



2175 Cole Street  
Birmingham, MI 48009  
248.566.1122  
[www.q3tactical.com](http://www.q3tactical.com)

## **Form ADV Part 2A Brochure**

August 1, 2013

This brochure provides information about the qualifications and business practices of Q3 Asset Management, a Registered Investment Adviser. If you have any questions about the contents of this brochure, please contact us at 248.566.1122 or [info@q3tactical.com](mailto:info@q3tactical.com).

Q3 Asset Management is registered with and regulated by the United States Securities and Exchange Commission ("SEC"). Registration as an investment adviser does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC. Additional information about Q3 Asset Management is available on the SEC's Adviser Public Search website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Q3 Asset Management's CRD number is 137829.

## Material Changes

This Form ADV Brochure represents the August 31, 2013 disclosure document prepared by Q3 Asset Management Corporation ("*Q3 Asset Management*" or "*Adviser*").

Q3 Asset Management's Form ADV Part I was amended to report more recent assets under management versus our 2012 year-end information. As of month-end June 2013, the Adviser managed \$96,051,791 in 1150 discretionary accounts.

As disclosed in Item 14, Q3 Asset Management is now offering a Seminar Reimbursement Program in which unaffiliated Investment Advisor Representatives may be reimbursed a portion of seminar expenses associated with promoting the services of Q3AM pursuant to a contractual arrangement.

This concludes the material changes to report as of this filing. The staff of Q3 Asset Management Corporation always enjoys hearing from our clients. As always, if you have any questions about the contents of this Brochure or would like any additional information about our services, please do not hesitate to contact us during normal business hours at 248.566.1122 or via [info@q3tactical.com](mailto:info@q3tactical.com)

## TABLE OF CONTENTS

ITEM 1: COVER	
ITEM 2: MATERIAL CHANGES.....	i
ITEM 3: TABLE OF CONTENTS.....	ii
ITEM 4: ADVISORY BUSINESS.....	4
ITEM 5: FEES AND COMPENSATION .....	5
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT....	8
ITEM 7: TYPES OF CLIENTS.....	8
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
ITEM 9: DISCIPLINARY INFORMATION.....	14
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	15
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	15
ITEM 12: BROKERAGE PRACTICES AND SOFT DOLLAR POLICIES.....	18
ITEM 13: REVIEW OF ACCOUNTS.....	22
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION.....	23
ITEM 15: CUSTODY.....	24
ITEM 16: INVESTMENT DISCRETION.....	24
ITEM 17: VOTING CLIENT SECURITIES.....	25
ITEM 18: FINANCIAL INFORMATION.....	25
MISC: PRIVACY POLICY.....	25

#### Item 4 Advisory Business

Q3 Asset Management Corporation, (“Q3 Asset Management,” “Q3AM” or “Adviser”) was founded in 2006 and is a Registered Investment Adviser headquartered in Birmingham, Michigan. The Adviser is owned in equal parts by Bradford Giaimo, President and Chief Compliance Officer and Adam Quiring, Vice President. Q3AM is registered with and is regulated by the United States Securities and Exchange Commission (“SEC”).

Q3AM offers professional fee-only financial and investment advisory services. The term “fee-only” means that Q3AM only accepts compensation in the form of advisory fees. The Adviser does not accept commissions in connection with securities or insurance recommendations. However, Advisory Representatives of Q3AM who are independently licensed insurance representatives will accept normal commissions when clients purchase insurance through them.

Q3AM specializes in quantitative analysis. Our research emphasizes technical screens as opposed to fundamental screens. We design analysis primarily for application to mutual and exchange traded funds. Many of Q3AM’s investment strategies maintain the ability to shift to a defensive posture during certain market environments. Some of our portfolio designs and/or strategies may utilize inverse or leveraged mutual funds from time to time. Performance results are best analyzed over a complete market cycle of 4 to 7 years based on the fact that our investment strategies may not correlate to the broader market.

#### **Q3AM offers advisory services on three levels:**

- I. Investment Management Services provided to other financial professionals and their clients.
- II. Services provided to other financial professionals and;
- III. Asset Management; Consultation and Financial Planning Services provided to Q3AM’s private clients.

#### **I. Investment Management Services Available to Other Financial Professionals and Their**

**Clients.** Q3 Asset Management offers a service whereby it can provide investment management services via unaffiliated Advisers and their clients. Details of this arrangement can be found under the *Client Referrals and Other Compensation* section of this brochure.

**II. Services Provided to Other Financial Professionals:** Q3 Asset Management is available to provide trading signals (buy and sell recommendations) to other unaffiliated financial professionals. This service is available via subscription or consulting services and are available *only* to professionals for analysis. The proprietary data is not to be released to the general public via the subscribers. Since this is a professional service unavailable to the investing public, detailed information about the service is not provided herein.

### **III. Asset Management, Consultation Financial Planning and Market Timing Services:** Q3

Asset Management's client services are primarily provided to individuals; pension and profit sharing plans; trusts, estates and charitable organizations; corporations or other business entities; and occasionally to associations or groups. See a detailed description in Item 5.

*Asset Management:* Q3AM offers professional management of various securities in an effort to help meet specified investment goals for the benefit of the investors. Asset Management services are ongoing in nature and therefore continue until terminated by either party. The Adviser monitors the market and underlying portfolio investments on a frequent basis (normally daily). Internal reviews of individual portfolios occur monthly and the Adviser remains available to consult with the client during the Adviser's normal business hours.

Q3 Asset Management's assets under management (as of June 30, 2013) totaled \$96,051,791 in 1150 discretionary accounts. Up to 10% of the Adviser's managed assets belong to clients who meet the definition of high net worth individuals. Individuals who are not classified as high net worth individuals own the remaining managed assets.

*Consultation:* Q3AM offers the opportunity to meet with, discuss and offer advice based upon a client's particular investment needs.

*Financial Planning:* Q3AM works closely with our clients to develop individualized strategies designed to help clients achieve their stated financial goals and investment objectives.

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

The advisory fees for asset management services are charged quarterly in arrears and are agreed upon at the time of engagement. Fees are based upon the market value of the portfolio, set forth by the client's custodian, as of the last market day of the relevant calendar month. Where services are initiated at any time other than the beginning of a calendar quarter, advisory fees will be pro-rated. Deposits of additional assets of \$25,000 or more made to existing accounts will be pro-rated. Should a client have more than one account with Q3AM, balances will be aggregated when determining fees. Q3AM reserves the right to modify fees (higher or lower) as outlined on the fee scale noted below, depending upon the nature of the engagement, complexity of services, time to be incurred, for pre-existing relationships, or other special situations and at our discretion.

<u>Portfolio Size</u>	<u>Investment Management Fee</u>
Up to \$500,000	0.625% Quarterly
\$500,000+	0.500% Quarterly

In the rare case where there is an absence of a portfolio value we will utilize at least one independent third party to assess the value of the particular holding. Q3AM reserves the right to modify the asset management fee for existing clients with 30 days' notice. This may occur

when your circumstances or service needs have changed significantly. In such cases, a new or amended Client Agreement will be provided to the client for signature.

Clients are encouraged to read each prospectus and securities offering documents.

The advisory fees noted herein represent fees for our advisory services only. Clients are responsible for the payment of all third-party fees associated with investing. For example, you may pay transaction, brokerage, commissions and deferred sales charges to your broker/dealer or other service providers and other fees associated with services provided by these third parties, (e.g., custodial fees, account opening, maintenance, transfer, termination, cash wire transfer, electronic fund fees, retirement plan, trust fees, taxes that may be applicable to brokerage accounts and securities transactions, and all such applicable third-party service fees). Such charges, fees and commissions are exclusive of and in addition to the Adviser's fees. Additionally, all fees paid to the Adviser for advisory services are separate from the fees and expenses charged to shareholders of ETF's (exchange traded funds) or mutual fund shares offered by mutual fund companies. Clients invested in mutual funds or ETF's may incur additional advisory costs as disclosed in each fund's prospectus. This fee layer exists because a fee is paid for Q3AM's private portfolio management services which is separate and distinct from the internal management fee that the respective ETF or mutual fund (investment company) pays their contracted manager who manage the assets within the investment company's fund. Q3AM does *not* receive any portion of these fees. For more information on brokerage fees please see the "*brokerage practices*" section of this brochure. Q3AM does not execute transactions or hold ("*custody*") assets as it is not a brokerage or custodial firm. Managed portfolio assets will be custodied by your selected custodial firm.

Some mutual fund families may impose redemption charges on funds held for less than a minimum period, as determined by the mutual fund family and disclosed in the investment prospectus. While best efforts are made to avoid these fees, clients may from time to time incur such charges.

Payment of investment management fees may be paid directly by you or payment may be made through a debit directly to your account by the qualified custodian holding your funds and securities. Direct-bill payments will be due as of the date posted on the invoice. If you have more than one account, you may choose to have all fees deducted from a particular account. The Adviser does not accept fees in excess of \$500 for services to be performed six or more months in advance. For fee deductions, Q3AM adheres to the following criteria in accordance with the United States Securities and Exchange Commission's Investment Advisers Act of 1940, as amended, when payment is made via a qualified custodian: (1) The client provides written authorization permitting the fees to be paid directly from the client's account held by the independent and qualified custodian and the authorization is limited to withdrawing contractually agreed upon investment advisory fees; (2) The client will directly receive regular (monthly or quarterly) reports directly from the qualified custodian which reflect the Adviser's fee deduction; (3) The frequency of advisory fee withdrawals shall be specified in the written authorization/agreement; (4) The custodian of the account shall be

advised in writing of the limitation on the Adviser's access to the account; (5) The client shall be able to terminate the written billing authorization or agreement at any time.

Since custodians do not verify the accuracy of the advisory fee calculation, you should review each custodial statement and promptly contact us if any questions should arise. Clients must ensure they are receiving account statements directly from their custodial firm(s) and promptly report address changes to both Q3AM and their custodial firm(s). In the event a client finds that custodial account statements are not being received, they should immediately notify their custodian and Q3AM.

Q3 Asset Management Corporation is available to provide Consultation Services or Financial Planning on an hourly basis. Advice may be provided on general or specific issues relating to such topics as financial management, risk management, asset allocation, investment research, financial issues relating to divorce or marital issues, estate planning, tax issues, retirement planning, educational funding, goal setting, or other needs as identified by the client. We may offer services regarding certain financial planning components but since we focus on Investment Management Services, Q3AM does not hold itself out as a comprehensive financial planning firm. Many of our investment strategies fall under the classification of Market Timing. This means that the investment strategy will be actively managed and clients can expect to be out of the market, in the market, short the market, in bonds, or any combination of these.

When Consultation or Financial Planning Services only focus on certain areas of client interests and needs, or are otherwise limited, clients must understand that their overall financial and investment needs and objectives may not be considered as a result of time and/or service restraints placed on Q3AM's services. Clients requiring assistance on issues relating to matters outside of investment advisory topics should consult their personal tax adviser, legal counsel, or other professionals for expert opinions. When providing services in connection with retirement plan assets of individual clients, the advice and recommendations are limited to Plan offerings and contracted service providers (e.g., custodial firms). Consultation and Financial Planning Services are not ongoing in nature unless otherwise noted in the Client Agreement. Therefore, in most cases, services terminate upon delivery. The advice provided may include recommendations for updates and reviews. Additional or follow-up services are available as initiated by clients.

Fees for Consultation or Financial Planning are determined at the time of engagement based upon the time and effort required and/or the nature and complexity of services. Q3AM's hourly fee is \$200. The Adviser may require prepaid fees equal to ½ the proposed project fee in order to schedule services. In these cases, the project balance is due upon the delivery of services. The Adviser will not collect fees in excess of \$500 for services to be performed six months or more in advance. Should your condition change during the course of services such that new advice, recommendations or research are required or the Adviser must re-work the advice, recommendations or other services, additional fees will apply and the Adviser will require a new or amended Client Agreement. Q3AM will not engage in additional services that result in fees without the client's approval.

If you did not receive Q3AM's ADV 2 at least 48 hours prior to execution of the Client Agreement, you may terminate Financial Planning or Consultation Services without penalty (no fees due or any pre-paid retainer will be fully refunded) within 5 business days of signing the Agreement. Alternatively, Financial Planning or Consultation Services terminate upon delivery. Either party may immediately terminate services prior to conclusion providing written notice to the other. In this case, the Adviser will only invoice the client for services provided up until the effective date of termination or the Adviser will return a pro-rated refund of the pre-paid retainer with a statement showing how the refund was calculated.

Under certain circumstances, the Adviser may offer its programs or strategies to other advisory firms through a subscription or consulting fee arrangement. Under such a scenario, fees will vary based upon the programs and services provided.

#### **Item 5A. Charitable Giving Program**

Q3AM initiated a Charitable Giving Program in January 2013. Under the terms of this new Program Q3AM may donate \$10 for each new account established by referring advisory representatives from unaffiliated firms over the minimum account size of \$75,000. While this program creates an incentive for Advisory Representatives to open an account, the funds donated per new account (\$10) are nominal and do not pose a material conflict of interest between Advisory Representatives and our clients. There is no obligation to the Client or the referring Adviser.

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

Investment advisory fees are not "performance based" as Q3AM does not receive compensation based upon a share of capital gains or capital appreciation for any portion of funds under an advisory contract. Side-by-side management refers to arrangements where an Adviser charges performance-based fees to a certain group of clients and charges other types of fees to another group of clients. These arrangements can create conflicts of interest. Since the Adviser does not charge performance-based fees to any clients, the Adviser does not engage in side-by-side management arrangements.

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

Q3 Asset Management's client services are primarily provided to individuals; pension and profit sharing plans; trusts, estates and charitable organizations; corporations or other business entities; and occasionally to associations or groups. Q3 Asset Management imposes a minimum account size of \$75,000. Q3AM reserves the right to waive the minimum based upon individual circumstances, pre-existing relationships, where the minimum can be met within a specified time period, or at our sole discretion. We reserve the right to decline to provide investment advisory services to any person or firm.



If an account is subject to the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), the Adviser acknowledges that Adviser is a fiduciary within the meaning of the Act and the ERISA Client is a named fiduciary with respect to the control or management of the assets in the Account. In each instance, the Client will agree to obtain and maintain a bond satisfying the requirements of Section 412 of ERISA and to include the Adviser and the Adviser’s principals, agents, and employees under those insured under that bond and will deliver to the Adviser a copy of the governing plan documents. If the Account assets for which the Adviser provides services represent only a portion of the assets of an employee benefit plan, Client will remain responsible for determining an appropriate overall diversification policy for the assets of such plan.

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

***Investing in securities involves risk of loss that you should be prepared to bear. Additionally, because many of Q3 Asset Management’s strategies have a low correlation to the broader market, it’s possible that a client’s account may depreciate in value over periods of time when the market appreciates in value.*** Q3AM attempts to measure an investor’s risk tolerance, time horizon, goals and objectives through a data-gathering process in an effort to determine an investment plan or portfolio to best fit the investor’s profile. The client’s participation and delivery of accurate and complete information are critical to this process. These investment strategies may not be appropriate for every type of investor.

Q3AM provides advisory services for portfolios ranging from conservative to aggressive, designed to help meet the varying needs of investors. The Adviser or the client’s person financial adviser utilizing Q3AM’s investment strategies selects the strategy combination best suited to their individual needs after clients have defined their objectives, risk tolerance and time horizons. Portfolio holdings are generally derived through methods associated with quantitative analysis. Q3AM places more emphasis on “technical” screens rather than “fundamental” screens. Investors should not expect to remain fully invested at all times as most of the Advisers programs maintain the ability to move into “money market” or “defensive” positions. Additionally, some of the Advisers programs maintain the ability to invest in “inverse” or “leveraged” products which may carry a higher level of risk. Many of Q3AM’s strategies may utilize short-term trading strategies in an effort to capitalize upon market trends and as a result it’s possible that a high number of transactions may occur over a relatively short period of time. More transactions may result in higher fees in individual accounts.

As part of Q3AM’s research, we often conduct quantitative back tested simulations to see how a particular model may have performed over different market periods. It is very important to understand that hypothetical performance results have certain inherent limitations. Unlike an actual performance record, simulated trades do not represent actual trading. Also, since the trades have not actually been executed, the results may have over or under compensated for the impact, if any, of certain market factors such as lack of liquidity. You may have done better or worse than results derived from back testing. No representation is being made that any

account will or is likely to achieve profits or losses similar to those shown in any hypothetical research report.

Numerous publicly available sources of economic, financial and investment research are used by the Adviser to aid in investment decisions. Asset allocation software and historical performance modeling software may also be utilized. Q3AM clients are encouraged to discuss any questions that may arise regarding investment policies throughout the course of our engagement.

Q3AM generally does not consider tax consequences when purchasing or selling a security. The sale of investments may cause taxable gains or losses to the client. Additionally, “wash sales” may occur from time to time. You are welcome and encouraged to consult your independent personal tax adviser about tax consequences resulting from transactions or any particular investment held in your account. The majority of Q3AM’s programs trade frequently. Frequent trading of securities may affect investment performance through increased brokerage costs and through tax implications.

Q3AM may engage the services of Signal Providers to provide buy and sell signals, research, or other information that we may use to manage a particular strategy. Q3AM may invest the client’s assets in accordance with the recommendations of the third party or may invest the account in any manner it deems appropriate based on the client’s personal objectives. Under the terms of our service agreements with such firms, Signal Providers are engaged to provide professional market-related services only to Q3AM and these Providers will not act as advisers, managers or fiduciaries with respect to any of Q3AM’s clients. Q3AM pays the fees associated with these services from the fees it collects from its clients. These professional service fees are invoiced as fixed fees and/or a percentage of its managed assets based upon the accounts that receive benefit from these services. Therefore, clients are not invoiced for these services.

On occasion, Q3AM may utilize the services of an Independent Third Party Manager. Clients are welcome but are never under any obligation to utilize recommended service providers. In connection with these services, the Third-Party Manager is responsible for trading, best execution and the delivery of contracted services to our clients and Q3AM. Such a relationship will not involve additional fees paid by the Client. However, Q3AM will contract the Independent Manager for a portion of the fee it receives. At the time of any such recommendation, a copy of the recommended Independent Managers’ ADV Part 2 will be provided to the Client along with appropriate compensation disclosure.

Where Q3AM is contracted to provide services to an unaffiliated Adviser and its client(s), the Client or the Clients’ Advisers may adjust the Client’s mix of strategies upon request. Under most circumstances, either the Client or Adviser is asked to complete a “Strategy Change Request Form.” The Client’s existing suitability profile questionnaire will be used to make sure that the requested strategy mix is in line with the Client’s risk tolerance. In each case, the Client’s Adviser is responsible for acting as the primary Adviser to clients and will gather appropriate documentation to suppose suitability.

A Client or the Client's personal Adviser may direct Q3AM to invest all or a portion of the Client's account into a Money Market fund ("Money Market Request"). When this occurs, the client reduces the potential for market appreciation within the account. Furthermore, after advisory fees the account could lose value under such a scenario. Since the client or the Adviser retains investment discretion, Q3AM takes no responsibility for advising Clients and/or Advisers on when to move out of the Money Market fund and back into the designated investment programs.

Q3AM offers a number of strategies that fall under the "tactical" category. Each of these strategies maintains the ability to invest in aggressive investment vehicles including sector, inverse and leveraged funds. The performance of these strategies may not correlate with a rising stock market and may be volatile. The following strategies are included as part of this group: Cipher, Xantus, Eclipse and Tactical GLB.

**Cipher** attempts to produce a positive rate of return over the course of a calendar year regardless of market conditions. The standard deviation of the strategy is approximately half of that associated with the S&P 500. Cipher is designed to maintain a low correlation to the broader market. Signals are generated on a daily basis and may be short-term in nature. It's not uncommon for the strategy to remain heavily in a money-market fund for extended periods of time. Elements of both mean-reversion and trend-following may be utilized as the program is designed to adapt to changing market conditions. On any given day, the program may be long, short or in a money-market fund.

**Xantus** is a very active strategy that utilizes elements of both mean-reversion and trend-following. The program attempts to produce a positive rate of return over the course of a calendar year regardless of market conditions. Volatility is expected to be similar to that of the broader market, however, Xantus will typically maintain a low correlation to a buy-and-hold approach. Signals are generated on a daily basis and may be short-term in nature. It's not uncommon for the program to be "short" the market.

**Eclipse** attempts to produce a positive rate of return over the course of a calendar year regardless of market conditions. The program is designed to maintain a low correlation to the broader market. Signals are generated on a daily basis and may be short-term in nature. Eclipse monitors an assortment of algorithms in order to generate an optimal signal for the following day. Some of these algorithms focus upon short-term trading systems while others focus on intermediate or longer-term systems. Most signals will be in the direction of the intermediate-term trend of the market. Over the long term, our research indicates that the program will revert to a money-market fund approximately 25% of the time. The program may also be short the market.

**Tactical GLB** utilizes a quantitative approach that combines both economic forecasting models and technical systems. Tactical GLB program looks to capitalize upon movements in the US 30-Year Government Bond in both rising and falling interest rate environments. The program

employs a multi-model approach with each sub model generating its own directional score. The program manages risk by reducing position size during adverse price moves and during times of excessive market volatility. Tactical GLB trades on average 30 times per year with a typical trade length of approximately 12 days.

The objective of these programs is not necessarily to outperform the market each year, but to post consistent returns through both bull and bear markets. There is no assurance that objectives will be realized and past performance is never a guarantee of future success. Additional “tactical” programs may be offered by the Adviser.

Q3AM also offers a number of strategies that fall under the “dynamic asset allocation” category. Most of these strategies are available in a conservative, moderate or growth risk profile. Each of these strategies maintains the ability to revert to a defensive position during certain market environments. Such defensive positions may include a higher allocation to fixed income investments (including but not limited to government bond funds). The following strategies are part of this group: Enhanced Allocation – 6, Strategic Allocation – 6, Global ETF Allocation and Dynamic Income. The performance of these strategies may not correlate with a rising stock market and the programs may invest in aggressive mutual funds or exchange-traded funds, including sector funds. The objective of these programs is not necessarily to outperform the market each year, but to post consistent returns through both bull and bear markets. There is no assurance that objectives will be realized. Additional “dynamic asset allocation” programs may be offered by the Adviser.

***Enhanced Allocation – 6*** provides active management across a wide range of investment platforms and products. The strategy follows a systematic approach that can be thought of as an asset allocation model with the ability to adapt to changing market conditions. Drawing from years of academic & market research, the strategy embraces the concept of momentum investing which analyzes and ranks securities based on recent performance. Each period (usually every 30 to 60 days) the program invests in the highest ranked securities under the premise that they will continue to be strong performers for the next period. Enhanced Allocation–6 improves upon a momentum investing approach by evaluating the general market conditions prior to investing or re-allocating a client’s account. During “unfavorable” market conditions the strategy will allocate one hundred percent of an investor’s portfolio to bonds in an effort to preserve capital. During “favorable” market conditions the strategy identifies and ranks equity and bond funds based on recent performance using a proprietary momentum based algorithm. Client accounts are then re-allocated into the six top-ranked funds in accordance with the investor’s risk tolerance. Our research has shown that that the program will be invested in the top-ranked funds approximately 75% of the time and invested entirely in fixed income approximately 25% of the time. Enhanced Allocation–6 allows an investor to participate in rising equity markets, and just as importantly, maintain the ability to preserve capital during adverse market conditions. The program attempts to provide the investor with superior returns and reduced volatility relative to a passively managed benchmark. Enhanced Allocation–6 is offered in a conservative, moderate and growth risk profile.

**Strategic Allocation – 6** provides active management across a wide range of investment platforms and products. The investment program follows a systematic approach that can be thought of as an asset allocation model with the ability to adapt to changing market conditions. Drawing from years of academic & market research, the methodology embraces the concept of momentum investing which analyzes and ranks securities based on recent performance. The program invests in the highest ranked funds under the premise that they will continue to be strong performers for the next period. Each period (usually every 30 to 60 days) SA-6 re-allocates client accounts into the six top-ranked funds in accordance with the investor's risk tolerance. During adverse market conditions, income oriented investments may become a larger portion of the portfolio. The program attempts to provide the investor with superior returns and reduced volatility relative to a passively managed benchmark. Strategic Allocation-6 is offered in a conservative, moderate and growth risk profile.

**Global ETF Allocation** provides active management using exchange traded funds. The strategy follows a systematic approach that can be thought of as an asset allocation model with the ability to adapt to changing market conditions. Drawing from years of academic & market research, the strategy embraces the concept of momentum investing which analyzes and ranks an assortment of securities based on recent performance. The program invests in the highest ranked funds under the premise that they will continue to be strong performers for the next period. Emphasis is placed upon maintaining exposure to those global markets exhibiting the strongest relative strength. On the first day of each month Global ETF Allocation evaluates general market conditions. Should "unfavorable" market conditions exist, the strategy will allocate one hundred percent of an investor's portfolio to three top ranked fixed income funds. Should "favorable" market conditions exist, the strategy identifies and ranks all available equity and fixed income funds based on recent performance using a proprietary momentum based algorithm. Client accounts are then re-allocated into top-ranked funds in accordance with the investor's risk tolerance.

**Dynamic Income** provides active management across a wide range of investment platforms and products. The investment program follows a systematic approach that can be thought of as an asset allocation model with the ability to adapt to changing market conditions. Drawing from years of academic & market research, the methodology embraces the concept of momentum investing which analyzes and ranks funds based on recent performance. The program invests in the highest ranked funds under the premise that they will continue to be strong performers for the next period. Approximately every 37 days, Dynamic Income re-allocates client accounts into the six top-ranked income focused mutual funds in accordance with the investor's risk tolerance. Along with traditional bond funds, certain equity funds with a history of paying dividends may be targeted. Additionally, market neutral and conservative equity funds may be utilized. The program attempts to provide the investor with superior returns and reduced volatility relative to a passively managed benchmark.

Q3 Asset Management offers a program referred to as "**CPS**" ("Custom Portfolio Select") where Q3AM will select the strategy combination on behalf of the Client and their personal Adviser. The program is offered in a Conservative, Moderate or Growth risk profile. At their sole

discretion Q3AM may or may not adjust the strategy mix over time. In all cases, the client and their personal Adviser will work together in connection with initial data-gathering, portfolio reviews, updates and associated services in connection with the services provided by their Adviser.

The majority of investment strategies that Q3 Asset Management offers do not involve significant risk or unusual risk beyond that of the general domestic and/or international equity markets. No single strategy can be relied upon to outperform the market. The Adviser seeks to utilize investment strategies that are designed to help capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short sales, margin transactions and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies. Not all of the Adviser's strategies may be suitable for all types of investors. Some investors are in a better position to assume additional risk and can sustain investment loss. Investors are encouraged to work with their Adviser to develop an appropriate investment strategy that is based on their financial situation, goals, experience level and other factors.

Bond investments involve certain risks such as (but not limited to): Interest rate, reinvestment, inflation, selection, timing, and price. Additional risks for some government agency, corporate and municipal bonds may include: Legislative risk (a change in the tax code could affect the value of taxable or tax-exempt interest income); Call risk (some corporate, municipal and agency bonds have a "call provision" entitling their issuers to redeem them at a specified price on a date prior to maturity. Declining interest rates may accelerate the redemption of a callable bond, causing an investor's principal to be returned sooner than expected and in that scenario, investors have to reinvest the principal at the lower interest rates. If the bond is called at or close to par value, as is usually the case, investors who paid a premium for their bond also risk a loss of principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called. Additionally, there may be a liquidity risk involved if investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume. Additional risks for corporate and municipal bonds may include: Credit risk; default risk; event risk and duration risk.

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

The Adviser and its Advisory Representatives have not been involved with any legal or disciplinary events and there exists no record that would impact a client's or prospective client's evaluation of Q3 Asset Management. The Adviser and its Advisory Representatives have not been involved in any investment-related litigation, arbitration, regulatory or self-regulatory proceedings or other actions. The Adviser, its Officers and its Advisory Representatives have



never been the subject of a bankruptcy, a license or registration suspension or a license or registration revocation.

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

Q3 Asset Management does not maintain registration relationships or legal affiliations with any of the following:

- broker-dealer, municipal securities dealer, or government securities dealer or broker
- investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
- other investment adviser or financial planner
- futures commission merchant, commodity pool operator, or commodity trading Adviser
- banking or thrift institution
- accountant or accounting firm
- lawyer or law firm
- insurance company or agency\*
- pension consultant
- real estate broker or dealer
- sponsor or syndicator of limited partnerships.

Q3 Asset Management does not operate and does not have a material relationship with a hedge fund or other type of private pooled investment vehicle.

\*Three of Q3AM’s Advisory Representatives, (Adam Quiring, David Witkowski and Amos Sheena) are independently licensed insurance agents with several insurance companies. The time spent on this outside business activity may vary throughout the year but generally accounts for no more than 10% of their time. Normal commissions from insurance products are earned and paid by insurance companies to these Advisory Representative when such products are placed directly with clients. Insurance products are often recommended to clients to minimize clients’ exposure to identified risks and to meet personal and/or business needs. Although clients are under no obligation to purchase insurance products recommended, clients may do so when needs arise. Clients are always welcome to utilize the insurance provider of their choice and may implement recommendations in whole or in part, entirely at their discretion.

Q3AM is contracted as a Sub Adviser to manage assets invested in Midland National’s Vector II Variable Annuity, an unaffiliated entity. Midland National compensates Q3AM to the extent that investor’s utilize our services. The Adviser’s fees are paid out of the mortality & expense charges of the annuity contract established by Midland National. These services are separate and distinct from the Adviser’s private services to private clients.

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

A copy of Q3AM's Code of Ethics is available upon request. We take the issue of regulatory compliance seriously and are committed to maintaining compliance with federal and applicable state securities laws. Additionally, we have a position of public trust and it is our goal to maintain that trust. We also strive to provide excellent service and offer advice that is suitable, based upon what we know about each client.

Q3AM places great value on ethical conduct. Therefore, *the ultimate goal of our internal ethics and compliance policies is to challenge our staff to live up not only to the letter of the law, but also to the ideals set forth by the Adviser.*

You may, or may not, be familiar with the roles fiduciaries play in various legal situations and in certain industries. As a Registered Investment Adviser, Q3AM is a fiduciary to each and every client. As fiduciaries, Investment Advisers owe their clients several specific duties.

According to the SEC, an Investment Adviser's fiduciary duties include:

- Providing advice that is suitable;
- Providing full disclosure of material facts and potential conflicts of interest (such that the client has complete and honest disclosure in order to make an informed decision about services of the Adviser and about investment recommendations);
- The utmost and exclusive loyalty and good faith;
- Best execution of transactions under the available circumstances;
- The Adviser's reasonable care to avoid ever misleading clients;
- Only acting in the best interests of clients.

It is Q3AM's policy to protect the interests of each of our clients and to place their interests first and foremost in each and every situation. Q3AM will abide by honest and ethical business practices to include, but is not limited to:

- ❖ Q3AM will make investment decisions with reasonable grounds to believe that the decisions are suitable for the client based on information furnished by the customer and we will document suitability.
- ❖ Q3AM and its Advisory Representatives will not borrow money from clients.
- ❖ Q3AM will not recommend the purchase of a security without the reasonable belief that the security is registered, or the security or transaction is exempt from registration in states where we provide investment advice and based upon information the Adviser receives.



- ❖ Q3AM will not recommend that the client place an order to purchase or sell a security through a broker/dealer or agent, or engage the services of an unlicensed broker/dealer, based upon information available to the Adviser.
- ❖ Q3AM's staff will report all required personal securities transactions to Bradford Giaimo, President and Chief Compliance Officer of Q3 Asset Management Corporation as required. The following is a list of exempt securities at this writing:
  - Transactions effected pursuant to an automatic investment plan;
  - Securities held in accounts over which the access person has no direct or indirect influence or control;
  - Transactions/holdings in direct obligations of the US Government;
  - Money market instruments — bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
  - Shares of money market funds;
  - Transactions and holdings in shares of mutual funds are not reportable, since the Adviser does not manage or have a material relationship with an investment company which would otherwise require reporting;
  - Transactions in units of unit investment trust are not reportable if the IUT is invested exclusively in unaffiliated mutual funds.

All applicable securities rules and regulations will be strictly enforced. Q3AM will not permit and has instituted controls against insider trading. Our representatives and administrative personnel who do not follow the Q3AM Code of Ethics, Q3AM's written policies and procedures or who in any way violate the rules and regulations of the SEC, or applicable rules and regulations of the state securities act, will be disciplined or terminated. Such persons could also face action by the SEC and/or a state securities regulator.

Q3 Asset Management emphasizes your unrestricted right to decline to implement any advice rendered, in whole or part. Where Q3AM is granted discretionary authority (in writing) of a client's account, the client is welcome to set investment parameters and/or limitations. Such direction is followed until such time the client amends those instructions.

Q3 Asset Management Corporation, or individuals associated with Q3AM, may have similar investment goals and objectives and (as a result) may buy or sell securities for their personal accounts that may be identical to or different from those recommended to clients. Thus, at times the interests of the Adviser's or staff members' accounts may coincide with the interests of clients' accounts. However, at no time will Q3AM, or any related person receive an added benefit or advantage over our clients with respect to these transactions. Q3AM and its associated persons will not place itself in a position to have added benefit as a result of advice given to clients. The staff of Q3AM shall not buy or sell securities for their personal portfolio(s)

where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry.

Bradford Giaimo & Adam Quiring, the Principals of Q3AM are responsible for the monitoring of personal trading conducted by staff.

## **Item 12   Brokerage Practices**

Consultation/Financial Planning clients are welcome to utilize the service provider(s) of their choice and are welcome to implement recommendations in whole or in part, entirely at their discretion. For clients utilizing Investment Management Services, Q3AM will generally utilize one of their preferred providers. These custodians include Trust Company of America, TD Ameritrade and similar firms.

We believe that excellent customer service and trade execution available through its preferred services providers is superior to many non-service oriented and internet-based brokers that may otherwise be available to the general public. Q3AM's selected service providers feature a broad line of products and services for the many types of investors we work with.

At times, for accounts utilizing the preferred platforms, the custodial firm may effect clients' over-the-counter securities transactions on an agency basis. Typically, the service providers execute transactions based upon a number of factors. These factors include: Size of order, trading characteristics of the security, favorable execution prices, access to reliable data, availability of efficient transaction processing and possible price reductions. In filling these orders, the service provider may transact with a market-making broker-dealer ("market maker") on the other side of the trade. A market maker may mark-up/down the price of securities for which it makes a market, which is a cost that will be incurred by the client in addition to any agency commissions assessed by the client's service provider. Normally, best price and execution is obtained for over-the-counter securities transactions by executing directly with the market maker on a principal basis. Therefore, in some cases, clients may incur transaction costs, in addition to any commissions charged by their services provider, when trades in over-the-counter securities are effected on their behalf through that broker on an agency basis. The Adviser does not receive any portion of transaction-related fees. The Adviser's choice to utilize the service provider's platform or similarly termed service available through the selected service provider may limit or eliminate the Adviser's ability to obtain best price and execution in each case.

In certain cases, a security may be purchased through another service provider and in such cases, the security purchased is then transferred to the client account at one of our preferred providers, and a "trade away" delivery fee may be assessed to the client account. Clients are welcome to suggest use of their preferred service provider, in which case the Adviser may not be able to provide best execution, because of limitations that may be placed on the Adviser by the client's service provider. Brokerage direction is provided via the Client Agreement. The

Adviser will continue to place trades through the client's selected service provider until such time new, written direction is received.

Q3AM recognizes its duty to obtain best price and execution for its clients under the circumstances available. The decision to recommend the preferred service providers is based upon the customer service provided to investors and the services available to the Adviser and providing such recommendation is consistent with the Adviser's fiduciary duty to the client. The Adviser may also consider the following:

- ❖ Quality of overall execution services provided;
- ❖ Promptness of execution;
- ❖ Research (if any) provided;
- ❖ Promptness and accuracy of reports on execution;
- ❖ Ability and willingness to correct errors;
- ❖ Promptness and accuracy of confirmation statements;
- ❖ Ability to access various market centers;
- ❖ The broker-dealer's facilities and technology;
- ❖ The market where the security trades;
- ❖ Any expertise in executing trades for the particular type of security;
- ❖ Commission charged;
- ❖ Reliability of the broker-dealer;
- ❖ Ability to use ECNs to gain liquidity, price improvement, lower commission rates and anonymity;
- ❖ Execution and operational capabilities of the broker-dealer.
- ❖ Creditworthiness, financial condition, and business reputation of the broker-dealer;

While it is possible that clients may pay higher commissions or transaction fees through its preferred service providers, Q3AM has determined they currently offer a high level of value to the Adviser and clients for the brokerage and technology provided. Q3AM periodically reviews other alternatives that are available.

Service providers make available certain account trading software to Advisers. Additionally, the Adviser may receive traditional "non-cash benefits" from service providers such as customized statements; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desks servicing Adviser participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees conveniently deducted directly from client accounts; access to an electronic communication network for client order entry and account information; access to mutual funds which generally require significantly high minimum initial investments or those that are otherwise only generally available to institutional investors; reporting features; receipt of regulatory compliance communications; and perhaps discounts or free access to business-related seminars and/or products. While the Adviser's preferred service providers do not directly provide any research, it may offer discounts on general products. Any general research received is used for the benefit of all

clients. The value of products, research and services given if any, is negligible and not a material factor. The benefits received through participation in the advisory programs of service providers may depend upon the amount of transactions directed to, or amount of assets held by these two firms. The Adviser has no written or verbal arrangements whereby it receives soft dollars, however, if client brokerage commissions were used to obtain research or other products or services Q3 Asset Management would be receiving a benefit since we would not have to produce or pay for the research, products or services. Unaffiliated third party vendors may offer considerations such as invitations to attend industry-related conferences, seminars or workshops. The Adviser would generally not receive any considerations above paid admission and customary meals. The Adviser's President and Chief Compliance Officer, Bradford Giaimo, is responsible for monitoring and recording considerations received by the Adviser as well as given.

Q3AM strives to avoid trading errors within client accounts and uses best efforts in doing so. For any trade error that is determined to be the Adviser's responsibility, accounts will be restored to the position prior to the error. Q3AM will reimburse accounts for losses resulting from trade errors, but shall not credit accounts for such errors resulting in market gains. In most circumstances, the gains and losses will be reconciled within an error account at the custodial firm.

### **Soft Dollars and Other Considerations**

Q3AM receives only general research, management software and back-office administrative services from its preferred custodial services providers. However, the Adviser does not receive any "soft dollar" benefits that are outside of the safe harbor established by regulators for Registered Investment Advisers.

Consistent with obtaining best execution, brokerage transactions may be directed to the preferred certain broker/dealers in return for investment research products and/or services which assist the Adviser in its investment decision-making process. Such research generally will be used to service all of the Adviser's 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. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest.

The Adviser may receive from the recommended brokerage firms, without cost to the Adviser, computer software and related systems support, which allow the Adviser to better monitor client accounts maintained at the recommended firm(s). The Adviser may receive the software and related support without cost because the Adviser renders Investment Management services to clients that maintain assets at the preferred custodial firm.

Additionally, the Adviser may receive the following benefits from its preferred custodial firm via their institutional programs for independent investment advisers: Receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively

services its custodial account participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

The software and related systems support may benefit the Adviser, but not its clients directly. In fulfilling its duties to its clients, the Adviser endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Adviser's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence the Adviser's choice of broker/dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Q3AM receives no referrals from a broker/dealer or third party in exchange for using that broker/dealer or third party.

### **Trade Allocation Policies for Multiple Client Accounts**

When possible, the Adviser will aggregate securities transactions ("block trading"). Due to the individualized nature of services, however, large orders of securities are not always consistent with the nature of the Adviser's services. Aggregation is undertaken in firms processing large orders of securities in order to realize more effective trade execution and the cost efficiencies that come from executing larger order sizes. In each case, the Adviser strives to allocate investment opportunities or trades among its clients in a manner that is fair and equitable and based upon the client investment objectives.

Normally, under this procedure, transactions will generally be averaged as to price and allocated according to the Adviser's standard allocation procedure. This procedure considers the circumstances of each trade and always strives for fairness and cost-effectiveness to the client. In most cases when the Adviser executes only a partial fill of a targeted buy order, allocations will prioritize complete fills for clients with the most available cash as a percentage of portfolio assets. Likewise, when the Adviser executes only a partial fill of a targeted sell order, allocations will prioritize complete fills for clients with the least available cash as a percent of portfolio assets. To the extent that the Adviser determines to aggregate client orders for the purchase or sale of securities, including securities in which the Adviser's Advisory Representatives may invest, the Adviser shall normally do so in accordance with applicable rules promulgated under the SEC's Investment Advisers Act and no-action guidance provided by the staff of the SEC. An allocation statement will be prepared and any special circumstances or conditions will be outlined in connection with each event. The Adviser shall not receive any additional compensation or remuneration as a result of the aggregation.

Certain issues may impact the Adviser's allocation under the particular circumstances and in such cases, 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 when one 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 (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) 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.

Clients are encouraged to discuss any questions that may arise regarding investment policies throughout the course of our engagement. The Adviser receives no additional benefit as a result of the proposed aggregation.

Within the prime broker program or similar programs available via recommended brokerage firms, the brokerage firm may effect Clients' over-the-counter securities transactions on an agency basis. The brokerage firm executes transactions based upon a number of factors. These include: Size of order, trading characteristics of the security, favorable execution prices, access to reliable data, availability of efficient transaction processing and possible price reductions. In filling these orders, the brokerage firm may transact with a market-making broker-dealer ("market maker") on the other side of the trade. A market maker may mark-up/down the price of securities for which it makes a market, which is a cost that will be incurred by the Client in addition to any agency commissions assessed by the brokerage firm. Normally, best price and execution is obtained for over-the-counter securities transactions by executing directly with the market maker on a principal basis. The Adviser's choice to utilize the service provider's prime broker program available through the selected service provider may limit or eliminate the Adviser's ability to obtain best price and execution in each case. In certain cases, a security may be purchased through another service provider and in such cases, the security purchased is then transferred to the client account at the client's selected custodian, and a "trade away" delivery fee is assessed to the client account. Broker custody of client assets may limit or eliminate the Adviser's ability to obtain best price and execution of transactions in over-the-counter securities.

### **Item 13   Review of Accounts**

Investment Management involves continuous and ongoing services and provides for the monitoring and internal review of portfolio assets. Some individual strategies are reviewed as frequently as daily. Individual portfolios as a whole are generally reviewed no less than quarterly. Portfolio reviews could occur more frequently, depending upon activity, at the time of new deposits or significant withdrawals, reported material changes in client conditions, at the Adviser's discretion or according to client's stated direction. Reviews entail the analysis of securities, sensitivity to overall markets, economic changes, investment results to ensure the investment strategy and expectations are structured to continue to meet clients' stated objectives. Accounts utilizing the same investment strategy may be reviewed as a group. Reviews are performed by Advisory Representatives under the supervision of the Chief

Compliance Officer, Bradford Giaimo. Each quarter clients will receive a detailed account statement directly from their custodian. Additionally, Q3 Asset Management may provide quarterly written market updates to clients.

Financial Planning and Consultation Services do not entail ongoing advice and reviews unless the Adviser is engaged for additional services via written agreement.

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

Professional advisers utilizing the services of Q3AM to provide Investment Management Services on behalf of their clients will receive a solicitor fee typically amounting to 50% of the total advisory fee paid to Q3AM. Such advisers will ensure Q3AM's Form ADV 2 is delivered to their clients at the time of their recommendation. Additionally, these investors will receive an Investment Management Agreement which outlines the services to be provided by Q3 Asset Management, the fees for services and a compensation disclosure. These services will be separate and distinct from the personalized services provided by the investor's private adviser. Q3 Asset Management reserves the right to engage or deny services to any investment adviser, financial intermediary or investor for any reason.

In order to initiate services, the investor executes an Investment Management Agreement with Q3AM to engage the Adviser as an Independent Manager. The Investment Management Services provided will be based upon the investor's primary adviser's data-gathering with their client and the directives provided to Q3AM.

Investors utilizing these services must understand that they are accessing the Investment Management Services of Q3AM through an unaffiliated personal investment adviser or financial intermediary who will provide the investor with ongoing discretionary or non-discretionary advisory services. The investor's personal adviser or intermediary is responsible for evaluating the Investor's situation, gaining an understanding of investor's objectives, time horizon and risk tolerance; providing the investor with education on investment concepts; recommending an appropriate portfolio to investor; communicating necessary directions relating to the portfolio management and changes desired within investor's accounts to Q3AM; and consulting with the investor periodically to ensure that the recommended portfolio is suitable for the investor based on information Investor provides. The investors' personal adviser or financial intermediary is also responsible for the performance reviews of the investor's account, the review of Q3AM's performance of services, for explaining portfolio strategies and transactions, and to remain available to answer investor questions.

In providing these independent Investment Management Services, Q3AM will manage investor funds in accordance with a model portfolio or other investment plan selected by the investor and the investor's personal investment adviser or financial intermediary. Thereafter, the Adviser will provide ongoing monitoring and rebalancing of the portfolio in accordance with the directives provided.



Every investor is obligated to promptly notify their personal investment adviser or financial intermediary of any changes of a personal or financial nature that may materially affect investor's risk profile and consequently, the investment strategy and/or decisions employed in the managed portfolio. The investor's personal investment adviser or financial intermediary will evaluate such information and is obligated to promptly communicate directions to Q3 Asset Management in accordance with the terms of the agreement between Q3AM and the investor's personal investment adviser or financial intermediary. Additionally, each investor must promptly alert their custodial firm and their personal investment adviser in the event account statements are not being received directly by the investor.

Q3AM offers a seminar reimbursement program to Investment Advisor Representatives that are interested in promoting the services of Q3AM to their prospects and clients. Any seminar and subsequent reimbursement program must first be approved by the IAR's home office's compliance department prior to advertising and conducting the event. It must be disclosed to clients and prospects that Q3AM is a sponsor of the event and that the IAR will share in any advisory fees collected by Q3AM should an investor choose to utilize our services, pursuant to the compensation disclosure and ADV 2 Brochure provided to solicitors and clients.

Q3 Asset Management will reimburse the Adviser for up to 50% of the cost of an event; all reimbursements must pass through the Advisory Representative's home office. Reimbursements shall be equal to \$100 for every \$100,000 in new business referred to Q3 Asset Management. Reimbursement and Solicitor Disclosure forms must be received prior to any payment being issued and payments cannot preclude the date of the client's signature on the Solicitor Disclosure document. For additional information IAR's can request a copy of our *Seminar Reimbursement Program* overview.

#### **Item 15    Custody**

Q3AM does not take custody of client funds or securities with the exception of maintaining the ability to deduct investment advisory fees from clients' custodial accounts and only with appropriate client authorization. Client assets are typically held at one of our preferred custodians which include Trust Company of America and TD Ameritrade. Client funds are held separately in the name of each client. In compliance with the SEC's Custody Rule, clients receive regular and customary account statements directly from their selected custodian. If clients do not receive their statements, they are to immediately alert their Adviser and their custodial firm.

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

Q3 Asset Management accepts discretionary authority when managing securities accounts on behalf of clients as evidenced via the Client Agreement and custodial forms completed by the client. We emphasize the unrestricted right of clients to decline to implement any advice rendered, in whole or part. Where Q3AM is granted discretionary authority of the client's accounts, clients are welcome to request investment parameters and/or limitations in writing.



Prior to assuming discretionary authority, clients must complete our Investment Management Agreement and acknowledge receipt of our Form ADV 2.

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

Q3AM does not have authority to vote client securities. Clients retain the authority to vote proxies and are responsible for ensuring that proxy materials are sent directly to them or the third-party they may assign. The Adviser will not entertain questions regarding a particular proxy solicitation.

### **Item 18    Financial Information**

Q3AM does not require prepayment of more than \$500 in fees per client, six months or more in advance. As previously noted, the Adviser does not maintain custody of client funds or securities other than the ability to deduct advisory fees with client authorization. However, Q3AM follows the guidelines set forth in the SEC's custody rule when coordinating advisory fee deductions from client accounts. Therefore, a balance sheet is not required to accompany this disclosure.

The Adviser has never been party to a bankruptcy. Neither Q3AM nor its management have any financial condition that is reasonably likely to impair the Adviser's ability to meet contractual commitments to clients.

### **Privacy Policy**

As an SEC regulated Registered Investment Adviser, Q3 Asset Management is covered under the definition of a "financial institution" in the Federal Gramm-Leach-Bliley Act (the "Act") and the SEC's Regulation S-P (the "Privacy Rule"). The Adviser is therefore subject to Act as well as the rules of privacy imposed on Investment Advisers and other financial services firms.

Protection of nonpublic personal information is an issue that the staff of Q3 AM takes seriously.

To maintain compliance with Privacy Rules, every broker, dealer, investment company and investment adviser is required to adopt policies and procedures reasonably designed to safeguard customer and consumer records and information. Q3 Asset Management has adopted a Privacy Policy to protect clients and consumers.

In its role as Investment Adviser, Q3 Asset Management routinely collects nonpublic personal information from clients and prospective clients. This information generally will include but is not limited to:

- Information provided from applications, forms and other information provided to us either verbally or in writing, and include but are not limited to your name, address, phone number, account information, social security number, assets, employment, income and debt;
- Information about your transactions, accounts, trading activity and parties to transactions; health and beneficiary information (such as may pertain to investment planning issues);
- Information from other outside sources;
- Any other data that is deemed to be nonpublic personal information as defined by the Act and state privacy rules.

Q3 Asset Management values our clients' trust and confidence. We will never sell the nonpublic personal information we obtain from consumers or clients.

All information provided by clients or prospective clients to Q3 Asset Management, (including the Adviser's personnel), and information and advice furnished by the Adviser to clients, shall be treated as confidential and shall not be disclosed to unaffiliated third parties, except as directed by clients with written authorization, by application to facilitate the investment advisory services offered by the Adviser via an affiliated or unaffiliated financial services provider (such as the client's custodial firm or broker/dealer), or as required by any rule, regulation or law to which the Adviser or its staff may be subject.

Q3 Asset Management maintains clients records in a controlled environment and records (electronic and otherwise) are only available to authorized persons of the Adviser who have a need to access client information in order to deliver advisory services, provide administrative support, or to respond to client requests. The Adviser has made reasonable efforts and conducts periodic tests to ensure that its electronic network is hack-proof. The Adviser monitors client information, client communications and other red flags that may arise in an effort to combat the possibility of identity theft. Therefore, at times, when you make requests for funds or to move assets, please understand that any efforts we take to confirm your identity are done so only for your protection.

Q3 Asset Management's position on protecting non-public personal information extends beyond the life of the Advisory Agreement. Client information is retained in a protected manner for the time period required by regulators (five years from termination or when the data in question was last used, such as for reporting) and thereafter is safely destroyed via in-house shredding, a contracted secure shredding service and/or secure electronic record deletion.

Consumers (who are not clients) who provide information during an initial consultation or for other purposes but do not go on to become clients of the Adviser also receive privacy protection. Original information will be promptly returned in person or via the mail if the Adviser's services are not engaged. Alternatively, if nonpublic personal information is contained in copies of documents, notes or some other media, this information will be securely filed for a period of up to one year (depending upon likelihood of engagement) before being shredded in-house, via our secure shredding service and/or secure electronic record deletion. Clients are encouraged to discuss any questions regarding Q3 Asset Management's privacy policies and procedures with Bradford Giaimo, President and Chief Compliance Officer.