



## **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 OR [LEGAL@CAPITALMARKETSIQ.COM](mailto:LEGAL@CAPITALMARKETSIQ.COM). 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](http://www.adviserinfo.sec.gov).**

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

This Form ADV, Part 2A is provided to potential and existing investment advisory clients to assist them in understanding the services we provide, our conflicts of interest and the experience of our firm. Any information contained in this Brochure is intended solely for the use of the intended recipient. 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 purchase of sale of securities.

**November 14, 2017**

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 advisory services to clients through individuals registered in various states as investment adviser representatives (“*IARs*”), or not registered in reliance on a specific exemption from registration provided by state law. Our *IARs* may focus on wealth management, investment consulting, portfolio management, asset allocation, cash management, treasury services, and business and capital planning. Our clients include high net worth families as well as individuals, businesses and institutions.

In addition to the name Capital Markets IQ, one or more of our operating divisions conducts advisory business under the following brand names:

- Burros Wealth Management
- Cambridge Capital Wealth
- Fortier Financial
- King Harbor Wealth Management
- Koi Strategies
- Retire Orlando
- Seagate Global Wealth Management
- Surety Wealth Management
- Veracity Financial Services
- Weise Capital Advisers

We have selected the name iQInvest for our upcoming digital solution.

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 affect any transaction through us or any other party introduced by us.

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## **Item 2. Material Changes**

We discuss below the material changes at the Company since the date of the last annual update of our Brochure, dated March 30, 2017, as amended.

We engaged Akram & Associates, an independent public account firm, to perform a surprise audit with respect to assets we may have custody or be deemed to have custody. The surprise audit was completed September 28, 2017.

We have updated our Form ADV Part 1 and to reflect new disclosures adopted in rule release IA-4509, which became effective October 1, 2017.

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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 and other applicable disclosures which comply 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 adviser.

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

### **Texting and Social Media**

Please do not contact the firm or your adviser via texting or social media.

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## **Item 4. Advisory Business**

### *Recent Developments*

Since March 30, 2017, we have added six new advisors (one in each of Arizona, North Carolina, Missouri and Tennessee, and two in Florida). In the same period, five of our start-up advisors decided to leave our firm (three in Tennessee, one in Arkansas and one in Michigan). We also terminated the dual registration on one adviser in Idaho.

### *General*

The Company is a limited liability company formed in Delaware in March 2005. It registered under the Investment Advisors Act of 1940, as amended, with the Commission in 2009. Management changed the Company's name to Capital Markets IQ, LLC in November 2013. We offer investment advisory, sub-advisory, management, supervisory and consulting services to institutional, business and individual clients for compensation. In addition to the name Capital Markets IQ, one or more of our operating divisions conducts advisory business under the following brand names:

- Burros Wealth Management
- Cambridge Capital Wealth
- Fortier Financial
- King Harbor Wealth Management
- Koi Strategies
- Retire Orlando
- Seagate Global Wealth Management
- Surety Wealth Management
- Tandem Financial
- Veracity Financial Services

We have selected the name iQInvest for our upcoming digital solution. iQInverst is expected to be a limited advisory service offering.

We operate in a virtual business environment with the support of solid technology vendors such as Advent - Black Diamond, Smarsh, Google, Egnyte, Bill.com, e-Money and our custodians. Technology allows us to meet with our clients any place they choose, including online. We are a paperless company, equipped with mobile capability to operate from anywhere around the clock.

Our organizational structure is a hub and spoke business model. Our executive team resides in the hub. The hub houses our centralized business functions such as accounting and tax, administration, business strategy, compliance, Institutional - sales & marketing, client relations and investment strategies, legal, personnel, product innovation, systems and business consulting services. The spokes hold our decentralized functions such as Retail - client relations, certain investment strategies, sales & marketing and client trading. Each spoke is an operating division of the Company with its own brand and lead by an IAR. Any decentralized function can be moved to the hub or shared with one or more other divisions. Some of our IARs serving the retail segment have chosen to use the CMIQ brand name. In these cases, their activities are managed in the hub.

#### *Ownership*

The principal owners of the Company are as follows:

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

#### *Management*

The elected 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
- Ibrahim S. Mohammed Chief Marketing Officer & Business Development

Ms. Turnbow, Mr. Mohammed and Ms. Bratcher hold similar positions with Extensor Capital N.A., LLC, an affiliate. Each of Ms. Turnbow and Mr. Mohammed owns 50% of Extensor Capital N.A., LLC.

Mr. Wiseman is the founder of the Company and has served as an investment adviser and/or 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 degree 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 degree, *cum laude*, in economics and finance, a Masters 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 degree, *cum laude*, from the University of Texas at Arlington.

Mr. Mohammed has served as a corporate finance adviser and private investor for more than the past 10 years. He received a Bachelor of Science degree from the University of Southern California.

### *Our Advisory Business*

We conduct our business in a legal-centric culture. We believe each client deserves an adviser that understands the legal definition of fiduciary duty and is willing to answer to this higher standard of care. Our executive management team is deeply experienced in building, managing and growing a profitable business. To best serve our clients, we must first understand our own business model and ensure our business sits on a solid foundation. Our purpose is to advise our clients, to the extent we are the appropriate professional adviser, or find and work with the appropriate professional adviser, with respect to every aspect of their financial lives. We use a comprehensive or holistic approach which encompasses the ability to gather relevant information, understand our client's full financial situation and use our intelligence to guide them toward their financial goals.

Managing investments or "money" involves much more than picking a specific security to purchase. In our experience, a client is more concerned about how an investment decision will help them meet their goals and serve their needs. To answer those questions, we need to understand the client's personal situation, where they came from and where they want to go. One's full financial situation covers many disciplines such as employee benefits, retirement needs, business interests, debt, legal matters, tax consequences, estate planning, to name a few. Some of our retail clients are employees of large corporations that provide multiple retirement plans. Some of our clients and potential clients are highly-regulated with complex investment restrictions, while other clients are small to medium-sized business owners trying to finance growth and working capital needs or set up new employee retirement plans.

Because each client is different and each client needs advice about every aspect of investing and managing their financial situation, we have developed a global network of professionals to assist us and our clients. Our network includes banks, accounting firms, tax professionals, law firms, trust companies, plan administrators, actuaries, insurance providers, investment bankers, private lenders and technology vendors. Our approach is similar to a law firm business model in this respect. In many incidences, we are the voice of the client when collaborating with this network of experts.

The Company and its IARs offer advice on various types of investments and investment-related matters 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 – open-end and closed-end mutual funds, exchange-traded funds, business development companies
- Options - equity
- Futures – interest rates, currencies, precious metals
- FOREX
- Alternatives – hedge funds, real estate, minerals, precious metals, special purpose entities
- Securitization
- Margin trading
- Securities lending
- Illiquid assets – credit instruments, tangible assets, restricted securities
- Fixed indexed annuities
- Premium financing
- Certain investment aspects of insurance products

We advise with respect to exchange-traded, OTC and foreign securities and derivatives. From time to time, we advise clients with respect to asset-backed loans, private lending, real estate held in special purpose entities and various types of non-financial assets.

We enter into a written investment management agreement with each advisory client which describes the services to be performed. As part of the written agreement, you, our client, complete a client questionnaire and specify in writing the types of investments we are permitted to make on your behalf. Your investment guideline is designed to help us tailor our advisory services to address your unique needs, risk tolerance and suitability requirements. In your investment guideline, you may impose restrictions on investing in specific securities, types of securities and other investment products. You may also restrict or limit the use of specific trading practices and leverage. 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 due pro rata through the termination date and we are entitled to be reimbursed by you for all out-of-pocket expenses.

As of November 9, 2017, the amount of client assets managed by the Company was approximately:

Discretionary*	\$ 192,824,494
Non-Discretionary**	<u>61,248,314</u>
Total	\$254,072,808

\*Includes private fund assets of \$2,500,000 as of October 31, 2017, and defined contribution plan assets of approximately \$10 million as of December 31, 2016.

\*\*Non-discretionary management means that CMIQ provides recommendations to clients and must first receive the client's permission before placing any trades to buy or sell assets in the client's account or on the client's behalf.

As of November 9, 2017, the Company was serving as a sub-advisor to other investment advisers with respect to approximately \$41 million. This amount is referred to as assets under advisement and is not included in the assets under management amount stated above.

#### *Our Primary Proprietary Strategies*

We have developed four primary investment strategies which we offer to our clients as well as other adviser firms.

#### **Disciplined Equity Growth Portfolio**

Our Disciplined Equity Growth Portfolio<sup>sm</sup> ("DEGP") is a long only, diversified (target 20 investments) trading strategy executed through internally generated price targets and downside risk mitigation techniques. Each security is monitored regularly with a plan for risk control. Risk control is tightened as a stock nears its target price.

The portfolio manager uses a time-tested approach that includes three major factors related to stock movement: market covariance; industry cycle analysis; and individual investment factors, including market leadership. These factors are calculated and analyzed across major equity investment types. Investment types include mid to large cap stocks and exchange-traded funds.

The portfolio manager considers the following factors during the selection process:

- Market movement
- Industry cycles

- Analyst recommendations
- Earnings per share forecasts
- Sales forecasts

A proprietary price target is then generated. Only investments with a potential capital appreciation of greater than 30% are candidates for inclusion. The portfolio manager then monitors analyst's opinions, and selects those with rising expectations, mostly from companies representing the next phase of the economic cycle. DEGP uses ETFs for exposure to the global market, and to industries where there is no clear market leadership.

### **Keystone Tactical ETF Strategy**

Our Keystone Tactical ETF Strategy (“*Keystone*”) is a rules-based strategy that seeks to minimize risk and maximize gains by investing across a diversified universe of ETFs in multiple asset classes. The strategy is based upon proprietary mathematical scoring. Over 100 pre-screened ETFs, divided among eight separate models, are ranked each month. Within each model, the top ranked ETFs are then selected for the final investment composition.

The strategy is made up of eight different models, each representing 12.5% of the total of the strategy. The models are: U.S. style rotation, U.S. sector rotation, foreign and emerging market equities, credit securities, real estate and commodities. The eighth model is defensive which is designed to allow more allocation to current opportunistic investments including U.S. equities, U.S. Treasuries, non-dollar bonds or gold. If fully invested, the strategy may own up to 14 ETFs.

Each model can move to cash or intermediate fixed-income securities if no favorable investments are available in that model. Although not anticipated, it is possible that this strategy could be fully invested in cash or intermediate bonds. This protection technique helps the strategy achieve low volatility while the ability to be fully invested in all eight models helps it achieve growth.

Keystone is designed to be a core holding in many portfolios. It is not designed for taking immediate income from the portfolio. Because of the potential for both growth and a defensive strategy, it is appropriate for both conservative and aggressive investors.

Keystone rebalances monthly. Due to market movements throughout the month, the strategy will not compensate for the changes until the next rebalance. This could cause you to continue to hold a downward investment for as long as 30 days, until the next rebalance. Because of the allocation percentages to each of the models, growth in each market is limited by a percentage. If a particular market were to increase during the month, the strategy would only invest to the original percentage allocated to that market. The strategy invests in ETFs. Depending on the number of clients using the strategy, a particular ETF may not be large enough to accommodate all clients. A comparable ETF may be used for some clients, or the next best ETF may be utilized.

The Company has entered into an agreement with Folio Café, LLC to access modeling and information to support Keystone.



### **FA Focus Three Tactical Strategy**

Our FA Focus Three Tactical Strategy (“FF3”) was created to meet the needs of retirement plan participants. In many cases, these investors are held captive to a few fund-only investments, traditional allocation methods, and a buy and hold approach. FF3 provides client and other adviser firms a powerful new tool to manage outcomes. Embedded in FF3’s rules-based design is the capability to identify both higher performing asset classes during growth periods and value preserving assets during uncertainty.

The key characteristics of FF3 are:

- *Quantitative and Tactical Methodology* which provides an unemotional, unbiased ranking methodology that is systematically applied on a monthly basis.
- *Volatility, Relative Momentum and Trend Measurements* are used in the quantitative strategy to determine which assets to invest in.
- *Portfolio Diversification* arises from investments in a basket of as many as three major asset classes each month representing a mixture of global regions, sectors, styles and fixed income securities.
- *Intelligent Rebalancing* using monthly rankings to allocate assets based on market conditions. The strategy selects exposure to each asset class when conditions are favorable; it rotates to other investments when conditions favor other assets.
- *Portfolio Concentration Guidelines* do not force the holding of any assets. This rules-based approach allows FF3 to go 100% to cash or to fixed income if the strategy anticipates those assets to outperform.

The Company has entered into an agreement with Folio Café, LLC to access modeling and information to support FF3.

### **Opportunistic Fixed Income Portfolio**

By getting to know your goals, we can help you optimize growth and income strategies. We are focused on customizing solutions for each client. Our fixed income market approach is focused on capturing spread, while protecting underlying capital, among asset classes. Our hallmark is identifying inefficiencies, buying “real” or “absolute” value and, then, trading “relative” value. Our depth in the debt markets extends into SWAPS, repurchase agreements, and structured products.

Though CMIQ is made up of a small tightly knit group, we have global reach. We have key strategic relationships with top tier trading institutions. Our custodians are financial behemoths. We are also experienced in integrating our strategies into other custodians that you might prefer. We use our relationships to go direct to institutional bond desks across the market to find you the lowest prices. If we cannot find the bonds you want, we have the skills and relationships with issuers to create bonds just for you assuming such bonds are appropriate for you.

No two client portfolios are the same. We customize your bond portfolio based on your objectives and permitted investment parameters. We understand regulatory constraints on financial institutions and we work within those constraints. We also understand managing idle cash sitting in construction funds, insurance reserves and escrow accounts.

The selection factors of our fixed income strategy include investment-grade rated securities, pricing inefficiencies, out of favor positions, income producing and odd lots. Our trading strategy is opportunistic, seeking positive spread and eliminating or reducing middlemen. The investment types are bonds of all

types including U.S. government, municipal, corporate, asset-backed and preferred. The bonds may have any or all of the following terms: fixed or floating rate, short, medium or long term, secured or unsecured, structured, hybrid or convertible.

### *Business Consulting Services*

We provide business consulting services, for compensation, to businesses seeking to grow market share, increase their revenue, better manage their costs or solve any number of financial problems. For example, we may assist small banks with respect to non-traditional loans and new non-interest income opportunities. These services generally require a consultant that understands the highly regulated nature of operating a bank. We also assist small businesses looking for affordable banking services such as check clearing, merchant services, receivables financing and cash deposits. We work with businesses seeking to develop new products and services that require our expertise. For example, we advise a technology vendor, which has introduced its product into the financial services industry, in connection with regulatory requirements of its target clients.

For businesses, we advise with respect to the types of securities or other methods that a business may be able to use to meet its capital needs (short, medium and long term). A business may consider any and all types of capital sources including issuance of its own debt or equity securities, subject to applicable laws. We navigate the sea of capital sources to help the business narrow the choices and make the decision that meets its needs. Further, we may help our business clients assess whether issuing securities is an economically viable option. If so, we assist the client to assemble the participants (e.g., investment bankers, trustees, law firms, etc.) necessary to offer securities and guide them through the process. The place we add considerable value is building the client a financial model of its capital choices and the coordinating and collaborating with the many parties necessary to consummate a successful transaction for our client. After the offering, we may advise these same businesses concerning management of the offering proceeds and covenant compliance.

We provide consulting services, for compensation, to individuals and businesses considering premium financing for life insurance. These clients are generally seeking assistance with structuring the financing and introductions to lenders which offer premium financing. We usually charge an hourly rate or flat fee to consult regarding premium financing. Depending on the structure used by the client, we may be engaged separately as an investment adviser with respect to the proceeds of the financing or the assets held in a collateral account. In such case, we would enter into a written investment management agreement with the client and agree on a fee.

### *Sub-Adviser Services*

CMIQ provides investment management services to other registered investment advisers (“*primary advisers*”) with respect to our proprietary investment strategies. All sub-adviser arrangements are agreed by writing between the Company and the primary adviser. The primary adviser is the client contact and CMIQ does not interact with the primary adviser’s client, unless instructed to do so by the primary adviser.

The primary adviser is responsible for assessing its client’s financial situation, risk tolerance and investment objectives, among other things, and determining whether the strategy to be executed by CMIQ for such client account meets the client’s needs. The primary adviser may place restrictions on accounts managed by CMIQ, so long as those restrictions do not impair our ability to effectively execute the strategy we have been engaged to execute for the primary adviser. Currently, all of our sub-adviser arrangements are managed on a discretionary basis.

### *Plan Services*

The Company offers investment management services to pension and profit sharing plans for a fee. Pension and profit sharing plans are generally organized as a trust, investing the assets of plan participants. Plan participants are the individuals enrolled in pension or profit sharing plans seeking individualized advice independent of their plans sponsor.

For accounts governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), CMIQ is a fiduciary to the plan under Section 3(38) of ERISA. In providing its services, the sole standard of care imposed upon us is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

As a registered investment adviser, CMIQ qualifies as an investment manager under Section 3(38) of ERISA, and it is a fiduciary to the plan as defined by ERISA. As a 3(38) investment manager we are authorized by the client to exercise our best judgment in investing, selling and reinvesting securities in the account in our discretion.

We do not hold any assets of the plan but rather such assets are held by an independent custodian selected by the client. As investment manager of a plan, it is our duty to create an investment guideline (selection, removal and replacement of the plan’s investment options), select investments, monitor those investments and provide required reporting to the plan sponsor.

### *International Services*

For our services to foreign clients and U.S. citizens living abroad, the Company has engaged 21<sup>st</sup> Century Advisors Ltd. as a sub-adviser. 21CA is a trans-national asset management firm with its home office in Switzerland and its administrative center in Israel. It provides specialized asset management services specifically tailored to multinational clients. These families and businesses face complex cross-border financial planning and investment challenges.

Specifically, 21CA offers international portfolio construction and monitoring for multinational individuals and foreign trust accounts. They design plans that provide liquidity and which aim for above market performance at low cost. Their seamless U.S. Dollar banking and flexible international investment solution includes a multi-currency overlay for transnational clients.

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

The Company executes a written investment management agreement with each of its advisory clients and a consulting agreement with respect to its business consulting clients. All of our fees are negotiable and once agreed are set forth in the respective client investment management or consulting agreement. We do not have a standard fee schedule because each client is free to negotiate its own fees with us. This means clients may pay different fees (more or less) for the same services.

### *Types of Fees and Compensation*

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

- Institutional advisory and Qualified clients – incentive fees based on profits determined under generally accepted accounting principles (“GAAP”) or the cash method of accounting, as agreed

with the client. 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 fees are charged quarterly in arrears. The Company serves as investment adviser to one private investment company of which Extensor Capital N.A, LLC, an affiliate, is the manager under Delaware law. One client of the Company are also an investor in the Extensor private investment company.

Retail advisory clients – a percentage of assets under management, which is typically 0% - 2.75% of the client's portfolio balance. These fees are charged either quarterly or monthly in arrears, as agreed by the client. The client and the respective IAR may agree whether the fee will be calculated on either (i) the total value of the client's account on the last calendar day of the billing quarter or month, or (ii) the average account balance during the billing quarter or month. If the client does not specify the calculation method, the fee is calculated using the total value of the client's account on the last calendar day of the billing quarter or month.

Certain retail clients have negotiated a progressive fee with us. A progressive fee is a tiered schedule with established thresholds. As the value of account assets increases beyond established thresholds, the fee is reduced for the amount of assets beyond the threshold, which equates to a blended fee. For example, assume a client's assets under management are \$5,000,000. The first threshold is \$1,000,000 with a fee of 2.0%, the second threshold is \$2,000,000 with a fee of 1.5% and the last threshold is >\$3,000,000 with a fee of 1.0%. The client would pay a blended fee of 1.5%. Related accounts may be aggregated for fee calculation purposes.

- International clients – In addition to a fee based on a percentage of assets under management, as described above, international clients incur a one-time, non-refundable, set-up fee of \$350 upon execution of their client agreement. The minimum annual assets under management fee for an international client is \$480.
- Business consulting clients – hourly rate or percentage of revenue or other agreed measure. The Company's hourly rate is \$350 per hour with a minimum non-refundable retainer of \$5,000. These fees are billed monthly and due upon receipt of an invoice.
  - With respect to new product or service development for consulting clients, the Company is usually paid an agreed percentage of the revenue derived by the consulting client from the new product or service developed by the Company.
  - For consulting services regarding identification of new sources of revenue for business clients, such as non-interest income for small banks or merchant services for a new operating business, we are usually paid an agreed percentage of new revenue.
  - For capital planning services for individuals and businesses, the Company charges its hourly fee plus a one-time AUM fee based on a percentage of the gross capital received by the client and to be managed by the Company during the one-year period following the date of a closing. Typically, offering or loan proceeds may be invested in permitted investments or used as set forth in the definitive agreements and disclosure materials. The Company may also assist the business with its cash management activities and covenant compliance. The Company is only serving as a consultant to the client and does not act as a broker-dealer, underwriter or placement agent with respect to any client capital raising activity.

- For premium financing consulting services, the Company charges its hourly fee or a flat fee.

At times, our business consulting clients may also become on-going advisory clients. In such cases, we enter into a separate investment management agreement with these clients for those services.

- Sub-adviser Fees – The Company receives compensation pursuant to its agreements with other registered investment advisers. Our compensation range is 0.50% to 1.25% of the assets under management at the end of a given calendar quarter, but may vary depending on the types of services CMIQ provides.
- Plan Sponsor Fees – Our fee for investment advisory services for plan sponsors varies based on the amount of assets we manage. Typically, fees are a fixed percentage of the assets under management. Our compensation range is 0.50% to 1.00% of the assets under management at the end of a given calendar quarter.

One of our IARs serves as a sub-adviser to two small business 401(k) plans of which Fidelity is the plan trustee and/or custodian. Our role is limited to recommending asset allocations to the plan sponsor. At the direction of the plan sponsor, Fidelity pays the Company directly up to 38 basis points of the fee it collects from these plans. These fees are paid quarterly in arrears.

- IARs, with the prior written consent of the Company, may recommend that any client, invest in one or more alternative investments such as private investment pools or “hedge funds.” 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 funds ranging from 1% - 30% of net income, as defined by the issuer. The Company does not accept this type of compensation.

If we decide in the future to accept this type of compensation with respect to a retail client, we would waive that client’s fees which are based on a percentage of assets under management. This practice presents a conflict of interest and gives the Company and its IARs an incentive to recommend investment products based on compensation received, rather than on a client’s needs. For these reasons, we expect to discuss this conflict with you and request your written consent before accepting such compensation. 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.

One of our IARs advises clients with respect to annuities purchased from and held at Fidelity’s insurance entity. Our role is limited to responding to client questions and changes to these products when needed. These clients are typically invoiced directly by us for these services, unless other payment arrangements are agreed upon.

For clients subject to ERISA and the Internal Revenue Code (the “Code”), the Company’s receipt of fees is subject to the restrictions imposed by ERISA and the Code and any applicable exemption thereto. Pursuant to Department of Labor Rule 408(b)(2), as a fiduciary and service provider to ERISA clients, advisers are required to make disclosures about their receipt of direct and indirect compensation. All direct compensation is in the form of advisory fees which are detailed in the investment management agreement with the client. Our general fee structure is outlined above. Indirect compensation, as defined in Rule 408(b)(c), includes items such as the Company’s receipt of soft dollars. To the extent permissible under Section 28(e) of the Securities Exchange Act of 1934, as amended, the Company may use soft dollars. Soft dollars are discussed more fully in Item 14 below.

### *Payment Method*

You may choose to pay your fees directly to us upon receipt of an invoice or permit the custodian to debit your account for the amount of our fees when due. At the end of each quarter or month, as applicable, we invoice you directly for the fees due or ask the custodian to debit your account. Invoices are prepared by our controller and sent to you directly or to the qualified custodian, as applicable. Generally, when you become our client you will give the qualified custodian written instructions or permission to deduct from your account the amount of the fees and credit our account with the custodian in the amount of the fees. Our fees are due quarterly or monthly in arrears, unless otherwise agreed in writing with you.

With respect to an arrangement in which CMIQ acts as a sub-adviser to another adviser, we invoice the primary adviser quarterly in arrears. Payment is due upon receipt of the invoice. For accounts opened or closed during the billing period, such fees will be prorated to cover only that period which the account was managed by CMIQ.

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, wire and transfer fees, ATM fees, credit card fees, etc.) and mutual fund expenses. You may incur brokerage and other transaction costs (commissions on trades, transaction costs, ticket charges, early redemption 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 (sales loads, redemption fees, etc.).

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, private lending and premium financing for clients, the client may pay a loan origination fee and expenses of the lender, a portion of which may only be shared with the Company with the prior written consent of the client. Accepting any compensation from a lender 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 and by obtaining the client's written consent before the Company accepts such compensation at closing of the financing transaction.

Business consulting clients that decide to issue securities to meet their capital needs should expect to pay fees and expenses of the participants in the transaction, including investment bankers, attorneys, banks, trustees, rating agencies and other offering expenses.

### *Compensation for the Sale of Securities or Other Investment Products*

The Company does not receive any compensation from the sale of securities or other investment products.

Thirteen of the Company's IARs hold insurance licenses (Messrs. Burros, Castro, Chase, Jorgensen, Koehl, Massey, Perrone, Rasmussen, J. Richardson, Sadri, Simms, Talbert and Velez). In

addition, the Company's chief marketing officer, Ibrahim Mohammed, holds an insurance license. These individuals receive commissions from the respective insurance company for selling insurance products. Insurance sales commissions are generally determined as a percentage of the face amount of the policy or annuity depending on the type of policy/annuity, the term of the policy/annuity and the insurance company. There may be other insurance products available with similar features which would pay a lower commission. Insurance products, including annuities and life insurance, can be purchased directly by consumers without payment of any commission to an insurance agent. The Company does not receive any compensation upon the sale of insurance products. The Company does not reduce its advisory fee to offset commissions paid to an insurance agent in connection with the sale of insurance products. The Company has no affiliation with any insurance company. The Company holds no insurance licenses.

Some or all of the above practices present a conflict of interest and give the respective IAR an incentive to recommend investment products, including insurance products, based on compensation received, rather than on a client's needs. In such situations and in addition to the disclosure set forth in this Brochure under *Risk of Loss, In General-Insurance*, we have instructed each IAR to disclose these conflicts (actual or perceived) in advance with the client when applicable.

In the case of mutual funds, our IARs may recommend "no load" funds from time to time.

The Company does not reduce its advisory fee to offset commissions or mark-ups paid to a broker-dealer in connection with the sale of securities.

You have the option to purchase investment products and non-investment products that our IARs recommend through other brokers, dealers, agents or lenders that are not affiliated with the Company. These other parties may charge you additional fees, lower fees or no fees at all.

## **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 private investment company or qualified client).

We manage accounts that are charged a performance-based fee 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 (non-qualified) are charged only one type of fee; AUM fee.

The Company and its IARs may face conflicts of interest by managing accounts with different fee structures 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.

## **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, but are not limited to, the following types of clients:

- Individuals
- High net worth individuals and family offices
- Operating businesses
- Private investment companies
- Small to mid-sized banks and credit unions
- Sponsors of private company defined contribution plans (qualified and non-qualified)
- Plan participants (403(b), 457, 401(k))
- Trusts
- Non-profit entities
- Municipalities
- Non-U.S. citizens
- Multinational 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.

The Company enters into agreements with other registered investment adviser firms to serve as a sub-adviser. The assets managed are reported as AUM of the primary adviser and not included in our AUM. We may refer to these assets as assets under advisement.

## **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, its IARs and sub-advisers. 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
- Relative value
- Short sales
- Repurchase and reverse repurchase agreements
- Long/short
- Tactical rotation
- Sector rotation
- Margin transactions
- Arbitrage
- 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 - Securities*

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 at least in part upon services of the asset managers.
- The price of securities fluctuates which changes the value of your investment (e.g., mark-to-market). Fluctuations may be rapid and frequent.

- Lack of liquidity may make it more difficult to resell the 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.
- Changes in economic conditions, regulations, tax laws, interest rates, yield curves and payment rates affect the value of your investments.
- The use of margin and leverage increases your 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 (commissions, sales loads, redemption fees, etc.) and taxes.

### *High Yield Investments*

An investment in high yield securities is subject to special risks which you should carefully consider. This Brochure 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 portfolio 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.

When authorizing us to purchase a leveraged and inverse fund, you should 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 or permitting these types of investments by an IAR.

#### *In General - Futures and Options*

Trading in futures and options involves a high degree of risk. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

Because of the volatile nature of the commodities markets, the purchase and granting of commodity options involve a high degree of risk. Commodity option transactions should be entered into only by persons who understand the nature and extent of their rights and obligations and the risks involved in option transactions.

You should know that the option, if exercised, results in the establishment of a futures contract (an “*option on a futures contract*”). You should know whether the particular option in which you contemplate trading is subject to a “stock-style” or “futures-style” system of margining. Under a stock-style margining system, a purchaser is required to pay the full purchase price of the option at the initiation of the transaction. The purchaser has no further obligation on the option position. Under a futures-style margining system, the purchaser deposits initial margin and may be required to deposit additional margin if the market moves against the option position. The purchaser's total settlement variation margin obligation over the life of the option, however, will not exceed the original option premium, although some individual payment obligations and risk margin requirements may at times exceed the original option premium. If you do not understand how options are margined under a stock-style or futures-style margining system, you should request an explanation from the futures commission merchant (“*FCM*”) or introducing broker (“*IB*”).

You should not purchase any commodity option unless you are able to sustain a total loss of the premium and transaction costs of purchasing the option. You should not grant any commodity option unless you are able to meet additional calls for margin when the market moves against your position and, in such circumstances, to sustain a very large financial loss.

Gains and losses are paid and collected daily. If you do not understand how to offset or exercise an option, you should request an explanation from the FCM or IB. You should be aware that in a number of

circumstances, it may be difficult or impossible to offset an existing option position on an exchange.

The grantor of an option should be aware that, in most cases, a commodity option may be exercised at any time from the time it is granted until it expires. The purchaser of an option should be aware that some option contracts may provide only a limited period of time for exercise of the option.

The purchaser of a put or call subject to stock-style or futures-style margining is subject to the risk of losing the entire purchase price of the option—that is, the premium charged for the option plus all transaction costs.

### *Futures*

- *Effect of Leverage* - Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are leveraged. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit. This may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited in your account to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit. You understand that it is your responsibility to timely fund request for additional funds.
- *Risk-reducing orders or strategies* - The placing of certain orders (i.e. stop-loss orders, where permitted under local law, or stop-limit orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as spread and straddle positions, may be as risky as taking simple long or short positions.

### *Options*

- *Variable degree of risk* - Transactions in options carry a high degree of risk. You should familiarize yourself with the type of option (i.e. put or call) which you contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into consideration the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin. If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling (“writing” or “granting”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin. If the option is covered by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

- *Terms and conditions of contracts* - You should ask your brokerage firm about the terms and conditions of the specific futures or options you are trading and associated obligations (i.e. the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract and, in respect to options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.
- *Suspension or restriction of trading and pricing relationships* - Market conditions (i.e. illiquidity) and the operation of the rules of certain markets (i.e. the suspension of trading in any contract or contract month because of price limits or “circuit breakers”) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss. Further, normal pricing relationships between the underlying interest and the future, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge “fair” value.
- *Deposited cash and property* - You should familiarize yourself with the protections accorded money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.
- *Commission and other charges* - Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.
- *Transactions in other jurisdictions* - Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should inquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask your broker for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.
- *Currency risks* - The profit or loss in transactions in foreign currency denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

- *Trading facilities* - Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearinghouse or member firms. Such limits may vary. You should ask your broker for details in this respect.
- *Electronic trading* - Trading on an electronic trading system may differ not only from trading in an open market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or at all.
- *Off-exchange transactions* - In some jurisdictions, and only then in restricted circumstances, brokers are permitted to effect off-exchange transactions. The broker you use may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a firm price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules and subsequent risks.

#### *In General - Insurance*

Insurance products are promoted as safe investments. However, certain insurance products involve a substantial degree of risk which you should carefully consider before purchasing.

#### *Fixed Indexed Annuities*

If you are replacing existing securities with a fixed indexed annuity contract, you should consider the following:

- Your return with respect to the annuity may be more or less than the return on the securities you are replacing and returns may be capped in an annuity.
- The annuity may be less liquid than the securities you are replacing.
- The cost to purchase an annuity may be more than the cost of securities.
- The annuity may have a substantial surrender penalty.
- Your overall investment portfolio may be less diversified when you replace securities with an annuity.
- The credit quality of the annuity may be greater or less than that of the securities you are replacing.
- The cost of owning the annuity may be greater or less than that of owning the securities you are replacing.
- The tax consequences of annuities and securities are different, and you may owe taxes arising from the disposition of the securities you are replacing with the annuity.
- You may incur a loss when you sell your securities.
- You may lose some or all of your investment in the annuity or your investment in securities.

Other important elements of the fixed indexed annuity you should consider include, but are not limited to:

- *Early Withdrawal Penalty or Surrender Charges.* A fixed indexed annuity may impose a penalty (a surrender charge) for early withdrawals from the annuity. The surrender charge schedule of the proposed annuity begins at a set percentage and usually declines over a number of years. If you need funds from a fixed indexed annuity prior to its maturity date in excess of any free withdrawal amounts each year, you may incur surrender charges and may suffer losses on your investment. You will possess limited rights to withdraw funds from the annuity, and any withdrawals in excess of the amounts permitted under the annuity may incur a substantial surrender charge until such time as surrender charges disappear. You should purchase an annuity only with funds which you are not likely to need for your current or future expenses or other cash flow needs during the surrender charge period.
- *Limitations on Credit for Index Returns.* The credit given to you for index returns during each period:
  - Does not include dividends which would have been received by an index fund tied to that index and which would otherwise have been reinvested in that index. Historically, the dividend rate for the S&P 500 Index has been approximately 3.6% (over the last six decades) and at times has exceeded 6%. If in the future dividend payout rates are higher due to changes in tax policy, or due to other factors (such as shareholder demand for payment of dividends, versus retention thereof), the index returns you are eligible to participate in (subject to participation rates, caps, and deductions for administrative charges, discussed below) could be further significantly impaired.
  - Is further limited by a cap of a certain percentage on the amount of interest credited to your annuity. The insurance company reserves the right to lower such caps, which would negatively affect your returns. In the past insurance companies have lowered caps on index returns.
  - Is further limited by the participation rate. The participation rate determines how much of the increase in the index will be used to calculate index-linked interest. The insurance company reserves the right to lower the participation rate, which would negatively affect your returns. In the past insurance companies have lowered the participation rate with respect to the index returns.
  - Is further limited by the imposition annually of administrative charges. The insurance company reserves the right to increase the administrative charges, which would negatively affect your returns. In the past insurance companies have increased administrative charges.
- *Credit Risk of the Insurance Company.* The funds used to purchase an annuity from the insurance company are part of the insurer's general account and subject to the general claims of the insurance company's creditors. Unlike a mutual fund or variable annuity sub-account, your annuity funds are not segregated and therefore your funds are not protected in the event of insolvency of the insurance company. The ability of the insurance company to make payments to you, throughout the term of the annuity and upon termination of the annuity, is dependent upon the financial strength of the insurance company. This investment is not insured by any federal or state government agency against loss of principal due to default by the insurance company.



- *Tax Consequences.* You should consult your tax adviser concerning the tax consequences of owning an annuity. Generally, any withdrawals from the annuity of gains within the annuity will be taxed at your ordinary income tax rates. Gains are distributed prior to the return of principal. You will not receive more favorable long-term capital gain treatment which would have been available through a tax-efficient or tax-managed equity mutual fund, and as a result you will likely pay higher income taxes on any gains inside the annuity (in comparison to tax efficient equity mutual funds). If you, are under the age of 59 ½, withdrawals from the annuity would likely be subject to a 10% federal tax penalty, in addition to income tax which may be due.

### *In General - Borrowing*

Purchasing securities with borrowed funds or pledging securities as collateral for loans involves a substantial degree of risk which you should carefully consider before borrowing.

### *Margin*

Margin is investing with borrowed money. The use of margin amplifies a portfolio's performance. It makes losses and gains greater than they would have been if the investment had been made on a cash-only basis. The primary risk is the price of the security may fall resulting in a margin call and higher interest costs for you. If you receive a margin call, you will be required to deposit additional assets into your brokerage account. You are not entitled to an extension of time on a margin call. If you fail to meet a margin call by depositing additional assets, your broker may sell off some or all of your investments until the required equity relationship is restored. You are not entitled to choose which securities in your account are sold to meet a margin call.

All securities in your brokerage account are held as collateral for a margin loan. The margin maintenance requirement varies from broker to broker, security to security and portfolio to portfolio. Your broker may increase the margin maintenance requirement at any time and is not required to provide you or CMIQ advance notice.

It is possible to lose more than you deposit in your margin account when using margin. You will be legally responsible for paying any outstanding debt you may have to your broker even if your portfolio is completely wiped out. The interest rate charged by your broker on margin balances is subject to immediate change.

### *Loans*

Pledging unencumbered owned securities as collateral for purpose or non-purpose loans has risks. The primary risk is the price of the security pledged may fall below the loan amount resulting in a default under the terms of the loan and the sale of your pledged securities by the lender. Such sale could create unexpected tax consequences for you. You will be legally responsible for paying any outstanding loan you may have to your lender even if your pledged collateral is completely wiped out.

### *In General – Premium Financing*

We have made an effort below to identify the key risks associated with premium financing in general. There are various types of life insurance policies which you may own or choose to own. There may be additional risks that may not be presently known or cannot be identified at this time. Before you utilize premium financing, you must carefully consider all risks, including the recognized risks set forth below (which do not purport to be complete), and evaluate the merits of such financing in the context of your

overall financial circumstances and the type of life insurance policy you decide to finance. You could be materially and adversely affected by any of these risks.

Premium financing is designed as a payment plan for meeting long term insurance needs. It is an option for individuals with high net worth and significant annual income which is likely to be sustained for the term of the loan. This type of financing is often used as a way to leverage current liquid assets. Instead of writing a check for the premium when due, you borrow the premium amount from a lender. Premium financing may be unsuitable for you if you are unable to currently fund the premiums based on your net worth or income. The financing of life insurance premiums is a complex transaction. You need to understand the terms of the many loan options, including the costs, commission and fees involved, and any variable components of the loan. Your attorney and accountant should analyze the costs and potential benefits as part of your estate plan.

- *Risks of Premium Financing* - Premium financing involves many risks, such as the possibility of policy lapse, loss of your collateral, interest rate and market uncertainty, failure to re-qualify with the lender to keep the loan in place, just to name a few. In certain situations, additional contributions by you may be required to repay the loan or maintain the desired level of insurance.
- *Loan Underwriting Risk* - Approval of a premium financing loan is subject to the lender's collateral and financial underwriting requirements. Lenders typically require additional collateral during the early years of a policy in the form of cash, marketable securities, a personal guarantee, or a letter of credit from a bank approved by the lender. There is no guarantee that you will be approved for a loan from any lender. Moreover, if you choose an annual loan structure, you may need to re-qualify for the loan each year. Even if you have been previously approved for a loan, you may not be approved at the time of renewal.
- *Lender Advance Rates* - When underwriting the loan, most lenders will discount the policy's illustrated net cash surrender value and only consider the guaranteed net cash surrender value or request a low-point letter from the carrier. In a low-point letter, the carrier projects the low point of the cash surrender value for the upcoming year. The lender will also apply haircuts to the other types of additional collateral you provide.
- *Policy Performance Risk* - The financing strategy – interest, collateral requirements and exit strategy – relies on the projected policy performance (e.g, crediting rates). There may be a need for additional collateral if the policy's net surrender cash value is lower than initially projected for any reason, such as lower or slower than expected policy performance or an increase in the cost of insurance. If the policy does not perform as expected, you may have to use other assets to re-pay the loan and maintain the life insurance coverage. For the strategy to achieve the expected result, the policy must earn a consistently high crediting rate each year. It is important to understand the policy terms, especially the guaranteed cap and participation rates on the policy. The non-guaranteed participation rate may be 140% and the non-guaranteed cap 12%, but the guarantees may be much lower.
- *Interest Rate Risk* - Many premium loans have variable interest rates, making the long- term costs unpredictable. We are in a historically low interest rate environment, but, at some point, interest rates will rise. If interest rates increase more than initially projected, you could be required to pay additional monies to keep pace with your interest payments or risk losing the policy and your other collateral. Moreover, a loan's interest rate may exceed the policy's crediting rate, leaving no benefits for the beneficiaries. In some cases, where the death benefit is less than the loan balance, it is possible that beneficiaries would receive no benefits under the policy and would owe the

remaining unpaid loan balance.

- *Lack of Liquidity* - Premium financing should only be considered when you can write the check for the premium, but choose to leverage your own liquidity rather than pay the premium. Many lenders may want you to be at least 20% liquid. The policy's net cash surrender value is the primary collateral for the loan. If the net cash surrender value is not sufficient to cover 100% of the loan balance, you will need to post additional collateral. The lender will be seeking collateral that it can easily liquidate should a default occur. Interest is usually due monthly or quarterly on the loan. You will need to make these interest payments from your liquid assets when due, unless you can take cash-value distributions from the policy. If the lender allows you to defer the interest payments, you will need to provide additional collateral to secure the increased loan amount. With this type of loan, you do not pay the interest to the lender. Instead, the interest due is added to the loan principal and paid out of the death benefit at your death. The increasing loan balance generates increasing annual interest costs, which will reduce the amount of policy death benefit delivered to the beneficiary. These types of loans carry a greater financial risk, especially when the policy performance or interest projections do not meet expectations.
- *Loan Term Risk* - Lenders will not forecast interest much beyond seven years, so many loan terms do not extend beyond seven years. This means the term of a loan will likely be shorter than the policy period and you may be forced to either renegotiate the terms of your loan agreement or find another lender to re-finance your loan when it matures. You may not be able to re-finance your loan on terms which are acceptable to you or at all.
- *Collateral Call Risk* - If at any time the value of the collateral for the loan (subject to the lender's haircut) is less than 100% of the loan balance, you will be required to provide additional collateral to the lender. If you fail to do so, you will be in default under the loan agreement.
- *Loan Default Risk* - There is risk of you defaulting on the loan. For example, you may not have enough cash to make the interest payments on the loan when due. You may fail to answer a collateral call or breach covenants in the loan agreement which would both be an event of default. Defaulting on the loan puts the policy at risk of loss due to lapse or forfeiture. It also subjects you to further financial ramifications, including possible loss of your other collateral, which may be foreclosed upon due to default.
- *Lender Risk* - If the lender is a bank, it may fail to fund the next tranche in an annual draw loan structure because it has been taken over by its regulator or has merged with another bank that has discontinued its premium financing business. Failure to fund the premium payment by the lender puts the policy at risk of loss due to lapse or forfeiture.
- *Impact on Your Financial Ratios* - When you increase your outstanding debt, your personal debt ratios increase. A premium financing loan will change your net worth ratio. It will also increase your debt to income ratio which is commonly used by banks for underwriting home mortgages. Even if you are deferring your interest payments under a loan, those amounts will be included in your debt to income ratio, which could cause you to exceed the ratio needed to qualify for a mortgage or home equity loan in the future.
- *Credit Risk of Insurance Company* - Where the issuing life insurance company experiences a drop in its credit rating, it is possible that the lender may choose to stop paying the premiums to the carrier. In such instances, you run the risk of having the policy lapse, or being forced to find other sources of funding for the premiums.

- *Predatory Lenders* - You should vet the lender for financial stability, reputation and complaints. Predatory lenders, which are mostly unregulated entities, may provide one or two-year loans, using only the policy as collateral, after which the full balance of the loan is due. After the loan becomes due, the predatory lender charges the borrower exorbitant interest and fees, which forces the borrower to relinquish the policy to the lender. The lender then sells the policy on a secondary market, profiting both by the payment of interest on the loan and by the sale of the policy. The consequences of this abuse are magnified because damages could include losses from the failure of an estate plan, the loss of the policy and all the costs associated with that.
- *Conflicts of Interest* - It is important to evaluate conflicts of interest between your insurance agent, lender and other advisers. Many times, professional advisers such as insurance agents are also involved with entities offering premium financing, and may be compensated, in part, for the financing transaction. Insurance agents receive commissions for selling life insurance policies. The agent faces a conflict of interest when selling insurance while at the same time advising you with respect to premium financing because the agent has an incentive to favor premium financing given the commissions the agent will receive for selling the policy. These conflicts of interest should be reviewed carefully.
- *Tax Risk* - If you choose to use premium financing, you should consult with your tax adviser. The policy type and the payment plan you use may have material tax consequences. For example, if you had to liquidate assets to answer a collateral call, you may incur capital gains on the sale of assets. Further, you may decide to use a modified endowment contract (MEC) as collateral for your loan, which means you will pay premiums in excess of the seven-pay premium to create a high cash surrender value in excess of the total premiums paid. Internal Revenue Code §72(e)(10) and §72(e)(4)(A) state that pledging a MEC as collateral for a loan will be treated as a distribution from a policy (even if no actual distributions have been made). Any cash value in excess of basis is taxable as ordinary income. In addition, if you create an irrevocable life insurance trust (ILIT) to purchase a life insurance policy, the ILIT is the owner of the policy, and the borrower of the premiums. If the ILIT has no additional assets other than the policy, and additional collateral is required for the loan, you, the grantor, may have to pledge other collateral on behalf of the ILIT to collateralize the loan. This pledge may be considered a gratuitous use of credit and subject to gift tax.
- *Exit Strategy Risk* - Most of the time, the outstanding loan is paid off through a policy loan, not a withdrawal from the policy. Typically, the policy loan uses a variable rate and the policy continues to accumulate cash value. For example, the variable loan rate may be 5%. If the policy is illustrated at 7%, the policy loan is earning 2%. However, if the policy earns 0%, the loan rate stays at 5%. If this inversion continues, the policy may not be able to repay the loan. If no other exit strategy exists and you cannot use other assets to pay interest or repay the loan, you may have to default on the loan. In such case, the lender will surrender the policy for the cash surrender value and will then take into the assets you pledged as collateral for the loan for the remaining loan balance. If those assets are insufficient to repay the loan in full, the lender will look to you to pay the deficiency. This may be a significant blow to their liquid assets, and you will lose your existing insurance coverage.
- *Life Risk* - Life changes. As with all life insurance policies, annual maintenance and diligence may uncover a superior insurance product or lender in the future. There may be any number of reasons that you may no longer wish to continue premium financing in the future such as divorce, your beneficiaries predeceasing you, business failure or loss of income, etc. As the years go by, you may

question whether the increasing cash outflow is worth it. While it is possible to unwind a premium financing loan, there will be significant costs to doing so. You should understand from the beginning the exact amount that will be due each year and be in a position to make those payments. If you decide to unwind your loan, you should be willing and able to accept the financial consequences of doing so which may include prepayment penalties, surrender charges, adviser fees, taxes, etc.

- *Life Insurance Risk* - You should consult with your insurance agent concerning the risk of owning life insurance. For example, many life policies are illustrated to age 100. Living beyond that life expectancy with no loan exit plan could lead to insufficient capital or death benefit repay the loan. Risk of a policy being rescinded should also be considered. If the policy is rescinded or contested and you are found at fault, the loan would become immediately due. Any guarantees offered by life insurance products are subject to the claims-paying ability of the issuing insurance company. There are considerable issues that need to be considered before replacing life insurance such as, but not limited to; commissions, fees, expenses, surrender charges, premiums, and new contestability period. There may also be unfavorable tax consequences caused by surrendering an existing policy, such as a potential tax on outstanding policy loans. You should discuss your situation with your insurance agent.

#### *Investment Performance Claims*

You may wish to assess performance claims when making a decision to engage CMIQ or to use one of our investment models. You should not rely blindly upon performance claims. You should ask questions to help you understand how performance is calculated and presented, and to evaluate the reliability of the performance claims.

Performance information can be presented many different ways. Before making a decision, always make sure you understand how any performance claim is calculated— and whether or not the claim is reliable and applies to your particular circumstances. Below are a few things to consider.

It is critical to consider which factors are included in a presentation of performance calculations—and which factors are not. For example,

- *Fees*. You will likely pay certain fees related to an investment. Fees reduce investment returns. If fees are not included in the performance calculations, information disclosing what fees were excluded and how the excluded fees would have affected performance should be presented.
- *Your Personal Situation*. A presentation might not take into account factors such as your age, income, other investments, or debt, all of which may affect your situation and risk tolerance.
- *Market and Economic Conditions*. Performance calculations should be considered in light of material market and economic conditions. For example, while a particular investment return might be above average during a period of economic downturn, that same return could be below average during a period of generally favorable economic conditions.
- *Calculation Method*. You should consider the process for calculating performance. Factors such as how a performance calculation accounts for dividends and its assumptions about taxes and market and economic conditions are important to understanding performance calculations.

It is impossible to guarantee return on investments that have market risk (e.g., stocks) because profitability may depend, in part, on future market forces.

Backward looking performance may be based on actual historical performance or “back-tested” performance information. Back-testing involves applying an investment strategy (e.g., “algorithm” or “model”) to past market conditions to show how the strategy *may have* performed if it had existed or been in operation then. Because back-testing does not portray actual performance, it should be clearly labeled as back-tested. Remember: **Backward looking performance cannot predict how an investment strategy will perform in the future.**

Performance should not be presented for only periods of good returns and exclude periods of bad returns (e.g., cherry-picking). Ask about any performance presentation that does not cover reasonable time periods across variable market conditions, including both up and down markets.

The performance of an investment strategy may be compared to that of a benchmark (e.g., a market index that tracks how a particular segment of the market is performing, like the S&P 500). The performance of a benchmark may not reflect the deduction of the fees that you pay, which would reduce your returns. The choice of a benchmark is important in evaluating performance because you need to see apples to apples. If a performance presentation appears to use a benchmark representing a different market segment and types of investments than those used by your investment strategy, you should question why that benchmark was used.

#### *Model or Hypothetical Performance*

#### **Disciplined Earnings Growth Portfolio Strategy (“DEGP”)**

The DEGP model results reflect performance of a strategy and do not represent returns that any client actually attained. Model results are calculated by the retroactive application of a model constructed from historical data and based on assumptions integral to the model which may or may not be testable and are subject to losses. General assumptions include: CMIQ would have been able to purchase the securities recommended by the model and the markets were sufficiently liquid to permit all trading. Changes in these assumptions may have a material impact on the model returns presented. Certain assumptions have been made for modeling purposes and are unlikely to be realized. No representations and warranties are made as to the reasonableness of our assumptions. Model performance is developed with the benefit of hindsight and has inherent limitations. Specifically, model results do not reflect actual trading or the effect of material economic and market factors on the decision-making process. Since trades have not actually been executed, results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity, and may not reflect the impact that certain economic or market factors may have had on the decision-making process. Further, modeling allows the security selection methodology to be adjusted until past returns are maximized. Actual performance may differ significantly from model performance. The model performance has not been independently examined.

#### Calculation Methodologies

The DEGP model performance is prepared using the following methodologies: (i) the performance is achieved by a model portfolio to which an investment methodology is applied on a current and on-going basis; (ii) the model begins with \$1,000,000 invested in 20 securities at the beginning of each annual period; (iii) the securities are priced at month end and securities held are valued at the closing price as of the last business day of each month; (iv) the cost basis and proceeds for individual security purchases and sales are based on the day and time a trade was entered into and the price is recorded as of the time the decision was made; (v) monthly performance is calculated using a holding-period return; (vi) annual performance for the

model is computed by geometrically linking the monthly performance results for the indicated number of months; (vii) the total investment performance includes realized and unrealized gains and losses, and dividends but does not include the effect of interest; (viii) the performance results are shown net of management fees; (xi) net of fee performance is reduced by the management fee but is gross of other fees and transaction costs; (xi) net of fee performance is reduced by the management fee but is gross of other fees and transaction costs; (xi) net of fee performance is calculated using an annual management fee of 2.00% applied quarterly, in arrears; and (xii) the U.S. Dollar is the currency used to express performance. No cash balance or cash flow is included in the calculation.

#### Limitations of Model Performance

The performance represents model results for DEGP during the measurement time period. As such, these results have inherent limitations, including, but not limited to, the following: (i) the DEGP results do not reflect the results of actual trading by specific CMIQ clients, but were achieved by means of the calculation methodologies described above; (ii) model performance may not reflect the impact that all or any material market or economic conditions may have had on use of DEGP by an individual client; (iii) for various reasons, CMIQ clients may have experienced investment results, either positive and negative, during the measurement period that were or may have been materially different from those reflected by the DEGP model performance. For example, variances in client account holdings, investment management fees incurred, the date on which a client began using DEGP, client account contributions or withdrawals and general market conditions, may have caused the performance of a specific client's portfolio to vary substantially from the DEGP model performance results, wash sales, and (iv) different types of investments and investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or strategy will be either suitable or profitable for a prospective client.

The model performance does not reflect other earnings, brokerage commissions, ETF expenses and custodian expenses. It is important to note that actual portfolios would be charged other fees and transaction costs and performance would be lower. The model results may differ materially from actual results based upon various factors. Past performance may not be indicative of future results. Therefore, you should assume that future performance will be profitable, equal the model performance reflected for DEGP, equal the corresponding historical benchmark index, or equal to that of another client. The historical index performance results for the index reflect reinvested dividends, but do not reflect the deduction of transaction and custodial charges, or the deduction of an advisor fee, the incurrence of which would have the effect of decreasing the historical index performance results. The historical index performance results are provided for comparison purposes only, so as to provide general information to assist a prospective client in determining whether the index performance meets the client's investment objectives. Historical index performance results do not reflect the impact of taxes. It should not be assumed that portfolios will correspond directly to any such comparative benchmark index. Further, the comparative index may be more or less volatile than DEGP.

#### **Keystone Tactical ETF Strategy**

The Keystone performance results represent hypothetical results during the measurement period. The results are based on calculation methodologies set forth in the policies and procedures of CMIQ but have not been independently examined by a third party.

#### Calculation Methodologies

The hypothetical performance is prepared using the following methodologies: (i) the performance is achieved by a model portfolio to which an investment methodology is applied on a current and on-going basis; (ii) the model begins with \$100,000 invested in up to 14 models asset classes at the beginning of each

annual period; (iii) the securities are priced at month end and securities held are valued at the closing price as of the last business day of each month; (iv) the cost basis and proceeds for the hypothetical individual security purchases and sales are based on the day and time a trade was entered into and the price is recorded as of the time the decision would have been made; (v) monthly performance for the model is calculated using a holding-period return; (vi) annual performance for the model is computed by geometrically linking the monthly performance results for the indicated number of months; (vii) the total model investment performance includes realized and unrealized gains and losses, and dividends but does not include the effect of financial leverage; (viii) the model performance results are shown gross and net of management fees; (ix) gross of fee model performance is stated gross of all fees and transaction costs; (x) net of fee model performance is reduced by the management fee but is gross of other fees and transaction costs; (xi) net of fee model performance is calculated using an annual management fee applied quarterly, in arrears; and (xii) the U.S. Dollar is the currency used to express performance.

#### Limitations of Model Performance

The model performance reflects hypothetical results during the measurement period. As such, these results have inherent limitations, including, but not limited to, the following:

- (a) the Keystone results do not reflect the results of actual trading by CMIQ or use of CMIQ client assets, but were achieved by means of establishing rules-based investment parameters, with the benefit of hindsight, and applying these rules from the start date;
- (b) hypothetical performance may not reflect the impact that all or any material market or economic conditions may have had on use of Keystone by an individual client;
- (c) for various reasons, CMIQ clients may have experienced investment results if they used Keystone, either positive and negative, during the measurement period that may have been materially different from those reflected by the Keystone hypothetical performance results. For example, variances in client account holdings, investment management fees incurred, the date on which a client began using Keystone, client account contributions or withdrawals, wash sales and general market conditions, may have caused the performance of a specific client's account to vary substantially from Keystone hypothetical performance results; and
- (d) different types of investments and investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or strategy will be either suitable or profitable for a prospective client.

The Keystone model performance does not reflect other earnings, brokerage commissions, ETF expenses and custodian expenses. It is important to note that actual portfolios would be charged other fees and transaction costs and performance could be lower. Keystone model results may differ materially from actual results based upon various factors. Past performance may not be indicative of future results. Therefore, no client should assume that future performance will be profitable, equal the performance reflected for the model, equal the corresponding historical benchmark, or equal to that of another client. Model performance results do not reflect the impact of taxes.

The historical index performance results reflect reinvested dividends, but do not reflect the deduction of transaction and custodial charges, or the deduction of an advisor fee, the incurrence of which would have the effect of decreasing the historical performance results. The historical index performance results are provided for comparison purposes only, to provide general information to assist a prospective client in determining whether the index performance meets the client's investment objectives. It should not be assumed that portfolios will correspond directly to any comparative benchmark. Further, the comparative benchmark may be more or less volatile than Keystone.



### **Focus Three Tactical Strategy**

The FF3 performance results represent hypothetical results during the measurement period. The results are based on calculation methodologies set forth in the policies and procedures of CMIQ but have not been independently examined by a third party.

#### Calculation Methodologies

The hypothetical performance is prepared using the following methodologies: (i) the performance is achieved by a model portfolio to which an investment methodology is applied on a current and on-going basis; (ii) the model begins with an assumed investment amount invested in up to four asset classes at the beginning of each annual period; (iii) the securities are priced at month end and securities held are valued at the closing price as of the last business day of each month; (iv) the cost basis and proceeds for the hypothetical individual security purchases and sales are based on the day and time a trade was entered into and the price is recorded as of the time the decision would have been made; (v) monthly model performance is calculated using a holding-period return; (vi) annual performance for the model is computed by geometrically linking the monthly performance results for the indicated number of months; (vii) the total model investment performance includes realized and unrealized gains and losses, and dividends but does not include the effect of interest; (viii) the model performance results are shown gross and net of management fees; (ix) gross of fee model performance is stated gross of all fees and transaction costs; (x) net of fee model performance is reduced by the management fee but is gross of other fees and transaction costs; (xi) net of fee model performance is calculated using an assumed annual management fee applied quarterly, in arrears; and (xii) the U.S. Dollar is the currency used to express performance.

#### Limitations of Hypothetical Performance

Performance reflects hypothetical, back-tested results during the measurement period. As such, these results have inherent limitations, including, but not limited to, the following:

- (a) the FF3 results do not reflect the results of actual trading by CMIQ or use of CMIQ client assets, but were achieved by means of establishing rules-based investment parameters, with the benefit of hindsight, and applying these rules from the start date;
- (b) hypothetical performance may not reflect the impact that all or any material market or economic conditions may have had on use of FF3 by an individual client;
- (c) for various reasons, CMIQ clients may have experienced investment results if they used FF3, either positive and negative, during the measurement period that may have been materially different from those reflected by the hypothetical performance results. For example, variances in client account holdings, investment management fees incurred, the date on which a client began using FF3, client account contributions or withdrawals, wash sales and general market conditions may have caused the performance of a specific client's account to vary substantially from the FF3 hypothetical performance results; and
- (d) different types of investments and investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or strategy will be either suitable or profitable for a prospective client.

The FF3 model performance does not reflect other earnings, brokerage commissions, ETF expenses and custodian expenses. It is important to note that actual portfolios would be charged other fees and transaction costs and performance would be lower. The model results may differ materially from actual results based upon various factors. Past performance may not be indicative of future results. Therefore, no client should assume that future performance will be profitable, equal the model performance reflected for FF3, equal the corresponding historical benchmark, or equal to that of another client. Model performance

results do not reflect the impact of taxes.

The historical index performance results reflect reinvested dividends, but do not reflect the deduction of transaction and custodial charges, or the deduction of an advisor fee, the incurrence of which would have the effect of decreasing the historical performance results. The historical index performance results are provided for comparison purposes only, to provide general information to assist a prospective client in determining whether the index performance meets the client's investment objectives. It should not be assumed that portfolios will correspond directly to any comparative benchmark. Further, the comparative benchmark may be more or less volatile than FF3.

Different types of investments and investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or strategy will be either suitable or profitable for a client.

## **Item 9. Disciplinary Information**

The SEC Office of Compliance Inspections and Examinations ("OCIE") current Examination Priorities include examining compliance oversight and controls of registered investment advisory firms that employ individuals with a history of disciplinary events in the financial services sector, including individuals that have been disciplined or barred from a broker-dealer. Recent publications of the SEC imply that such individuals may present an increased risk of future misconduct, and thus can present harm to clients.

As part of this initiative, the SEC is encouraging firms to disclose additional information about their hiring and supervisory practices. The SEC has also suggested that firms evaluate whether information that is not required to be disclosed should be disclosed anyway.

### *Disclosure*

Item 11 of Part 1A; Item 9 of Part 2A, and Item 3 of Part 2B of the Form ADV requires a firm to disclose certain disciplinary events of the firm (and its advisory affiliates including the adviser's supervised persons) occurring within the past 10 years, which are presumptively material. The rules generally require reporting of an event *upon occurrence* and, in most cases, prior to investigation and determination of outcome. These disclosures are available on the Financial Industry Regulatory Authority's ("FINRA") BrokerCheck website. Based on our experience, these disclosures may not always be complete, current or accurate. You should review with care.

This Item 9 requires us to disclose legal and regulatory events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Management includes our officers and individuals who determine general investment advice provided to clients.

Item 9 provides a list of events that are deemed material, unless the presumption of materiality is rebutted. These are: criminal and certain civil, federal and state administrative and self-regulatory organization proceedings. To rebut the presumption of materiality that the events listed in Item 9 should be disclosed, a firm must take into consideration the following factors:

- Proximity of the person involved in the disciplinary event to the advisory function
- Nature of the infraction that led to the disciplinary event
- Severity of the disciplinary event sanction
- Time elapsed since the disciplinary event

We do not believe we are required to make any disclosures under this Item 9.

#### *Other*

There are three advisors (non-management) at CMIQ with a disciplinary history, which is disclosed in Part 1 of our Form ADV and in Item 3 of their respective Form ADV Part 2B – Brochure Supplements. These advisors are Steven Castro, Ron Sadri and Sam Talbert. Details can be found on the FINRA BrokerCheck system or the IAPD. You may access disciplinary history via the internet. The BrokerCheck link is [www.finra.org/brokercheck](http://www.finra.org/brokercheck) and the IAPD link is [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### *Hiring*

We conduct due diligence of each adviser candidate, and evaluate the risk to our clients and the firm before accepting or rejecting any person that may wish to join our firm. Our due diligence process consists of the following as applicable, among other things:

- BrokerCheck review
- Internal adviser questionnaire
- Background check
- Review of any court pleadings, if any
- Review of regulatory documents, if any
- Calls to state regulators and FINRA, when needed
- Calls to adviser's legal counsel that handled a matter, if any
- Personal references
- Business references
- Review of the adviser's business plan
- Review of type of strategies used, type of clients
- Interviews
- Internal discussions
- Discussion with custodian

#### *Supervision*

We evaluate each adviser individually and determine the level supervision we believe appropriate. We may exercise heightened supervision at times. We may limit system access of an adviser to open or close accounts, or engage in certain trading activity. In some cases, any adviser may delegate trading of client accounts to another adviser at our firm. Our president and chief compliance officer are responsible for supervising the activity of our advisers.

If you have questions containing any of our advisers, please contact us.

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

Our management and some of our advisers engage in businesses other than investment advisory services. These businesses include insurance services, business consulting, serving as a registered representative of a broker-dealer, practicing law, practicing accounting, private lending or full-time jobs. Outside business activities of our advisers are disclosed on Brokercheck and in the adviser's respective Form ADV Part 2B – Brochure Supplement.

Ms. Turnbow, an officer of the Company, owns 50% 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. Mr. Mohammed, an officer of the Company, owns 50% of Extensor Capital, N.A., LLC and serves in similar roles at Extensor.

Mr. Mohammed holds a California insurance producer licenses to sell insurance products such as fixed index annuities, fixed annuities, fixed life insurance and fixed index universal life policies to individuals. There is no business relationship between the Company and any of the insurance companies that Mr. Mohammed does business with.

The Company serves as investment adviser for one private investment fund. This fund is closed to new investors. The offering materials for this company contain disclosures regarding conflicts.

Kenneth N. Wiseman, II is a registered representative, registered representative of Birchwood Securities Corp., a registered broker-dealer located in Medford, New Jersey. His duties in this role include trading securities. If you have an account with Birchwood Securities Corp., that is a brokerage account and not an advisory account, the interests of Mr. Wiseman when working with your account at Birchwood Securities Corp. may not always be the same as your interests. Please ask questions to make sure you understand your rights and his obligations to you, including the extent of his obligation to disclose conflicts of interest and to act in your best interest. At Birchwood Securities Corp., he may be paid both by you and, sometimes, by persons who compensate Birchwood Securities Corp. based on what you buy. Therefore, his compensation may vary by product and over time. There is no business relationship between the Company and the broker-dealer with which Mr. Wiseman is affiliated.

Lawrence Pereira is a registered representative, registered principal and analyst of Govdesk, LLC, a registered broker-dealer located in Redondo Beach, California. His duties in this role include trading securities. If you have an account with Govdesk, LLC, that is a brokerage account and not an advisory account, the interests of Mr. Pereira when working with your account at Govdesk, LLC may not always be the same as your interests. Please ask questions to make sure you understand your rights and his obligations to you, including the extent of his obligation to disclose conflicts of interest and to act in your best interest. At Govdesk, LLC, he may be paid both by you and, sometimes, by persons who compensate Govdesk, LLC based on what you buy. There is no business relationship between the Company and the broker-dealer with which Mr. Pereira is affiliated.

David Burros holds Colorado insurance producer licenses but is not registered as an agent of any insurance agency. He is not currently selling insurance products. If in the future, he decides to sell insurance products, he will 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.

John Butcofski, is the founder of Captain John Charts, and online subscription service for market research and investor education such articles, charts, videos and blogging. The service includes workshops, mentoring and coaching to help traders and individuals simply macro market data. He charges a flat monthly or annual subscription fee depending on the level of service selected by the customer. There is no business relationship between the Company and Captain John Charts.

Steven B. Castro holds a Arizona insurance producer licenses to sell fixed index annuities, fixed annuities and fixed index and VUL and disability policies to individuals. He spends approximately 20 hours per week on this activity. Mr. Castro faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. There is no business relationship between the Company and any of the insurance companies that Mr. Castro does business with.

T. Matthew Chase holds a Tennessee insurance producer license to sell fixed index annuities, fixed annuities and fixed index and VUL and disability policies to individuals. He spends approximately 5 hours per week on this activity. Mr. Chase faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. There is no business relationship between the Company and any of the insurance companies that Mr. Chase does business with.

Catherine Fortier, one of our advisers, is married to Tim Fortier, the owner of Portfolio Café. Portfolio Café provides modeling and information services to the Company for our rules-based strategies. She faces conflicts of interest by managing client accounts at the same time she is recommending a client use one of our rules-based models supported by Portfolio Cafe, including she may have an incentive to favor our rules-based models over other strategies for the client because of the fees we pay to Portfolio Café. In such situations, we have instructed her to discuss these conflicts (actual or perceived) upfront with her clients when applicable.

Adam Jorgensen holds Florida insurance producer licenses to sell insurance products such as fixed index annuities, fixed annuities, fixed life insurance and fixed index universal life policies to individuals. He faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. He also provides valuation services to small businesses. There is no business relationship between the Company and any of the insurance companies that Mr. Jorgensen does business with.

Glenn Koehl holds Texas insurance producer licenses for fixed index annuities, fixed annuities and fixed index VUL policies. He faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. There is no business relationship between the Company and any of the insurance companies that Mr. Koehl does business with.

Donald Massey holds Massachusetts insurance producer licenses for life and disability insurance. He faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. There is no business relationship between the Company and any of the insurance companies that Mr. Massey may do business with.

Scott Perrone holds Florida insurance producer licenses to sell insurance products such as fixed index annuities, fixed annuities, fixed life insurance and fixed index universal life policies to individuals. He faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. He also provides valuation services to small businesses. There is no business relationship between the Company and any of the insurance companies that Mr. Perrone does business with.

Jason Rasmussen holds Texas insurance producer licenses for fixed index annuities, fixed annuities and fixed index VUL policies. He faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. There is no business relationship between the Company and any of the insurance companies that Mr. Rasmussen does business with.

Jeffrey Richardson is the owner of Sugarloaf Financial Group, LLC, an insurance agency in Georgia. He sells life insurance and annuities to individuals. Mr. Richardson faces 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. There is no business relationship between the Company and any of the insurance companies that Mr. Richardson does business with.

Mahran Sadri holds California insurance producer licenses for property, casualty, life, accident & health products and variable contracts. He faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. There is no business relationship between the Company and any of the insurance companies that Mr. Sadri does business with.

Michael Simms holds Florida insurance producer licenses to sell insurance products such as fixed index annuities, fixed annuities and fixed index VUL policies to individuals. He faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. He also provides valuation services to small businesses. There is no business relationship between the Company and any of the insurance companies that Mr. Simms does business with.

Sam Talbert holds Arkansas insurance producer licenses for annuities, property, casualty, life, accident & health products and variable contracts. He faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. There is no business relationship between the Company and any of the insurance companies that Mr. Talbert does business with.

Gil Velez holds Florida insurance producer licenses for fixed annuities, disability, health, life, employee benefits and long-term care policies. He faces conflicts of interest by managing client accounts at the same time he is selling insurance products, especially fixed annuities, 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. There is no business relationship between the Company and any of the insurance companies that Mr. Velez does business with.

Jason Sayles and Miuseyen Keenan are the owners of Capital Markets 3, LLC. This entity provides business consulting services, payroll services and access to unaffiliated, third party accounting, tax, retirement and insurance service providers to address needs of certain business clients and self-directed retirement plans. Capital Markets 3, LLC charges clients for these services. Either Mr. Sayles or Ms. Keenan could face conflicts of interest by managing a client's investment account at the same time their company is providing or recommending other third-parties services for a fee to the same client. In such situations, we have instructed each of them to discuss these conflicts (actual or perceived) upfront with clients when applicable. There is no business relationship between the Company and Capital Markets 3, LLC.

Further, some of the clients of Mr. Sayles and Ms. Keenan use the accounting and tax services of Hajek & Hajek CPA's P.A. Both Mr. Sayles and Ms. Keenan rent office space from Hajek & Hajek. One of the CPAs at Hajek & Hajek may serve as an outsourced chief financial officer for one or more of the clients of Mr. Sayles and Ms. Keenan. The same CPA is employed as the chief financial officer of Capital Markets 3, LLC. From time to time, he may refer clients to Capital Markets 3, LLC, Mr. Sayles or Ms. Keenan, including clients needing investment advisory services provided by CMIQ. While the CPA is not paid any referral fee by CMIQ, Mr. Sayles or Ms. Keenan, he does receive a salary and benefits from Capital Markets 3, LLC as its chief financial officer. Lastly, CMIQ may refer its clients to Hajek & Hajek CPA's P.A. for accounting and tax services. CMIQ does not receive any referral fees from Hajek & Hajek CPA's P.A.

As stated above, several of the Company's IARs or affiliates holds an insurance license to market and sell annuities, property, casualty, life, accident and health insurance products, which is investment-related activity. One or more of the Company's IARs or affiliates may be married to an individual who also holds an insurance license and sells insurance products. These individuals may be associated with one or more unaffiliated insurance agencies. There is no business relationship between the Company and the insurance companies or agencies for which these individuals may be producers. Further, the Company does not act as an insurance agent or receive commissions for selling insurance products.

However, the Company may provide consulting, due diligence and administrative services to an IAR or affiliate, who is also an insurance agent, concerning various matters, including financing of insurance products. In such cases, the IAR or affiliate may pay the Company an hourly fee of \$350 or other flat fee for its services. The Company's consulting, due diligence or administration fees vary depending on the complexity of the case, the amount of time spent, the quantity of work completed, consultation with other professionals, etc. It is possible that the Company could be providing consulting services to an IAR or affiliate concerning a proposed financing case in which a client subsequently engages the Company as its consultant and/or investment adviser. In such case, the Company would face a conflict of interest because the Company could receive compensation from both the client and the IAR or affiliate.

The Company may advise a client with respect to premium financing for life insurance and other business financial matters. These services may create client assets for which the Company provides advisory services and charges the client an AUM fee. An IAR may be advising a client regarding such financing while IAR (or spouse) is selling the client a life insurance product. In such case, the IAR, in its

capacity as an insurance agent (or its spouse), would receive customary insurance commissions paid by the insurance company, and a portion of the AUM fee, up to one-third (1/3), paid by the client to the Company.

We have entered into a sub-adviser agreement with Advisers Capital Investments Inc. in which the Company serves as sub-adviser to ACI with respect to one of our proprietary equity strategies. We advise ACI with respect to the execution of the strategy for certain of its clients. ACI pays the Company a fee equal to an agreed percentage of assets under management in each of its client accounts which utilizes our strategy. In addition, the agreement provides that from time to time ACI may refer other investment advisers, adviser firms, financial advisers and broker-dealers to the Company for its sub-adviser services. If the Company enters into an agreement with such referred persons, the Company will pay ACI a fee of 20% of the revenue collected by the Company from these persons. This relationship creates a conflict of interest. To address this conflict, we have asked ACI to deliver a written Disclosure Statement to parties it refers to CMIQ for sub-advisor services disclosing the relationship between the Company and ACI and the compensation paid by the Company to ACI.

We have entered into a sub-adviser agreement with Horter Investment Management, LLC to serve as an adviser to Horter with respect to one of our proprietary equity strategies for its clients. Horter pays the Company a fee for these services based on the quarter-end asset value of Horter's client accounts using our strategy. To address any conflict of interest, it is our understanding that Horter has disclosed our relationship and compensation to its clients and has obtained any necessary consent from its clients.

The Company has entered into a service agreement with Folio Café LLC for certain modeling and information services relating to our Keystone and FF3 strategies. The Company will pay Folio a fee for its services. Folio provides subscription services for its modeling products. From time to time, a Folio customer may request a recommendation to an investment adviser to assist with using a Folio model. Folio may recommend, Catherine Fortier, his wife and an adviser with CMIQ, to a Folio customer. There is no compensation agreement between Folio and CMIQ for such recommendations. However, the more clients recommended to CMIQ which engage CMIQ to assist with the Keystone and FF3 strategies could increase the service fees that CMIQ pays Folio related to its modeling and information services which could incentivize Folio to refer more potential clients to CMIQ. To address any conflict of interest, we plan to disclose our relationship and the fees we pay Folio to referred clients and to obtain any necessary consent from those clients.

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 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.



### *IRA Rollover Conflict Considerations*

From time to time clients seek our advice concerning whether to rollover assets from a former employer's retirement plan to an individual retirement account ("IRA"). If you elected to roll the assets to an IRA and engaged the Company to manage your rollover IRA account, we would charge you a fee as set forth in the agreement you executed with our firm. This presents a conflict of interest because an IAR has an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

- Leaving the funds in your employer's (former employer's) plan.
- Moving the funds to a new employer's retirement plan.
- Cashing out and taking a taxable distribution from the plan.
- Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages. Before making a change, you should speak with your tax adviser.

If you are considering rolling over your retirement plan assets to an IRA for the Company to manage, please consider the following prior to doing so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments. Employer retirement plans generally have a more limited investment menu than IRAs. However, employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA. You should also understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the options provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401(k) plan or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401(k) plan may offer more liability protection than a rollover IRA. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general

rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.

7. You may be able to take out a loan on your 401(k), but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your 401(k) plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your 401(k) plan may allow you to hire the Company as the adviser and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you.

#### **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 adviser to one private investment fund. The Company is paid a fee of 20% of net profits, if any, resulting from the Company's advice to this fund. This fund is closed to new investors. Therefore, our IARs may not recommend that qualified clients consider investing in the fund.

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. The IARs that manage the Company's proprietary investment strategies for clients do invest their own money in the same strategies on the same terms as the clients. 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 a position.

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 provides information concerning personal trading to the chief compliance officer. These records 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 and, when required, obtains client consent.

## **Item 12. Brokerage Practices**

### *Custodian and Brokers*

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

We may be deemed to have custody of your assets if you give us authority to withdraw assets from your account to pay our fees. Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank.

The Fidelity Brokerage Account Client Agreement contains section "Asset Movement Authorization" which permits clients to select Level 1 or Level 2 asset movement authorization directing Fidelity to accept certain disbursement and transfer instructions from CMIQ. Several of our clients have selected Level 2 authorization. Clients who have provided CMIQ with Level 2 asset movement authorization for their Fidelity accounts have granted the firm the ability to initiate bank wires to accounts outside of Fidelity without direct instructions from the client. The SEC deems this practice custody by CMIQ of the funds held in those accounts. In addition, CMIQ may have custody of certain client accounts that have selected Level 1 asset movement authorization.

### *Client-Directed Brokerage Arrangements*

You may engage in directed brokerage by designating a particular brokerage firm for all or a portion of your executions. Most of our clients utilize a broker-dealer as custodian for their securities. Clients who establish custodial accounts with a broker-dealer typically direct us to effect all portfolio transactions through that broker-dealer at a rate agreed to between the client and broker. Clients are free to choose or change broker-dealers at their discretion.

If you direct use of a particular broker-dealer, such as your custodian, for all or a specific portion of your trades you may lose the possible advantage which may be available to non-directing clients. Some of the issues that you should consider when directing the use of particular broker-dealers:

- If you direct us to use a specific broker you may pay higher commissions on some transactions than might be obtainable by us, or may receive less favorable execution of some transactions, or both;
- You may not be able to participate in an allocation of shares of a new issue if those new issue shares are provided by another broker;
- You may forego any benefit from savings on execution costs that we could obtain for our clients through negotiating volume discounts on block orders for purposes of execution with orders for the same security for other accounts we manage; and
- We will not attempt to negotiate execution costs on your behalf.

### *Adviser-Directed Brokerage Arrangements*

We recommend that our retail clients use Fidelity as the qualified custodian. Some of our clients use SEI as a qualified custodian. Under the sub-adviser agreement with Horter, Trust Company of America (“TCA”) is the custodian for Horter’s clients. It is possible that we may recommend TCA as a custodian

for our clients. By directing brokerage to Fidelity, SEI or TCA, we may be unable to achieve favorable execution for client transactions.

Each client is free to disregard our recommendation and select another custodian. The custodian holds your assets in a brokerage account and will buy and sell securities when we or you instruct them to do so. While we recommend that retail clients use Fidelity, and possibly SEI and TCA in the future, 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, SEI or TCA, we can still use other brokers to execute trades for your account as described below.

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

Fidelity provided the data for the Fidelity Adviser Funds that we used to develop our FA FF3 strategy at no charge. FA FF3 is designed to use only Fidelity Adviser Funds. Therefore, when recommending FA FF3 to our clients, we may disadvantage clients by not using other available fund sponsors for FA FF3. Other funds may charge lower fees than the Fidelity Adviser Funds. In addition, by directing brokerage to Fidelity for FA FF3, we may be unable to achieve favorable execution for client transactions.

Some of our clients have become our clients as the result of introductions of new IAR candidates by Fidelity who eventually become IARs of the Company. When one of these IAR candidates joins our firm, their client accounts may be held at Fidelity and one or more other qualified custodians. We may be directed by the client to effect brokerage transactions through Fidelity, their existing custodian, or other broker-dealers. Alternatively, we may direct brokerage for the client accounts. In cases where we direct brokerage, we may have a conflict of interest between our duty to the client to obtain best execution under the circumstances and our desire to obtain future IAR candidate introductions from Fidelity.

SEI is a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of December 31, 2016, through its subsidiaries and partnerships, SEI manages or administers \$751 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$283 billion in assets under management and \$468 billion in client assets under administration.

Since SEI Private Trust Company is a trust institution— not a bank or brokerage firm— your assets are segregated from SEI's and they are held in your name. This means trust-company creditors have no claim to your assets. SEI Private Trust Company, like other trust companies, may not pledge, lend or margin assets that are held in custody. SEI Private Trust Company is subject to routine examination by the federal OCC. For more information, visit [seic.com](http://seic.com).

SEI makes available several programs to our clients such as SEI Mutual Fund Strategies and Goals-Based Mutual Fund Strategies Programs. SEI does not receive an advisory fee directly from clients who participate in these programs. Instead, SEI receives management and administrative fees from its proprietary mutual funds comprising the model portfolios based on the assets under management in each mutual fund. The purchase of mutual funds is subject to fees and expenses that are described in each fund's prospectus and that are in addition to the fee the client pays CMIQ. These include investment advisory,

administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Clients in SEI's programs pay their pro rata share of such fees and expenses. Mutual fund fees are established by each mutual fund's board of directors and are subject to change.

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 custodian be capable of clearing, settling and reporting all types of securities transactions and providing securities financing, including repurchase agreements.

#### *How We Select Brokers*

When the Company is selecting 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.)
- Financing capability and rates
- Availability of prime brokerage services
- 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, repo 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, to minimize your trading costs, we expect to have Fidelity execute most trades for client accounts at Fidelity. 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.

### *Products and Services Available to Us from Custodians*

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
- The Smart Connections Program, which provides us access to other members of the Fidelity RIA platform
- The Separate Account Network, which provides clients of other members of the Fidelity RIA platform access to our proprietary investment strategies.

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 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 broker-

dealer's services, including the value of research provided, execution capability, confidentiality, commission rates, and responsiveness, the broker-dealer's willingness to negotiate price and the credit quality of the broker-dealer. 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 works with SEI for clients that use SEI for custody and brokerage services. We may receive economic benefits through our relationship with SEI that are typically not available to SEI retail investors. These benefits may 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
- Access to a trading desk serving our clients
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- Access to an electronic communications network for client order entry and account information
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to the Company by third party vendors.

Some of the products and services made available by SEI Ameritrade 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 SEI.

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 conflict of interest and may indirectly influence our choice of SEI for custody and brokerage services. We do not believe the receipt of general services will diminish our duty to act in the best interests of our clients.

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

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 13. Review of Accounts**

You may review your account online with the custodian at any time.

We use software tools to track and monitor your accounts. For example, at Fidelity, we receive alerts regarding various account activity. We are able to review activity, as needed, in your account online when we receive these alerts. This system is available 24/7 every day. At SEI, we receive emails concerning confirmations of activity in your account.

Our monthly review focuses primarily on positions held and valuation. Your IAR reviews your account when trading and at other times. Your adviser monitors client data to ensure your objectives are being achieved. Accounts may be reviewed more frequently upon request by you.

Your account is reviewed by our president and our chief compliance officer. These reviews focus on several topics, including suitability, trends and risk. Our chief compliance officer reviews the personal accounts of our supervised persons and may review your account for unusual activity or conflicts of interest. Accounts may be reviewed more frequently upon request by you or an IAR.

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

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

Quarterly reports are generally distributed by the respective IARs or the Company to clients usually no later than 30 days after quarter end. If you do not receive your quarterly report and would like a copy, please contact your IAR or our chief compliance officer at [legal@capitalmarketsiq.com](mailto:legal@capitalmarketsiq.com).

### **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.

As previously stated in Item 10, the Company has entered into a sub-adviser agreement with ACI, which among other things provides that from time to time ACI may refer other investment advisers, adviser firms, financial advisers and broker-dealers to the Company for its sub-adviser services. If the Company enters into an agreement with such referred persons, the Company will pay ACI a fee of 20% of the revenue collected by the Company from these persons. These ACI fees will be disclosed to such persons prior to entering into an agreement with them. Currently, ACI is receiving such compensation with respect to one registered investment adviser firm.

### **Item 15. Custody**

While our custodians for clients are Fidelity and SEI, the Company maintains brokerage relationships with several brokerage and clearing firms and banks and may add other qualified custodians.



Under government regulations, we may be 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 account. However, the custodian maintains actual custody of your assets.

In Fidelity's Brokerage Account Client Agreement, the "Asset Movement Authorization" permits clients to select Level I or Level 2 asset movement authorization directing Fidelity to accept certain disbursement and transfer instructions from CMIQ. Clients who have provided the firm with Level 2 Asset Movement Authorization for their Fidelity accounts have granted CMIQ the ability to initiate bank wires to accounts outside of Fidelity without direct instructions from the client; therefore, we are deemed to have custody of the funds held in those accounts.

Because Ms. Turnbow and Mr. Mohammed are officers of CMIQ and indirect owners of membership interests in one Extensor Capital private investment entity, they are related parties. As related parties, CMIQ is deemed to have indirect custody of the assets of such entity.

You will receive account statements directly from the custodian at least quarterly. 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 from the custodian to the quarterly report you receive from us.

During 2017, Akram & Associates, an independent public accounting firm, in Cary, North Carolina conducted a Surprise Audit of the accounts in which we have custody.

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

In your investment management agreement, the Company accepts discretionary authority to manage securities accounts on behalf of clients. In such situations, the Company may hold a power of attorney or limited trading authorization from you to execute transactions on your behalf in accordance with your customized written investment guideline. 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. We expect commission rates to be standard market rates charged by the broker-dealers to their own 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
- Determine when to buy or sell securities
- Determine the price to buy or sell securities
- Select the broker-dealer to be used for any transactions
- Agree to commission rates to be paid

You may place limitations on the limited trading authorization granted to the Company. For example, you could restrict the buy or sell of a specific security for your account.

Any 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.



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