credit risk relative to many other fixed income securities. The following risks are associated with high yield investments:

- *Credit Risk.* An investment grade issue generally has a high capacity to pay interest and repay principal with little susceptibility to adverse changes in economic conditions. Conversely, a high yield security that is not investment grade generally has predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Therefore, there is greater risk of non-payment of interest and loss of principal. Many issuers of high yield securities have experienced substantial difficulties in servicing their obligations, which has led to defaults and restructurings. Additional risks discussed below may also increase the risk of default for an issuer of high yield securities. Due to these risks, the issuers of these securities generally have to pay a higher rate of interest than that which is available from investment grade securities.
- *Liquidity.* The markets in which high yield securities are traded are more limited than those in which investment grade securities are traded. This lack of liquidity may make it more difficult to resell these securities and obtain market quotations. In addition, the proceeds from sales prior to maturity may be more or less than principal invested due to changes in market conditions or changes in the credit quality of the issuer.
- *Call Risk.* High yield securities may be subject to call by the issuer, providing the issuer the right to redeem, fully or partially, before the scheduled maturity date of the security.

In the event a security is called, you may be unable to reinvest the proceeds from such redemption, in an investment with similar return and risk characteristics. In many situations, reinvesting may occur in a lower interest rate environment when compared to the original issuance date of the high yield security that was called.

- *Interest Rate Risk.* Generally, a rise in interest rates may negatively affect the price of market traded bonds, because bond prices tend to move counter to the direction of rates. Therefore, rising rates may cause bond prices to decline. Additionally, bonds with longer maturities may be more sensitive to such interest rate movements.
- *Volatility Risk.* The market value of high yield securities tends to be sensitive to developments involving the issuer and to changes in economic conditions. Consequently, high yield securities have greater price volatility than investment grade securities.
- *Downgrade Risk.* Downgrades in the credit rating of high yield bonds by rating agencies are generally accompanied by declines in the market value of these bonds. In some circumstances, investors in the high yield market may anticipate such downgrades as a result of these credits being placed on “credit watch” by rating agencies, causing volatility and speculation of further credit deterioration.
- *Economic Risk.* Relates to the general vulnerability of a security due to a downturn in the economy. In difficult economic environments, high yield bonds may be more susceptible to price volatility as investors may reevaluate holdings in lower-quality bonds in favor of investment-grade bonds. This is often referred to a “flight to quality.” The concern is often associated with the underlying credit issuer’s ability to repay interest and principal if an economic downturn negatively impacts the business.
- *Event Risk.* This includes any of a variety of events that can adversely affect the issuer of a high yield security, and therefore the issuer’s ability to meet obligations to repay principal and interest to bond holders. Event risk may pertain to the issuer specifically, the industry or business sector of the issuer, or generally upon the overall economy. For example, the issuer may have a change in management, poor earnings, or difficulty obtaining additional credit to support operations. The issuer’s industry sector may be experiencing financial difficulties due to increased competition, rising costs, or a changing regulatory environment. Lastly, there may be adverse geopolitical or global economic news such as a recession, changes in fiscal or monetary policies, or adverse market conditions having a direct or indirect impact on the issuer and their outstanding debt.

Inverse and leveraged funds

Leveraged and inverse mutual funds are complicated instruments that should only be used by sophisticated investors who fully understand the risks involved. Due to the effect of compounding, operating expenses, and daily resets, the performance of a leveraged or inverse fund can differ significantly from the performance of the underlying index or benchmark over longer periods of time. The magnitude of this disparity is particularly high in volatile markets.

Leveraged and inverse funds that are subject to daily resets are attempting to achieve their objectives on a daily basis, not over a longer period. As a result, you should not expect the performance of these types of leveraged and inverse funds to resemble the performance of the underlying index or benchmark over an extended period of time. For instance, an investor in a 2x leveraged fund that tracks a stock market index (such as the S&P 500[®]) should not expect returns over one month to be 20% if the S&P 500 increases 10% over that same period of time.

You should be aware that managers who invest in such funds often do so as part of active trading or asset allocation strategies. These strategies often call for frequent trading to take advantage of anticipated changes in market conditions, which can increase portfolio turnover. Leveraged and inverse funds also generally have higher operating expenses as a percentage of assets than other funds.

You should only purchase a leveraged and inverse fund if you understand the associated risks and their impact on long-term performance. As mentioned above, leveraged and inverse mutual funds are not an appropriate part of a buy-and-hold strategy and are typically not intended to be held for more than a day or two since the daily rebalancing process may have a negative impact on returns.

In addition, you should only purchase an inverse mutual fund if you understand the risks associated with shorting and the principles of inverse performance, where the investment goals of the mutual fund are inverse to the performance of its benchmark, a strategy that is the opposite of how most mutual funds are managed.

As with any mutual fund, investors in leveraged and inverse mutual funds should obtain and carefully read the applicable prospectuses before investing.

Item 9. Disciplinary Information

None

Item 10. Other Financial Industry Activities and Affiliations

Ms. Turnbow, an officer of the Company, owns 33.3% of Extensor Capital, N.A., LLC and serves in similar roles at Extensor. Ms. Turnbow is legal counsel to Extensor Capital and its subsidiaries and affiliates. As legal counsel, Ms. Turnbow could face a conflict if the interests of the Company become adverse to the interests of her other clients. In such case, the Company would retain separate counsel. The Company's controller, Ms. Bratcher, serves in a similar role at Extensor and its subsidiaries and affiliates. She is also a CPA.

The Company serves as investment advisor for two Extensor Capital private investment companies. Our IARs are permitted to recommend that a suitable client of the Company invest in one of these companies. We intend to disclose potential conflicts to clients considering any such recommendations.

James W. Cravotta, Jr., an IAR of the Company is dually registered as an IAR with Concert Wealth Management, Inc. There is no business relationship between the Company and Concert. Mr. Cravotta may face conflicts of interest by managing client accounts at the same time at two separate advisory firms, including that he may have an incentive to favor accounts for which he receives greater compensation at one firm or the other. In such situations, we intend to discuss these conflicts (actual or perceived) upfront with his clients.

Ryan L. Morelli holds California insurance producer licenses for life, accident & health and variable contracts. There is no business relationship between the Company and the insurance companies for which he produces. Mr. Morelli may face conflicts of interest by managing client accounts at the same time he is selling insurance products, including that he may have an incentive to favor insurance products over securities as investments for clients for which he receives greater compensation. In such situations, we have instructed him to discuss these conflicts (actual or perceived) upfront with his clients when applicable.

Schad E. Brannon holds California insurance producer licenses for life and accident & health products. There is no business relationship between the Company and the insurance companies for which he produces. Mr. Brannon may face conflicts of interest by managing client accounts at the same time he is selling insurance products, including that he may have an incentive to favor insurance products over securities as investments for clients for which he receives greater compensation. In such situations, we have instructed him to discuss these conflicts (actual or perceived) upfront with his clients when applicable.

Mahran Sadri holds California insurance producer licenses for property, casualty, life, accident & health products and variable contracts. There is no business relationship between the Company and the insurance companies for which he produces. Mr. Sadri may face conflicts of interest by managing client accounts at the same time he is selling insurance products, including that he may have an incentive to favor insurance products over securities as investments for clients for which he receives greater compensation. In such situations, we have instructed him to discuss these conflicts (actual or perceived) upfront with his clients when applicable.

We have entered into an indemnification agreement with each officer of the Company that provides him/her with rights to indemnification and expense advancement to the fullest extent permitted by Delaware law.

We believe that the terms of the agreements with the above mentioned parties and officers were made on terms no less favorable to the Company or you than could have been otherwise obtained from unaffiliated third parties.

All future transactions involving the Company, its officers, affiliates and principals are expected to be on terms no less favorable to the Company or you than could be obtained from unaffiliated third parties.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a written code of ethics pursuant to SEC Rule 204A-1. This code contains customary policies regarding:

- A standard of business conduct that is required of each IAR which reflects our fiduciary obligations and those of our IARs.
- Compliance by IARs with applicable federal securities laws.
- Periodic reporting by certain persons to the Company regarding their personal securities transactions and holdings.
- Reporting by IARs of violations of the code of ethics promptly to our chief compliance officer.
- Delivery of copies of the code of ethics and any amendments to IARs and acknowledgment of receipt.

We will provide a copy of our code of ethics to any client or prospective client upon request.

As previously stated in this Brochure, the Company is an advisor to two Extensor Capital private investment companies. The Company is paid a fee of 20%-30% of net profits resulting from the Company's advice to these the companies. Our IARs may recommend that suitable clients consider investing with Extensor which is a conflict of interest that will be disclosed to clients prior to investing.

Further, most of our related persons are investors in mutual funds and publicly-traded stocks and bonds through 401(k) plans with prior employers, individual IRA accounts or as direct investors. It is possible that an IAR of the Company could recommend a mutual fund, stock or bond in which one of our related persons owns an interest. We monitor personal holdings of our related parties so that disclosure may be made to clients prior to recommending the same mutual fund, stocks or bonds.

The Company has adopted a written compliance manual to assist related persons to avoid conflicts of interests which could arise when buying or selling securities for their own accounts at or near the same time an IAR may be buying and selling those same securities for a client. Each IAR prepares a trade log or record and these logs are reviewed by our chief compliance officer for possible conflicts involving related persons. The Company addresses such conflicts, if any, through disclosure to the client.

We may perform block stock and bond trades for client accounts held at our custodians to obtain more favorable pricing and better execution on trades. Block trades will be allocated in each participating client account. Allocation quantities are based upon each individual portfolio circumstances including client risk tolerance, stated investment objectives and tax situation. On partially filled orders, our aggregation policy is to pro-rate the number of shares/bonds to each participating account on an equal percentage basis. An exception to a straight proration on partial executions may occur under certain circumstances where shares/bonds are allocated to one account over another account when building a new position versus adding to an existing

position. In all cases, affected accounts will receive the same average price obtained in the block transaction.

Item 12. Brokerage Practices

Custodian and Brokers

We do not maintain custody of your assets that we manage or on which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank.

We recommend that our retail clients use Fidelity or TD Ameritrade as the qualified custodian. The custodian holds your assets in a brokerage account and will buy and sell securities when we instruct them to do so. While we recommend that you use Fidelity or TD Ameritrade as custodian, you will decide whether to do so and will open your account by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Fidelity or TD Ameritrade, we can still use other brokers to execute trades for your account as described below.

The Company participates in the Fidelity RIA program. Fidelity is a member FINRA and SIPC. Fidelity is an independent and unaffiliated SEC registered broker-dealer. Fidelity offers to investment advisor services which include custody of securities, trade execution, clearing and settlement of transactions. We receive some benefits from Fidelity through our participation in the program. See Item 14 below.

The Company also participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (“TD Ameritrade”), member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The Company receives some benefits from TD Ameritrade through its participation in the program. See Item 14 below.

We recommend that our institutional clients use as a qualified custodian, a prime broker or clearing firm which is a member of Fixed Income Clearing Corporation (“FICC”). For institutional clients, it is important that the executing broker be capable of clearing, settling and reporting all types of securities transactions and providing securities financing, including repurchase agreements.

The Company has a clearing arrangement with Industrial and Commercial Bank of China Financial Services LLC (“ICBCFS”). The Company may recommend that an institutional client select ICBCFS as custodian. ICBCFS is a member of FINRA and the Securities Investor Protection Corporation (SIPC) and is a registered broker-dealer. The firm maintains custody of clients’ assets and effects trades in client accounts. The Company is not affiliated with ICBCFS.

The Company is independently owned and operated and is not affiliated with any qualified custodian.

How We Select Brokers

It is our intention to use a custodian and broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below.

Your Brokerage and Custody Costs

For our client accounts that Fidelity maintains, Fidelity generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your account. Fidelity's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$30 million of their assets in accounts at Fidelity. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise.

In addition to commissions, Fidelity may charge you a flat dollar amount or "trade away" fee for each trade that we execute by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we expect to have Fidelity execute most trades for your account. We believe that having Fidelity execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

ICBCFS charges brokerage commissions and transaction fees for effecting certain securities transactions. When ICBCFS serves as counterparty to a repurchase agreement with a client, it charges a repo rate.

Products and Services Available to Us from Custodian

The Company has an arrangement with Fidelity through which Fidelity provides the Company with its "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like the Company in conducting business and in serving the best interests of their clients but that may benefit the Company. The availability of these services from Fidelity benefits us because we do not have to produce or purchase them.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to the Company, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by the Company (within specified parameters). These research and brokerage services are used by the Company to manage accounts for which we have investment discretion. Without this arrangement, we might be compelled to purchase the same or similar services at our own expense.

Fidelity offers other services intended to help us manage and further develop our business. These services include:

- Educational conferences and events
- Consulting on technology, compliance and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers

Fidelity may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Fidelity may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Fidelity may provide us with other benefits, such as occasional business entertainment of our personnel.

As a result of receiving such services for no additional cost, the Company may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of the Company's clients and satisfies its client obligations, including our duty to seek best execution. You may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is

not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broke-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by the Company will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. The Company and Fidelity are not affiliates.

As disclosed above, the Company participates in TD Ameritrade's institutional customer program and we recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research related products and tools
- Consulting services
- Access to a trading desk serving our participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to the Company by third party vendors.

TD Ameritrade may also pay for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit the Company but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our related persons through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

As part of our fiduciary duty to clients, we endeavor at all times to put the interests of its clients first. You should be aware, however, that the receipt of economic benefits by the Company or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services. We do not believe the receipt of general platform services will diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

Any qualified custodian, a prime broker or clearing firm selected by our institutional clients will likely provide us benefits similar to those provided by Fidelity and TD Ameritrade and described above.

Item 13. Review of Accounts

Your account is reviewed at least monthly by our president and your IAR. You may review your account online with the custodian. The monthly review focuses primarily on positions held and valuation. The individual IARs track client data to ensure your objectives are being achieved. Accounts may be reviewed more frequently upon request.

We use software provided by our custodians to download client account activity and use it to generate written quarterly reports for our clients using Black Diamond portfolio software, Fundcount software and Microsoft Excel. We also provide our clients an annual review. The contents of the quarterly reports include:

- Quarterly Asset Allocation –actual vs. investment policy allocation
- Quarterly Performance Review – current quarter and year-to-date
- Quarterly Portfolio Statement – current positions

Quarterly reports are generally distributed to clients no later than 20 days after quarter end.

Item 14. Client Referrals and Other Compensation

We receive an economic benefit from qualified custodians, in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts at the custodians. These products and services, how they benefit us, and the related conflicts of interest are described above in Item 12. The availability to us of these products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Item 15. Custody

While our custodians for clients are Fidelity, TD Ameritrade and ICBCFS, the Company maintains brokerage relationships with several brokerage and clearing firms and may add other qualified custodians. Buy and sell orders may be placed with these firms to obtain more favorable pricing and to access a wider range of investments. The opening of client accounts must be approved by the qualified custodian.

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct the qualified custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. The custodian maintains actual custody of your assets. You will receive account statements directly from the custodian at least monthly. They will be sent to the email or postal mailing

address you provided to the custodian. You should carefully review those statements promptly when you receive them. We urge you to compare the account statements to the quarterly report you will receive from us.

Item 16. Investment Discretion

The Company accepts discretionary authority to manage accounts on behalf of clients. In such situations, the Company holds a power of attorney or limited trading authorization from you to execute transactions on your behalf in accordance with your customized written investment policy. For such trades, the Company may direct the selection of the brokers and the execution of the trades. We only conduct trades with broker-dealers which are creditworthy counterparties. Commission rates are standard market rates charged by the broker-dealers to their clients.

Pursuant to the power of attorney or limited trading authorization, you authorize the Company to take the following actions without obtaining your specific consent:

- Determine the types of securities to be bought and sold
- Determine the amount of securities to be bought and sold
- Select the broker-dealer to be used for any transactions
- Agree to commission rates to be paid

The power of attorney or limited trading authorization is revocable by you at any time.

Item 17. Voting Client Securities

The Company does not accept authority to vote client securities.

You will receive your proxies and other solicitations from the custodian or the transfer agent of the issuer and not from the Company. You may contact the Company by telephone, mail or email (see cover page for details) with questions about a particular solicitation but you are not obligated to vote in any manner suggested or implied by the Company or any of its IARs.

Item 18. Financial Information

Not applicable.

Item 19. Requirements for State-Registered Advisers

Not applicable.