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Brochure Date: 03/28/2013

This Brochure provides information about the qualifications and business practices of TruNorth ("TruNorth"). If you have any questions about the contents of this Brochure, please contact Peter Rekstad at 651-735-5878 or via email at [trunorth@tnjourney.com](mailto:trunorth@tnjourney.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.

TruNorth is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

## Item 2 - Material Changes

On July 27, 2010, the SEC published amended rules with regard to the disclosure document (“Brochure”) that we provide to clients when they establish an investment advisory relationship with us and that we offer to send clients each year. This Brochure dated March 28, 2013 conforms to the SEC requirements and rules.

The purpose of this page is to inform you of specific material changes that were made to the Brochure since the previous annual update on May 30, 2012.

TruNorth has added an additional recommended custodian for our clients. We now recommend Fidelity Investments to our clients for account custody in addition to Charles Schwab and American Funds College America. This is outlined in Item 12 of the Brochure.

TruNorth has custody of some client assets through a limited number of special situations based on specific client agreements. These arrangements apply to client accounts where a representative of TruNorth has been appointed as a Trustee, Executor/Personal Representative of an estate, or manager of a client’s Limited Liability Company. This is outlined in Item 15 of the Brochure.

There are no other material changes to report since the last update.

Additional information about TruNorth is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any person affiliated with TruNorth who is registered, or is required to be registered, as investment adviser representative of TruNorth.



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#### Item 4 – Advisory Business

TruNorth is a fee-only wealth management company helping clients make wise decisions wherever life and wealth intersect. We help you clarify your thoughts, goals, and needs. We assess your plans with you. Then we identify gaps in your plan and design workable solutions. We will help you put your plans in place and monitor the progress regularly.

TruNorth was founded in 2005 and is 100% owned by Peter Rekstad who is involved in the daily management of the business. In addition to Peter, we have nine employees. Peter is a Certified Financial Planner®, Chartered Financial Consultant, and Chartered Underwriter. Six employees are Certified Financial Planners® and two employees are Accredited Investment Fiduciaries®.

TruNorth provides a broad range of comprehensive investment advisory services such as:

- Financial Planning and Consulting (May include tax-related and other non-investment matters)
- Investment Management
- Wealth Coaching (Wealth coaching generally involves both Financial Planning and Investment Management)
- Selection of Independent Managers
- Foundation Fiduciary and Plan Trustee Support

At TruNorth we typically begin each client relationship by entering into a written agreement setting forth the terms and conditions of the engagement and describing the scope of the services to be provided to you. We then conduct an initial consultation and produce a Client Profile. Generally, half of the fee for the initial Client Profile is payable upon entering into the written agreement with each client with the balance due when we have completed the work. See Item 5 – *Fees and Compensation*. After the completion of the initial client profile, the client can engage us to provide additional financial

planning and/or consulting services based on the client's individual needs.

We offer advice on most types of investment products and strategies. We specialize in managing asset allocated portfolios that hold Mutual Funds and Exchange Traded Funds (ETF) and Separately Managed Accounts. The portfolios we manage for clients may include accounts at a custodian where we have trading ability as well as accounts held at other financial institutions and in employer-sponsored plans. Our clients may hold individual stocks and bonds in their accounts as part of the complete portfolio, but we do not specialize in trading individual securities. Some portfolios may periodically include Options contracts (Puts and Calls). Portfolios may include accounts where an Independent Manager is supervising and trading individual stocks and bonds for you.

When you hire TruNorth for Financial Planning and Consulting services, you retain absolute authority to implement investment decisions and you are free to accept or reject any of our recommendations.

Clients who enter into an engagement with TruNorth to manage investments sign a Discretionary Investment Management Agreement or a Wealth Management Agreement. This gives us the authority to make investment decisions consistent with the strategy you have agreed to. We advise you to notify us if there is any change in your financial situation or investment objectives so that we can review previous recommendations and/or services and make appropriate alterations for the future.

In certain situations, we will advise you regarding your investments without having the authority to make investment decisions without your prior consent. You may also identify specific securities or types of securities that we do not have the authority to sell or to add to your portfolio.



We may also recommend that you authorize the active discretionary management of a portion of your assets by one or more Independent Investment Managers based on your stated investment objectives. The terms and conditions under which the you engage an Independent Manager will be outlined in a separate written agreement between the yourself and the designated Independent Manager. We continue to provide you with advisory services by ongoing monitoring and review of the account performance, asset allocation and investment objectives.

In addition to furnishing you with TruNorth's Form ADV Part 2A, you will also receive Form ADV Part 2A from the Independent Manager(s). Certain Independent Managers may impose more restrictive account requirements and varying billing practices than TruNorth. In such instances, we may alter our corresponding account requirements and/or billing practices to accommodate those of the Independent Manager.

We may also provide you with non-discretionary investment management services regarding: (1) variable life/annuity products that you own, (2) your individual employer-sponsored retirement plans, and (3) investment accounts that you may hold at custodians which do not allow us to place transactions for you. In so doing, we either direct or recommend the allocation of client assets among the various fund options that comprise the variable life annuity product or the retirement plan. Your assets will be maintained at the specific insurance company that issued the variable life/annuity product which you own, or at the custodian designated by the trustee of your retirement plan.

As of December 31, 2012, TruNorth had \$217,438,787 in assets under management in 689 discretionary accounts and \$25,929,748 in assets under management in 73 non-discretionary accounts.

## Item 5 – Fees and Compensation

We meet with prospective clients of TruNorth without obligation or fees. After your initial introduction to our firm, you may hire us in a number of different ways. At the time you establish a new investment advisory agreement with TruNorth, you must enter into one or more written agreements which spell out the terms and conditions of our relationship. The agreements detail the fees associated with our services as well as the portion of the fee that is due before we perform any service.

We want to be flexible to meet your needs and recognize the value that we can provide to you. We do not maintain a rigid fee schedule that is consistent for all clients. Our services and fees are flexible to meet the unique situations of our clients. The fee schedule is negotiated with each client.

## Financial Planning and Consulting

For Consulting Services, we determine a fixed fee based on the scope of work planned before you enter into a written agreement for the work. We typically collect half of the fee before the work begins, and the remainder is due when we complete the work to your satisfaction. The fixed fee for this aspect of the Financial Planning services ranges from \$1,000 to \$2,500. If you engage TruNorth to provide additional Financial Planning and Consulting services after delivery of the comprehensive client profile, we charge a fixed fee that ranges from \$1,500 to \$100,000 per year depending upon the level and scope of services provided. We may offset, at our discretion, all or a portion of the fees for those services based upon the amount paid for the Financial Planning and Consulting services.



In performing our Financial Planning and Consulting services, we will rely on information you or your other professionals (e.g., attorney, accountant, etc.) provide. We may recommend our services and/or the services of other professionals to carry out our recommendations. We want you to be aware that a conflict of interest exists if TruNorth recommends its own services. You are under no obligation to act on any of our recommendations and/or engage the services of any recommended professional, including TruNorth. You retain absolute discretion over all such decisions and are free to accept or reject any of our recommendations.

### Investment Management

When you hire us to manage investments, you will sign an agreement stating the fee calculated as an annual percentage of assets under management up to 1.25%. For example, the schedule would state the annual fee is 1% for the first \$1 Million under management, and 0.6% for the amount between \$1 Million and \$3 Million, and so on. We collect the fee at the beginning of each quarter. In most cases, we deduct the fees from your investment accounts. In rare situations, we do bill clients for the quarterly fee. In all situations, we send a quarterly invoice outlining the amount and how we calculated the fee. In the event you terminate the management agreement during the quarter, we will repay the fee prorated for the portion of the quarter remaining.

### Wealth Management

Wealth Management Services includes investment management and other services. In the event that you hire us for these services, we agree to a fixed quarterly fee based on the scope of our services. We collect fees at the beginning of each quarter. In most cases, we deduct the fees from your investment accounts. In rare situations, we do bill clients for the quarterly fee. In all situations, we send a quarterly invoice outlining the amount and how we calculated the fee. In the event you terminate the management agreement during the quarter, we will repay the fee prorated for the portion of the quarter remaining.

### Independent Managers

TruNorth assesses ordinary advisory fees which may be based on a percentage of the market value of the assets being managed by the designated Independent Manager(s). The investment management fees charged by the designated Independent Manager(s), may be exclusive of, and in addition to, TruNorth's investment advisory fee.

If we refer you to an Independent Manager and our compensation is included in the advisory fee charged by such Independent Manager and you choose to engage that Independent Manager, we will be compensated for our services by a fee paid directly by the Independent Manager to TruNorth. Any such fee will be paid exclusively from the Independent Manager's investment management, and will not result in any additional charge to you.

### General Information

We may choose to charge a lesser management fee based on certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.). The fee schedule and specific manner in which fees are charged to each client account is provided in the Investment Management Agreement(s) that you sign when you establish an investment advisory relationship with TruNorth.

For the initial quarter of investment management services, the first quarter's fees will be calculated on a *pro rata* basis. If you terminate our services during the quarter, our annual fee will be prorated through the date of termination and any remaining balance will be charged or refunded to you, as appropriate, in a timely manner.

You may make additions to and withdrawals from the account at any time, subject to our right to terminate an ac-





count. If you deposit assets into or withdraw from an account after the beginning of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter. You may withdraw account assets, subject to the usual and customary securities settlement procedures. TruNorth designs its portfolios as long-term investments, and withdrawals may impair the achievement of your investment objectives.

You may add to your accounts with cash or securities, although we reserve the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. We will consult with you about the options and ramifications of transferring securities. You should be aware that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

We do not accept compensation for the sale of any products to our clients. We do not accept commissions or finder's fees. The only compensation we receive, due to our client relationships, is the collection of fees from clients.

A brokerage firm (called a Custodian) holds your assets and we cannot reach your assets for our own use. The Custodian may charge fees for trading and custodial services. Typical fees include:

- **Account Fee:** 529 Education accounts may be charged an account setup fee and annual account fee. The Schwab Fund for Charitable Giving and the Fidelity Charitable accounts have a minimum annual fee for small accounts. Our primary custodians, Charles Schwab, and Fidelity Investments, do not charge annual fees for brokerage accounts.
- **Trading fees:** most mutual funds we buy in your account will be traded without commissions, sales charges, or trading fees (no load fund). The Custodian

may charge a trading fee of up to \$99 on specific Mutual Funds. The Custodian will charge discount brokerage commissions for trading Stocks, ETFs, Bonds and Options in your account.

- **Service Fees:** The Custodian will bill you fees for miscellaneous services such as wire transfer fees. The Custodian discloses these fees.

The Investment Management Agreement between TruNorth and each client may be terminated by either party by written notice given to the other party at any time. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. If termination occurs within five business days of entering into an agreement for investment advisory services, you will be entitled to a full refund.

*Brokerage Practices* (page 7) further describes the factors that we consider in selecting or recommending broker dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

### **Item 7 – Types of Clients**

We provide investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and domestic business entities. We do not impose a minimum annual fee. Our services are designed for clients who currently have, or expect to have over \$1 Million of investable assets. We reserve the ability to accept clients with less than \$1 Million of investable assets at our own discretion. Certain Independent Managers may impose



more restrictive account requirements and varying billing practices than TruNorth. In such instances, we may alter our corresponding account requirements and/or billing practices to accommodate those of the Independent Manager.

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

We specialize in constructing asset allocated portfolios of managed investments. These investments include Mutual Funds, Exchange Traded Funds (ETFs) and Separately Managed Accounts (Independent Managers). At TruNorth, we focus on designing the allocation and selecting the managers that select individual securities for you. Your portfolio is designed with multiple asset classes, multiple styles of management, and multiple Investment Managers.

We use analysis from third parties, as well as our own analysis, in building your portfolio. Our underlying assumption is that trying to time the market with your money has a low chance of success. Your portfolio should have a strategic allocation that may change gradually but should not change tactically trying to beat a swing in the market. We rely on economists and economic strategists at large institutional investment firms for our economic outlook and asset allocation.

We analyze Investment Manager results by benchmarking long term results using Lipper®, Morningstar®, and relevant market indexes. We also rely on research and analysis performed by investment manager research firms that are independent, objective, and have no affiliation with the managers they evaluate and recommend.

Your portfolio may include individual stocks and bonds at your request. TruNorth does not specialize in individual security selection and monitoring. We hold stocks and bonds in your portfolio to accommodate your interests but do not actively manage these positions. You may direct us to include these securities in the asset allocation in place of funds that we would choose.

The primary strategy that we use for client accounts is based on a set of asset allocated model portfolios. The portfolios are globally diversified in an effort to balance and manage a broad array of risks and opportunities. We will determine the appropriate amount of portfolio risk with you. Based on that risk level, we choose the model that matches your risk level, and make any modifications necessary in your situation. After we have invested your portfolio in the strategy, we continually monitor the drift from the target allocation, and rebalance back to the target allocation when appropriate. The frequency of trades will vary based on when you add or withdraw money from your portfolio, as well as the amount of market volatility. We monitor the drift in all portfolios weekly. We may trade in portfolios as often as monthly or infrequently as annually depending on the drift.

We review your target portfolio and the corresponding risk and return opportunities with you regularly. As your situation changes, we will adjust the target model as appropriate.

We work to contain risk of loss in your portfolio through our investment approach. We cannot guarantee that we will achieve our stated investment objective or achieve positive or competitive returns. Past performance is no guarantee of future performance. Investing in securities involves risk of loss and you bear the risk that you could lose all or a portion of your investment assets. These risks include: Principal Risk, Interest Rate Risk, Market Risk, Inflation Risk, Currency Risk, Reinvestment Risk, Business Risk, Liquidity Risk, and Financial Risk. We are happy to discuss all of these risks with you in much more detail.

TruNorth may recommend investments in private placements to clients who meet the "accredited investors" definition under Rule 501 of the Securities Act of 1933. Private placements may involve debt, equity, and/or pooled investment vehicles when consistent with the client's investment objectives. When TruNorth recommends private placement securities to you, we will not receive additional compensation but will con-





tinue to receive applicable investment advisory fees on the client's assets under management. We encourage you to consult with your tax advisor and attorney regarding the purchase of private placement securities.

TruNorth may also provide advice about real estate investment trusts (REITs), and any type of investment you hold or are considering in your portfolio. We will discuss the strength of our knowledge regarding other investments at the time you choose to review these investments.

#### Item 9 – Disciplinary Information

TruNorth and its employees have not been involved in any legal or disciplinary events related to past or present activities.

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

We are not registered and do not have an application pending to become registered as a securities broker dealer, a futures merchant, commodity pool operator or a commodity trading adviser. None of our personnel are associated with a broker dealer or futures or commodity firm. TruNorth and our employees do not share ownership with other firms involved in Financial Planning, Investment Advisory Services, Tax Preparation, Trust Services, or Attorneys at Law.

TruNorth is a Solicitor for Steele Capital Management. Through this relationship, we may refer our business clients to Steele for turnkey Employer Sponsored Retirement Plans (401k, Profit Sharing Plans, etc). As a Registered Investment Advisor, Steele may pay TruNorth a solicitor fee as a percentage of their advisory fee for the retirement plan.

TruNorth is a Solicitor for Russell Financial Services Inc., a wholly owned subsidiary of Russell Investment Management Company. Through this relationship, we may refer institutional clients (pensions, endowments, and foundations) to Russell. Russell may pay TruNorth a solicitor fee as a percentage of Russell's Gross Revenue on Advisory Services.

#### Item 11 – Code of Ethics

We have adopted a Code of Ethics requiring compliance with applicable securities laws, describing our high standard of business conduct expected of all employees as well as the fiduciary duty owed to you. The Code of Ethics includes the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of gifts and reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at TruNorth must acknowledge the terms of the Code of Ethics annually, or as amended.

Our employees are permitted to purchase or sell securities that we also recommend to you. We are required to follow the Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of TruNorth will not interfere with (i) making decisions in the best interest of our advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code of Ethics prohibits employees from participating in an initial public offering. In addition, the Code of Ethics requires pre-clearance of certain personal securities transactions, and prohibits trading in a security for themselves or an immediate family member if that security is being actively purchased or sold or considered for purchase or sale on your behalf.

Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based on a determination that these would not interfere materially with the best interest of our clients such as (i) direct obligations of the U.S. government; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and high quality short-term debt instruments; (iii) shares issued by mutual funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.



Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to detect and prevent conflicts of interest between TruNorth and our clients.

Our employees may trade in the same securities with client accounts on an aggregated (“batched”) basis when consistent with our obligation of best execution. See Item 12 – *Brokerage Practices* for additional information related to Batch Trades and Allocation of Partial Fills.

A copy of TruNorth’s Code of Ethics is available upon request by contacting Janet Carlson, administrative assistant, at 651-735-5878 or [trunorth@tnjourney.com](mailto:trunorth@tnjourney.com).

### Item 12 – Brokerage Practices

We do not maintain custody of the assets that we manage, although we may be deemed to have custody (by SEC rules) of your assets if you have given us authority to withdraw fees directly from your accounts. See Item 15 – *Custody*. Your assets must be maintained in an account at a qualified custodian; generally a brokerage firm, mutual fund company or bank. While we do not have discretion to determine which broker dealer will be used or the commission rates paid, we typically recommend that our clients use Charles Schwab & Co. (“Schwab”) or Fidelity Investments (“Fidelity”), as the qualified custodian for Brokerage Accounts. Schwab and Fidelity are registered broker dealers and SIPC members. For our clients’ 529 Education Savings Plans, we generally recommend the American Funds College America Plan. We are independently owned and operated and are not affiliated with Schwab, Fidelity, or the American Funds.

The factors that we consider in recommending Schwab, Fidelity, and the American Funds to clients include respective fi-

nancial strength, reputation, execution quality, pricing, research, and service. Schwab and Fidelity enable us to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

Schwab and Fidelity will hold client assets in a brokerage account and buy and sell securities when we instruct them to do so. While we recommend Schwab or Fidelity as a qualified custodian, the ultimate decision is left with you. Clients open an account with a custodian by entering into an account agreement directly with the custodian. We will assist you by preparing the necessary forms to open accounts with the custodian. Only the custodian can establish a new account for you. You instruct us to execute all transactions through or with the qualified custodian you have selected.

Schwab and Fidelity are compensated by charging commission, collecting shareholder service fees from Mutual Fund companies, or other fees associated with trade execution. Schwab and Fidelity do not charge separately for custody services. You may pay a commission that is higher than another qualified custodian 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. We determined that having Schwab and Fidelity execute most trades is consistent with our duty to seek best execution. Best execution means the most favorable terms for a transaction based on all relevant factors, taking into consideration the full range of a broker dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Therefore, while we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for every client transaction.

Clients that select Schwab or Fidelity to serve as custodian of their assets may benefit from the commission rates Schwab and Fidelity make available to our clients. While TruNorth will execute most trades through Schwab for client accounts held at Schwab, and execute most trades through Fidelity for



clients accounts held at Fidelity, trades may be executed through a different broker dealer if we reasonably believe that an alternate broker dealer will provide best execution. Therefore, trades may be executed at different times and different prices. We periodically and systematically review our policies and procedures regarding recommending broker dealers to our clients in light of our duty to obtain best execution.

You may direct TruNorth, in writing, to use a particular broker dealer to execute some or all of your transactions; also known as directed brokerage. In that case, you will negotiate terms and arrangements for the account with that broker dealer. With these directed brokerage arrangements, you may pay higher commissions, greater spreads or less favorable net prices. If we agree to your request to direct brokerage, we are relieved of our obligation to seek better execution services or prices from other broker dealers. Furthermore, we will be unable to "batch" client transactions for execution through other broker dealers with orders for other accounts managed by TruNorth. We may decline a client's request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in undue operational difficulties.

### Batched Trades

Given the highly individualized nature of the investment services we provide, securities transactions for client accounts are generally accomplished separately for each account. On occasion we may decide to purchase or sell the same securities (stocks, bonds, and ETFs) for several clients at approximately the same time. Although we are not obligated to do this, we may combine or "batch" your order with other clients' orders and place one batched trade. We do this to obtain best execution, to negotiate more favorable commission rates, or to allocate differences in prices, commissions and other transaction costs fairly among multiple clients. If a batched order is filled at several prices (which may occur in more than one transaction), each client participating in the order will receive the average price, which could be higher or lower than the actual

price that would otherwise be paid by the client in the absence of batching. The transaction costs per account are generally the same for batched or individually executed trades. Trade executions will generally be allocated among our clients on a *pro rata* basis. If we determine to "batch" client orders for the purchase or sale of securities, we will not receive any additional compensation or remuneration as a result of the batching.

In some circumstances, trades for our employee accounts and client accounts will be batched together. In those instances, both employee and client accounts will receive the average price. We will retain records of each order (specifying each participating account) and its allocation, which will be completed prior to the entry of the batched order. Completed trades will be allocated as specified in the order details.

### Partial Fill Allocation

When a batched order is not filled in its entirety or we determine that allocating a batch execution on a *pro rata* basis is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account if that account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts; (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a *pro rata* allocation of an execution would result in a de minimis allocation in one or more accounts, TruNorth may exclude the account(s) from the allocation and the transactions may be



allocated on a *pro rata* basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

As most of our clients use Schwab or Fidelity as their custodian, the opportunity to “batch” trades for clients who have elected to direct brokerage to an alternate firm is extremely limited and you should understand that you may lose the possible advantage that clients using Schwab or Fidelity as their custodian may derive, from the batching of orders.

### Trade Error Policy

Occasionally, a trading error may occur in a client’s account, (*e.g.*, the wrong security may be bought or sold). Of course, we seek to keep these errors to a minimum. However, if a trading error is discovered, we immediately contact the broker dealer to provide notice of the error and to seek to correct it. If feasible, the trade will be canceled.

If we were responsible for the trade error, we will bear any net loss. If it is not feasible to cancel the trade, (*e.g.*, because the trade has settled), we will instruct the broker dealer to reverse the trade. If this results in a net loss to you, and we were responsible for the trade error, we will reimburse you. You will retain any net gain that results from reversing the trade error. If you choose not to keep a gain, we will take reasonable measures to ensure we do not benefit from the gain, such as making a charitable donation. As a general matter, to the extent related trade errors result in both gains and losses in your account, they will be netted for the purpose of determining the amount of overall loss or gain. With respect to trade errors in an account maintained at Schwab, it is Schwab’s policy to retain/absorb any gain or loss under \$100. Fidelity’s policy is to not retain/absorb any gain or loss.

### Soft Dollars

Broker dealers who execute securities transactions for our clients may also provide certain brokerage products and/or services to us in exchange for the commission revenue generated by client’s trading activities. Generally, “soft dollars” is a recognized term that refers to the receipt of a product or service from a broker dealer or third party in exchange for the commissions generated from executing brokerage transactions on behalf of client accounts. Consistent with obtaining best execution, we have entered into a “soft dollar” arrangement with Schwab and Fidelity. The products and services received under this arrangement assist us in monitoring your accounts and managing our overall trading and portfolio management activities. Such brokerage products and services generally will be used to service all of our clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio.

Specifically, TruNorth directs the trading for client transactions to Schwab and Fidelity. In exchange Schwab and Fidelity provide the following products and services without charge:

- Computer software and related systems support
- Receipt of duplicate client confirmations and bundled duplicate statements
- Access to trading desks that exclusively provide services to Schwab and Fidelity participants
- Access to block trading functionality that provides the ability to aggregate (“batch”) securities transactions and then allocate the appropriate shares to client accounts
- Access to an electronic communication network for client order entry and account information
- Schwab or Fidelity may jointly sponsor charitable events with TruNorth

These products and services generally benefit all clients who receive Investment Management services from TruNorth. That said, brokerage commissions paid by one client may be





used to pay for products and services not used in managing that client's portfolio. The receipt of brokerage products and/or services as well as the allocation of the benefit of such products and/or services poses a conflict of interest.

We believe that our relationship with Schwab and Fidelity is multi-faceted and the soft dollar benefits derived from Schwab and Fidelity account for only a nominal portion of the total menu of service and support that Schwab and Fidelity provide to TruNorth. Nonetheless, we will formally evaluate Schwab and Fidelity's execution quality on an annual basis to identify any issues or concerns.

We will not cross trades between client accounts or affiliate and client accounts.

### Item 13 – Review of Accounts

For those clients who receive Investment Management services, we monitor your portfolios on a continuous basis. We review accounts on a weekly basis for variations from the target allocation and cash needs. We contact ongoing investment advisory clients at least annually to review previous services and recommendations and to discuss the impact resulting from any changes in your financial situation or investment objectives.

For those to whom we provide financial planning and/or consulting services, we conduct reviews on an "as needed" basis. We encourage you to discuss your needs, goals, and objectives with us and keep us informed of any changes in your financial situation.

We communicate with you by way of meetings, telephone calls, letters, email and portfolio reports. The frequency and mode of personal contact is flexible and usually dependent on what is needed to ensure an effective working relationship.

Unless otherwise agreed upon, the broker dealer/custodian provides you with transaction confirmation notices and regular summary account statements directly. Those clients to whom we provide Investment Management services may also receive a quarterly report from us that includes relevant account and market-related information, an inventory of account holdings and account performance.

Those clients to whom we provide Financial Planning and Consulting services will receive reports summarizing our analysis and conclusions as requested by the client or otherwise agreed to in writing.

### Item 14 – Client Referrals and Other Compensation

We have been fortunate to receive many client referrals over the years. The referrals have come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other sources. We do not pay for referrals.

Except as noted with Steele Capital Management and Russell Financial Services Inc., we do not accept referral fees or any form of remuneration from other professionals when we refer a prospect or client to them. When we recommend professionals for your consideration, you are responsible for interviewing and selecting the advisors who will serve you.

### Item 15 – Custody

Custody is a term used to describe the role of the entity that maintains and reports on investment assets held in client accounts. These services are typically provided by brokerage firms or banks. The role of a qualified custodian is highly specialized, independently protecting each client's assets in a role that complements the responsibilities of an advisory firm like TruNorth. There are instances where TruNorth is deemed to have custody even though the assets are held with a qualified



custodian. Specifically, TruNorth has custody when we have been granted additional authority on specific client accounts which allows us to direct a qualified custodian to withdraw assets. Because of a limited number of special situations that are based on specific client agreements, TruNorth has custody of some client assets. These arrangements apply to client accounts where a representative of TruNorth has been appointed as a Trustee, Executor/Personal Representative of an estate, or Manager of a client's Limited Liability Company. In these scenarios, TruNorth has an additional obligation to contract with an approved public accounting firm to conduct an external annual surprise exam of these activities.

Aside from these specific situations, TruNorth does not have custody of your assets, except in those instances where you have authorized the automatic deduction of periodic advisory fees directly from their account. If you wish to elect automatic payment of advisory fees from your account, you must authorize this election in the advisory contract. We will mail an invoice to you for each fee billing. The qualified custodian will remit the fees directly to TruNorth and record a debit transaction on your quarterly account statement.

You receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

When providing Investment Management services or Wealth Coaching, we obtain authority in the Investment Management Agreement to determine which securities are bought and sold and the amount of securities to be bought or sold. We do not have discretion to determine the broker to be used or the commission paid in executing securities transactions.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. This authority may be limited by investment restrictions or other limitations imposed by you. Investment guidelines and restrictions must be provided to us in writing.

### **Item 17 – Voting Proxies on Client Securities**

We do not have authority to cast proxy votes on securities maintained in your accounts. We may provide assistance, but are not obligated to do so, with a particular proxy voting matter at your request.

### **Item 18 – Financial Information**

We do not require pre-payment of fees six months in advance, and therefore are not required to disclose certain information related to our financial condition. We have no information to disclose related to any financial commitment that impairs our ability to meet contractual and fiduciary commitments to you and have not been the subject of a bankruptcy proceeding.