

**FORM ADV PART 2A  
FIRM BROCHURE**

**March 9, 2017**

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dba Hermening Financial Group LLC**

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This brochure provides information about the qualifications and business practices of Hermening Advisory Services LLC. If you have any questions about the contents of this brochure, please contact us at (715) 842-1916 or via e-mail at [kevinh@hermeningfinancialgroup.com](mailto:kevinh@hermeningfinancialgroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Hermening Advisory Services LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Hermening Advisory Services LLC is 134927.

Hermening Advisory Services LLC is a registered investment adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last Annual Updating Amendment dated March 17, 2016, we have no material changes to report.

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## Item 4 Advisory Business

### Description of Services and Fees

Hermening Advisory Services LLC (doing business as Hermening Financial Group LLC; hereinafter referred to as "HAS" or "Advisor") is a registered investment adviser primarily based in Wausau, Wisconsin. We are organized as a limited liability company under the laws of the State of Wisconsin in 2005. We have been providing investment advisory services since 2006. Kevin J. Hermening is our principal owner. Currently, we offer Investment Management Services, which are customized to each individual client.

Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Hermening Advisory Services LLC and the words "you," "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Associated Investment Adviser Representatives ("IARs") are also Registered Representatives of First Allied Securities, Inc. ("FASI"), a full-service securities broker/dealer licensed under federal and state securities laws. FASI is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Securities transactions for FASI brokerage clients are executed through Pershing, LLC ("Pershing"), an unaffiliated securities broker/dealer. IARs of the firm may also be registered to provide investment advisory services under First Allied Advisory Services, Inc. ("FAAS"), an SEC registered investment adviser affiliated with FASI. Separate and apart from such brokerage and advisory activities, IARs of HAS will provide the following services to the firm's advisory clients.

### Investment Management Services

As part of the planning process, an IAR will gather information from you including current investments and recommend a model portfolio suited to meet your identified goals, financial needs, risk tolerance, personal financial circumstances, and investment objectives in light of general economic and market conditions.

We may utilize financial planning related services as part of our overall investment management services. These services may involve providing advice to you regarding the investment/management of your financial resources based upon an analysis of your individual needs. We are not compensated separately for financial planning services that are ancillary to our investment management services.

In providing discretionary management services, we may accept client restrictions on the specific securities or the types of securities that may be held in their account.

We offer three distinct management programs: Product Program, Asset Management Program (Wrap Fee Program), and Asset Allocation Program.

### Product Program

We offer money management for individual investment company products, such as mutual funds and variable annuity contracts (sub-accounts). These services are generally referred to as the "Product Program." These fees and fee-paying arrangements may be negotiable, in accordance with arrangements between us and various individual product providers. The fee arrangements are described more fully in Item 5 below.

**Asset Allocation Program**

We provide asset allocation services for variable life insurance contracts, self-directed 401(k) plan participants, and other self-directed accounts. These services may include asset allocation advice, communication and education services, investment performance monitoring, and/or ongoing consulting. These services may be provided independent of other services offered by us, or you may otherwise retain us for additional services as disclosed in this brochure. The fee arrangements are described more fully in Item 5 below.

**Wrap Fee Program**

We are a portfolio manager to and sponsor of a wrap fee program, which is a type of investment program that provides clients with access to several money managers or mutual fund asset allocation models for a single fee that includes administrative fees, management fees, and commissions. If you participate in our wrap fee program, you will pay our firm a single fee, which includes our money management fees, certain transaction costs, and custodial and administrative costs. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

Transactions for your account must be executed by First Allied Securities, Inc. ("FASI"), a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by or other broker-dealers, and the advisory fees charged by investment advisers.

We manage non-wrap fee accounts on either a discretionary or a non-discretionary basis, and may include either a long or a short-term investment strategy in managing these types of accounts. A long-term investment strategy will typically involve investing in securities that are anticipated to grow in value over a relatively long period of time. On the other hand, a short-term investment strategy will typically involve purchasing and selling securities within a relatively short period of time based on these securities' short-term price fluctuations. We also offer wrap fee account management. For an explanation of our Wrap Fee Program and its costs, refer to the Appendix 1.

**Financial Planning and Consulting Services**

Financial planning will typically involve providing a variety of services, principally advisory in nature, to you regarding the management of your financial resources based upon an analysis of your individual needs. One of our IARs will first conduct a complimentary initial consultation. During or following the initial consultation, if you decide to engage us for financial planning services, an IAR will collect pertinent information about your financial circumstances and objectives. Once such information has been reviewed and analyzed, we will produce and present to you a written financial plan designed to achieve your stated financial goals and objectives. The primary objective of this process is to allow us to assist you in developing a strategy for the successful management of income, assets, and liabilities in meeting your financial goals and objectives.

If you only require advice on a single aspect of the management of your financial resources, we offer financial plans in a modular format and/or general consulting services that address only those specific areas of concern. These areas may include, but are not limited to, investment planning, retirement planning, business planning, education planning, advice on existing or potential investment products, asset allocation, and/or financial decision making/negotiation.

Financial plans are based on your financial situation at the time the plan is presented and based on the financial information you disclose to us. You are advised that we may make certain assumptions regarding interest and inflation rates and use past trends and performance of the market and economy. Past performance is in no way an indication of future performance. We cannot offer any guarantees or promises that your financial goals and objectives will be met. As your financial situation, goals, objectives, or needs change, you agree to notify us promptly.

### **Annual Retainer Services**

We offer ongoing financial and tax planning services to you on an annual basis. You might also need assistance with plan implementation. You may select this service following the completion and presentation of the initial written financial plan or you may wish to retain us on an annual basis at the inception of the advisory relationship. As part of this program, we will generally establish a regular consulting/planning cycle to work with you in managing specific aspects of the overall financial plan. In conjunction with ongoing planning and consulting services, we may meet with your other professional advisers (attorneys, realtors, accounting and tax professionals, etc.) for a series of information gathering and/or implementation meetings. We may also act as a project manager to coordinate the work of the appropriate parties in a manner consistent with your long-term desired outcome. As your financial situation, goals, objectives, or needs change, you must notify us promptly.

### **Types of Investments**

We primarily offer advice on equity securities, mutual funds and exchange traded funds.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

### **Assets Under Management**

As of March 6, 2017, we manage \$108,067,208 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **Investment Management Services**

As noted above, we offer three distinct management programs: Product Program, Asset Management Program (Wrap Fee Program), and Asset Allocation Program. Our fees for each of these programs is as follows:

#### **Product Program**

The fees and fee-paying arrangements for the Product Program may be negotiable, in accordance with arrangements between us and various individual product providers. More specifically, our fee is based on a percentage of your assets we manage and is set forth in the following fee schedule:

<b>Assets Under Management</b>	<b>Maximum Annualized Flat Fee</b>
Up to \$249,999	1.80%
Up to \$499,999	1.50%
Up to \$999,999	1.20%
\$1,000,000 and up	0.90%

You should be aware that by engaging these services, you will pay a direct management fee to us in addition to an indirect management fee to the investment product provider.

The annual fee for the Product Program will be billed quarterly in arrears based on the market value of the assets on the last day of the preceding quarter. Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services being rendered. We will either invoice you or the qualified custodian holding your funds and securities will debit an investment account directly for the management fees payable to us. Written authorization is required for fees to be paid directly from an investment account. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you. You are encouraged to review your account statements for accuracy.

You may terminate the Client Agreement within five business days of the date of acceptance without incurring HAS fees (your account(s) is still subject market fluctuation). After the five-day period, either party may terminate the agreement by providing written notice to the other party. However, you will incur a pro rata charge for bona fide management services rendered prior to such termination. As fees are paid in arrears, upon termination fees will be due and payable by you.

### ***Asset Allocation Program***

Applicable fees, fee payment arrangements, and the terms of the engagement for the Asset Allocation Program will be clearly set forth in the Client Agreement executed between us prior to services being rendered. We will either invoice you or the qualified custodian holding your funds and securities will debit an investment account directly for the allocation services fees payable to us. You will provide written authorization permitting the fees to be paid directly from your account held by the custodian. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you. You are encouraged to review your account statements for accuracy.

You may terminate the Client Agreement within five business days of the date of acceptance without incurring HAS fees. After the five-day period, either party may terminate the agreement by providing written notice to the other party. However, you will incur a pro rata charge for bona fide allocation services rendered prior to such termination. As fees are paid in arrears, upon termination, fees will be due and payable by you.

### ***Wrap Fee Program***

Please see the Appendix 1 for Applicable fees, fee payment arrangements, and the terms of the engagement for our Wrap Fee Program.

### ***Financial Planning and Consulting Services***

We charge an hourly rate that ranges between \$100 and \$500 per hour for consulting services. Fixed project fees rates typically range between \$1,000 and \$15,000. Planning and consulting fees are subject to negotiation and will be based on your financial situation, the services requested, and the IAR providing the services. An estimate of the total time/cost will be determined at the start of the advisory relationship. Typically, financial planning fees will be due in advance. However, other fee payment arrangements may be negotiated. For example, particularly complex plans may require an initial payment of 50% of the estimated time/cost and the balance will be due upon completion of the contracted services.

Typically, all plans will be presented within 180 days from the date that both parties have signed the agreement. For lengthy engagements, interim payments may be requested. In *limited circumstances*, the time/cost could potentially exceed the initial estimate. In such cases, we will notify you and we may request that you pay an additional fee.



In our sole discretion, we may choose to waive or offset a portion of the financial planning fees if commissions are paid to our associated persons in conjunction with plan implementation.

Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services being rendered. We will either invoice you or the qualified custodian holding your funds and securities will debit your account directly for the financial planning/consulting fees payable to us. Written authorization is required for fees to be paid directly from an investment account. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you. You are encouraged to review your account statements for accuracy.

You may terminate the Client Agreement within five business days of the date of acceptance without penalty to you. After the five-day period, either party may terminate the agreement by providing written notice to the other party. However, you will incur a pro rata charge for bona fide financial planning and/or consulting services rendered prior to such termination. In the event there are any prepaid, unearned fees, we will promptly refund a pro rata share to you.

### ***Annual Retainer Services***

Negotiable annual retainer fees typically range between \$1,000 and \$15,000 and are payable quarterly in advance or arrears per the Client Agreement. The agreed upon fee will be established at the beginning of the advisory/client relationship based upon the scope of the work to be performed and the complexity of your financial situation. Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services rendered. The retainer fee will be fixed for a 12-month period; thereafter, the retainer fee may be adjusted based on the scope and complexity of the engagement.

Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services being rendered. We will either invoice you or the qualified custodian holding your funds and securities will debit your account directly for the retainer fees paid to us. Written authorization is required for fees to be paid directly from an investment account. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you. You are encouraged to review your account statements for accuracy.

You may terminate the Client Agreement within five business days of the date of acceptance without penalty to you. After the five-day period, either party may terminate the agreement by providing written notice to the other party. However, you will incur a pro rata charge for bona fide retainer services rendered prior to such termination. In the event there are any prepaid, unearned fees, we will promptly refund a pro rata share to you.

### ***Additional Fees and Expenses***

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.



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

Persons providing investment advice on behalf of our firm are registered representatives with FASI, a securities broker-dealer, and a member of FINRA and SIPC. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees, for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions which generates commissions. When appropriate, we will recommend "no-load" funds. However, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

We may recommend that you purchase variable annuities to be included in your investment portfolio(s). Persons providing investment advice on behalf of our firm may earn commissions on the sale of the variable annuities in their capacity as a registered representative of FASI. If these persons earn commissions on the sale of variable annuities recommended to you, a reduced fee will apply for the first 12 months from the date of purchase, unless a discount has already been applied. Annuities will be purchased for your account only after you receive a prospectus disclosing the terms of the annuity. You are under no obligation, contractually or otherwise, to purchase variable annuities through any person affiliated with our firm.

Persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. These persons may earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you which generates commissions. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

At our discretion, we may offset our advisory fees to the extent our Associated Persons earn commissions in their separate capacities as registered representatives and/or insurance agents.

### **Aggregating of "Same Household" Assets**

At our discretion, accounts of members of the same household may be allowed to be aggregated for purposes of determining the advisory fee. We may allow such aggregation, for example, where we service accounts on behalf of your minor children, individual and joint accounts for a spouse, and other types of related accounts. This consolidation practice is designed to provide you with the benefit of an increased asset total, which may cause the account(s) to be assessed a reduced advisory fee based on the breakpoints available per the fee schedule.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

Certain types of accounts and management strategies may require minimum balances, such as accounts which utilize individual securities.

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

**Charting Analysis** - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

- **Risk:** Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Technical Analysis** - involves studying past price patterns, trends, and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

- **Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

- **Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions.

- **Risk:** The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Modern Portfolio Theory (MPT)** - a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

- **Risk:** Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

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

**Short-Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

- **Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

IRS regulations now require custodians and broker-dealers to report the cost basis of equities acquired in client accounts. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section in this brochure, we primarily recommend equities, mutual funds and exchange traded funds, however we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

**Equities:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely.

## **Item 9 Disciplinary Information**

Hermening Advisory Services, LLC has been registered and providing investment advisory services since 2006. Neither our firm nor any of our Management Persons has any reportable disciplinary information.

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

### **Registrations with Broker-Dealer**

Persons providing investment advice on behalf of our firm are registered representatives with FASI, a securities broker-dealer, and a member of FINRA and SIPC.

### **Arrangements with Affiliated Entities**

Persons providing investment advice on behalf of our firm may be licensed as insurance agents.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our procedures. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

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

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We recommend the brokerage services of First Allied Securities, Inc. ("FASI"), a securities broker-dealer and a member of FINRA and SIPC and the custodial services of Pershing LLC, a securities broker-dealer and a member of FINRA and SIPC. We believe that FASI provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by FASI including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services FASI provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Research and Other Soft Dollar Benefits**

We do not receive any soft dollar benefits from any broker-dealer.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.



**Directed Brokerage**

We routinely recommend that you direct our firm to execute transactions through FASI. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

Persons providing investment advice on behalf of our firm who are registered representatives of FASI will recommend FASI to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from FASI unless FASI provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through FASI. It may be the case that FASI charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through FASI, these individuals (in their separate capacities as registered representatives of FASI) may earn commission-based compensation as result of placing the recommended securities transactions through FASI. This practice presents a conflict of interest because these registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, if you do not use FASI, we may not be able to accept your account. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

**Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

**Item 13 Review of Accounts**

If you participate in the Product Program, IARs may meet with you annually, semi-annually, quarterly, or monthly, depending on your needs. A review will be performed of your account holdings, objectives, changes to your financial circumstances, and any other relevant issue pertaining to your account(s). Triggering factors that may stimulate an additional account review include, but are not limited to, changes in economic conditions, changes in your financial situation or investment objectives, large deposits or withdrawals from the account, and/or your request for an additional review.

Product Program clients will receive a quarterly statement and transaction confirmations from the custodian as well as periodic HAS reports showing the investment performance of their account (reported on a "net of fees" basis).

**Item 14 Client Referrals and Other Compensation**

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm may be licensed insurance agents, and are registered representatives with FASI, a securities broker-dealer, and a member of the FINRA and SIPC. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the *Fees and Compensation* section.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian may directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account.

You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder. In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$500 in fees and six or more months in advance, or



- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

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

As an SEC registered firm, this section does not apply.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.