



11300 West Olympic Blvd, Suite 800  
Los Angeles, CA 90064  
(310) 246-1243

[info@miraclemileadvisors.com](mailto:info@miraclemileadvisors.com)  
[www.miraclemileadvisors.com](http://www.miraclemileadvisors.com)

Firm Brochure  
March 2016

This brochure provides information about the qualifications and business practices of Miracle Mile Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority. Miracle Mile Advisors, LLC is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the advisor. Additional information about Miracle Mile Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

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Miracle Mile Advisors, LLC is required to advise clients of any material changes to our Firm Brochure (“Brochure”) from our last annual update.

Since our last annual amendment filing, our firm will now be offering Retirement Plan Consulting services to Plan Sponsors. Please see Items 4 and 5 of this Brochure for more information.

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## ITEM 4: ADVISORY BUSINESS

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### Who We Are

Miracle Mile Advisors, LLC (referred to as “we,” “our,” “us,” or “MMA”), has been registered as an investment advisor since May 2007. Prior to March 2010, the registration was held in the name of Miracle Mile Advisors, Inc. Our firm is owned by Brock Moseley and Duncan Rolph.

### Services We Offer

#### Portfolio Management:

MMA provides fee-based portfolio management services on a discretionary basis, financial planning and/or financial consultation services. MMA believes that the most important investment decision for any investor is the asset allocation decision. As a result, our aim is to develop a customized asset allocation for each client based on his/her specific risk/reward profile and investment goals. We use proprietary analytics programs including, efficient frontier analysis, monte-carlo analysis, time-period analysis, and value-at-risk analysis to shape our allocation selections. We then populate that allocation with carefully selected investment products, such as exchange traded funds (“ETFs”), individual bonds and mutual funds. On a case by case basis, our firm may recommend the use of private investment funds, hedge funds, etc. Lastly, we actively manage the client’s asset allocation through the ongoing monitoring, selection, and rebalancing of client investment holdings. Many clients request that we maintain positions in certain concentrated individual securities. In those instances, we will create a portfolio around the individual securities previously held by the client.

We may utilize Independent Managers, where we design an investment portfolio on a fee-only basis for a percentage of assets in conjunction with another investment advisory firm. Before selecting other advisers, we make sure that the other advisers are properly licensed or registered.

#### Retirement Plan Consulting:

Our firm provides Retirement Plan Consulting services to employer plan sponsors on an ongoing basis. Generally, such services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure and participant education. Services typically include:

- Assist in the Development of Plan Structure
- Establish an Investment Policy Statement – Develop a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet Plan objectives.
- Investment Options – Work with the Plan Sponsor to evaluate existing investment options and make recommendations for appropriate changes.
- Asset Allocation & Portfolio Construction – Develop strategic asset allocation models to aid Participants in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk.

In providing services for Retirement Plan Consulting, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, “Excluded Assets”). All retirement plan consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client retirement accounts or other employee benefit plan (“Plan”) accounts that are governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). If the client accounts are part

of a Plan, and our firm accepts appointment to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) or 3(38) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein.

## Tailoring of Advisory Services

Our firm offers individualized investment advice to Portfolio Management clients. General investment advice will be offered to Retirement Plan Consulting clients as needed. Each Portfolio Management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

## Participation in Wrap Fee Programs

Our firm does not offer a wrap fee program to clients.

## Assets Under Management

As of December 31, 2015, we manage assets of \$473,387,397 on a discretionary basis.

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### **ITEM 5: FEES & COMPENSATION**

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## Advisory Fees & Billing Practices

### Portfolio Management:

The maximum annual fee to be charged for our services will not exceed 1.50% of the assets under management. The fee assessed to the client account(s) will be detailed in our firm's Investment Management Agreement. The detailed fee schedule shall be applied to the Market Value of the Account's Assets as reasonably determined by our firm. Fees are negotiated with each client prior to the inception of the relationship based on the size and complexity of a client's account(s).

Our firm's fees are billed on a pro-rata annualized basis either quarterly in advance based on the value of the account(s) on the last day of the previous quarter or in arrears based on the value of the account(s) on the last day of the quarter. If accounts are opened or transferred to our firm mid-quarter, initial advanced billing will be based on the value of the Account's Assets initially transferred. The billing cycle will be detailed in the Investment Management Agreement to be signed by the client. Fees will be adjusted for deposits and withdrawals made during the quarter, and will be deducted from the client's managed account(s). As part of this process, clients understand and acknowledge the following:

- a) The chosen independent custodian sends statements at least quarterly to clients, showing the market values for each security included in the Assets and all disbursements in the account including the amount of the advisory fees paid to us;
- b) Clients provide authorization permitting us to be directly paid by these terms. We send our invoice directly to the custodian; and
- c) If we send a copy of our invoice to clients, it will include a legend urging the comparison of information provided in our statement with those from the qualified custodian.

In the event our firm utilizes an Independent Manager, a client's total fee may exceed our maximum annual fee of 1.50% of assets under management. Clients will be provided with a copy of the Independent Manager's Form ADV Part 2, the Independent Manager's privacy policy and additional custodial paperwork authorizing the deduction of fees by the chosen Independent Manager. A direct agreement between the client and the Independent Manager may be required on a case-by-case basis.

## Retirement Plan Consulting:

Our Retirement Plan Consulting services are based on the percentage of Plan assets under management. Fees will not exceed 1.00%. The total fee assessed is based on the scope and complexity of our engagement with the client. The fee-paying arrangements for Retirement Plan Consulting service will be determined on a case-by-case basis and will be detailed in the signed consulting agreement. Fees will either be deducted from the Plan or invoiced directly to the client.

## Other Types of Fees & Expenses

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. Clients may also pay charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses). Our firm does not receive a portion of these fees. Additional information about brokerage costs and services is provided in "Item 12: Brokerage Practices."

## Termination

Either party may terminate the Investment Management Agreement signed with our firm for Portfolio Management services in writing at any time. Unless otherwise agreed to, billing will terminate 7 days after receipt of the notice of termination. For clients charged in advance, our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance at the beginning of the quarter. For clients charged in arrears, upon notice of termination, pro-rata advisory fees will be charged to client's account(s) for services rendered. If advisory fees cannot be deducted, we will send an invoice for due advisory fees. Clients will incur charges for bona fide advisory services rendered up to the point of termination (determined as 7 days from receipt of said written notice) and such fees will be due and payable.

Either party to a Retirement Plan Consulting Agreement may terminate at any time by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs within 5 business days of signing an agreement. After 5 business days from initial signing, either party must provide the other party 30 days written notice to terminate billing. Billing will terminate 30 days after receipt of termination notice. Clients will be charged on a pro-rata basis, which takes into account work completed by our firm on behalf of the client. Clients will incur charges for bona fide advisory services rendered up to the point of termination (determined as 30 days from receipt of said written notice) and such fees will be due and payable.

## Commissionable Securities Sales

Our firm does not sell securities for a commission in our advisory accounts.

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### **ITEM 6: PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT**

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Our firm does not charge performance-based fees.

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### **ITEM 7: TYPES OF CLIENTS**

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MMA clients are primarily families with multiple types of accounts including individual accounts, Personal Trust Accounts, Family Trust Accounts, and Individual Retirement Accounts (including SEP IRAs, Roth IRA, Rollover IRAs and Traditional IRAs).

Generally we require that clients maintain \$500,000 under management with us. We may, however, waive that minimum at our sole discretion.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS**

We use proprietary analytics programs including, efficient frontier analysis, monte-carlo analysis, time-period analysis, and value-at-risk analysis to formulate our allocation models. We then populate that allocation with carefully selected investment products, such as exchange traded funds ("ETFs"), individual bonds and mutual funds. On a case by case basis, our firm may recommend the use of private investment funds, hedge funds, etc. Lastly, we actively manage the client's asset allocation through the ongoing monitoring, selection, and rebalancing of client investment holdings. Many clients request that we maintain positions in certain concentrated individual securities. In those instances, we will create a portfolio around the individual securities previously held by the client.

All investments involve different degrees of risk that clients should be prepared to bear. Clients should be aware of their risk tolerance level and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions. Past or historical returns are not indicators of future returns. An investment in any type of security may lose money.

The primary type of security we use to populate our allocations are ETFs. Since all of these funds are traded on a public exchange, they are subject to the same risks of any publically traded security including an unanticipated early closing of an Exchange which could result in a shareholders inability to buy or sell fund shares on that day. Investments in public securities, in general, are subject to the market risks that may cause their prices to fluctuate over time. Unlike many investment funds, ETF funds may not be "actively" managed. This means that, based on market and economic conditions, the fund's performance could be lower than other types of mutual funds that may actively shift their portfolio assets to take advantage of market opportunities or to lessen the impact of a market decline. Tracking error risk refers to the risk that the ETF provider may not be able to cause the fund's performance to match or correlate to that of the fund's underlying index, on a daily or aggregate basis. Tracking error risk may cause the fund's performance to be less than clients expect. Shares may trade below their net asset value ("NAV"). The NAV of shares will fluctuate with changes in the market value of the fund's holdings. In addition, although the fund's shares are currently listed on the exchange, there can be no assurance that an active trading market for shares will be developed or be maintained. We use a blend of bottom up security valuation analysis and top down economic analysis when constructing portfolio allocations. In some circumstances we will build bond portfolios by selectively purchasing individual fixed income securities. All bond portfolios are personalized to the tax situation of the end client, considering the state of residence and tax bracket. MMA may also utilize the services of a SEC registered third party money manager to seek opportunities for improving income and risk adjusted returns through careful security selection, yield curve analysis, bond swapping, portfolio diversification, and credit monitoring.

## **ITEM 9: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

Some representatives of our firm are insurance agents/brokers. They may offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation an adviser and/or our supervised persons may earn.

Please see Item 4 above for more information about the selection of Independent Managers. In cases where the Independent Manager bills the client the total management fee, the compensation paid to our firm by the Independent Manager may vary, and thus, creates a conflict of interest in recommending an Independent Manager who shares a larger portion of the advisory fees over another Independent Manager. Prior to referring clients, our firm will ensure that Independent Manager(s) are licensed or notice filed with the respective authorities. A potential conflict of interest in utilizing an Independent Manager may be an incentive to us in selecting a particular manager over another in the form of fees or services. In order to minimize this conflict our firm will make our recommendations/selections in the best interest of our clients.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

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### **Code of Ethics**

We have adopted a set of enforceable internal guidelines (Code of Ethics), which describes unacceptable conduct by MMA and our associated persons. Summarized, this Code of Ethics prohibits us from:

- placing our interests before the client's,
- using non-public information gathered when providing services to clients for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us to receive a full copy of this Code of Ethics.

### **Personal Trading for Associated Persons**

We may buy or sell some of the same securities for clients that we already hold in our personal account(s). We may also buy for our personal account(s) some of the same securities that clients already hold in their account(s). It is our policy not to permit our associated persons (or their immediate relatives) to trade in a way that takes advantage of price movements caused by client transactions.

We may restrict trading for a particular security for MMA employee accounts or those of our associated persons if there is a pending trade in that security in a client account. Trades for MMA employee accounts (and those of our associated persons) will be placed individually after client trades have been completed. When our personal trades are placed after our client trades, we may receive a better or worse price than that received by the client.

MMA and its associated persons may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients.

All persons associated with us are required to report all personal securities transactions to us quarterly.

## **ITEM 12: BROKERAGE PRACTICES**

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### **The Custodian & Brokers We Use**

We do not maintain custody of client assets that we manage, although we may be deemed to have constructive custody of client assets if our firm is given the authority to withdraw assets from client account(s) (see "Item 15: Custody"). Client assets must be maintained in an account at a "qualified custodian," generally a broker/dealer or bank. We recommend TD Ameritrade, Inc ("TD Ameritrade") and



Charles Schwab & Co., Inc. (“Schwab”) (collectively “Recommended Custodians”), members FINRA/SIPC/NFA, as the qualified custodian from whom we are independently owned and operated. The Recommended Custodians will hold client assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that clients use the Recommended Custodians, clients will decide whether to do so and will open an account with the Recommended Custodians by entering into an account agreement directly with them. We do not open the account for clients, although we may assist in doing so. If clients do not wish to place their assets with the Recommended Custodians, we will not be able manage the account(s).

Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though a client account is maintained at the Recommended Custodians, we can still use other brokers to execute trades for that account as described below (see “Client Brokerage & Custody Costs”).

## How We Select Brokers/Custodians

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

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

## Client Brokerage & Custody Costs

The Recommended Custodians generally do not charge clients separately for custody services but are compensated by charging clients commissions or other fees on trades that it executes or that settle into the client’s account(s). Schwab’s commission rates applicable to our client accounts were negotiated based on the condition that our firm collectively maintains a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. TD Ameritrade does not require that our firm collectively maintain a minimum total of assets under management. This commitment benefits the client because the overall commission rates paid are often lower than they would be otherwise. In addition to commissions, Schwab charges the account a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab execute most trades for client account(s). We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How We Select Brokers/Custodians”).

As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons in

and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of the Recommended Custodians for custody and brokerage services.

## **Products & Services Available to Us**

Our firm recommends Schwab Advisor Services™ (formerly called Schwab Institutional®) and the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC, an unaffiliated SEC-registered broker-dealer and FINRA member. Schwab and TD Ameritrade offer services to independent investment advisors which include custody of securities, trade execution, clearance and settlement of transactions. Our firm receives some benefits from TD Ameritrade through its participation in the Program.

TD Ameritrade and Schwab provide our firm and our clients with access to institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to retail customers. The Recommended Custodians also make available various support services. Some of those services help us manage or administer our client accounts, while others help us manage and grow our business. The Recommended Custodians' support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of the provided support services:

### **Services That Benefit Clients**

The Recommended Custodians' brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through TD Ameritrade and Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

Our firm participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice given to Clients, although our firm receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our firm's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit our firm but may not benefit its Client accounts. These products or services may assist our firm in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help our firm manage and further develop its business enterprise. The benefits received by our firm or personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, our firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of TD Ameritrade for custody and brokerage services.

## **Services That May Not Directly Benefit Clients**

Other products and services that benefit us, but may not directly benefit clients or client account(s), may be made available to our firm. These products and services assist us in managing and administering our clients' accounts. They include investment research, both the Recommended Custodians' own and that of third parties. This research may be used to service all or a substantial number of our client accounts, including accounts not maintained with the Recommended Custodians. In addition to investment research, the Recommended Custodians may also make available software and other technology that provide the following:

- Access to client account data (such as duplicate trade confirmations and account statements)
- Research related products and tools
- Trade execution
- Block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts)
- Pricing and other market data
- Payment of our fees from our clients' accounts
- Back-office functions, recordkeeping, and client reporting

## **Services That Generally Benefit Us**

The Recommended Custodians may also offer other services intended to help us manage and further develop our business enterprise. These services include:

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

The Recommended Custodians may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. The Recommended Custodians may also discount or waive fees for some of these services or pay all or a part of a third party's fees. They may also provide us with other benefits, such as occasional business entertainment of our personnel. Other than using custodial services and trade execution from the Recommended Custodians, MMA uses its own proprietary analytics and third party research in making investment decisions for clients.

## **Our Interest in These Services**

The availability of these services from the Recommended Custodians benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum may give us an incentive to require that clients maintain their account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on client interest in receiving the best value in custody services and the most favorable execution of transactions. Although this is a potential conflict of interest, we believe that our selection of Schwab as custodian and broker is in the best interests of our clients. TD Ameritrade does not require that our firm collectively maintain a minimum total of assets under management. Our Recommended Custodians' selection is primarily supported by the scope, quality, and price of services (see "How We Select Brokers/Custodians") and not services that benefit only us.

## **Aggregation of Orders**

There are occasions on which portfolio transactions will be executed as part of concurrent authorizations to purchase or sell the same security for multiple clients. When we place a block trade, all participants included in the block will receive the same price per share on the trade. The objective of the aggregated orders will be to allocate the executions in a manner that is deemed equitable to the accounts involved. Our firm does not block or aggregate trades for client accounts and MMA employee accounts.

## **ITEM 13: REVIEW OF ACCOUNTS**

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At a minimum, we perform a quarterly client review with each of our clients. The review is conducted either by a conference call or by a face to face meeting. It is up to the client to choose their preferred method of review. All quarterly reviews are (at minimum) conducted by Senior Advisors or Portfolio Managers.

Clients receive quarterly reports that include:

- A Portfolio Performance Summary which shows the quarterly net time-weighted rate of return (TWR) versus a customized blended benchmark, equity indices, bond indices, cash indices and other indices.
- Asset Allocation which shows the clients current allocation versus the strategic target allocation.
- A Portfolio Statement which lists all of the securities in the account.
- Quarterly Billing Statement

Retirement Plan Consulting clients receive reviews of their retirement plans for the duration of the service. Our firm meets with the Client, or the Plan Participants if included in the Plan's engagement with our firm, to discuss updates to their plans, changes in their circumstances, etc. Retirement Plan Consulting clients do not receive written or verbal updated reports regarding their plans. The account custodian will provide the Clients with quarterly statements and/or reports.

## **ITEM 14: CLIENT REFERRALS & OTHER COMPENSATION**

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### **TD Ameritrade**

Our firm may receive client referrals from TD Ameritrade through our participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, our firm may have been selected to participate in AdvisorDirect based on the amount and profitability of assets in, trades placed, and client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with any Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise our firm and has no responsibility for our firm's management of client portfolios or our firm's other advice or services. Our firm pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to our firm ("Solicitation Fee"). Our firm will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by our firm from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired our firm on the recommendation of such referred client. Our firm will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Our firm's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, our firm may have an incentive to recommend to clients that the assets under management by our firm be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, our firm has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Our firm's participation in AdvisorDirect does not diminish our duty to seek best execution of trades for client accounts.

## **Schwab**

Our firm receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see “Item 12: Brokerage Practices”). The availability of Schwab’s products and services to us is not based on us giving particular investment advice, such as buying particular securities for our clients.

## **Referral Fees**

Our firm may pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to clients. In this regard, we maintain Solicitors Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Solicitors to our firm will be given full written disclosure describing the terms and fee arrangements between our firm and Solicitor(s). In cases where state law requires licensure of solicitors, we ensure that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If we are paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm’s responsibility.

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## **ITEM 15: CUSTODY**

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TD Ameritrade and/or Schwab maintain actual custody of client assets. Our firm is, however, deemed to have constructive custody if clients authorize our firm to deduct our advisory fees directly from their managed accounts. In order to avoid additional regulatory requirements in these cases, we follow the procedures outlined in “Item 5: Fees and Compensation.” Clients will receive account statements directly from TD Ameritrade and/or Schwab at least quarterly. They will be sent to the email or postal mailing address clients have provided to TD Ameritrade and/or Schwab. Clients are urged to carefully review those statements promptly when received and to compare the periodic portfolio reports clients will receive from us.

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## **ITEM 16: INVESTMENT DISCRETION**

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Clients may provide discretionary authority for us to manage client assets. Discretionary authority means that clients are giving us a limited power of attorney to place trades on the client’s behalf. This limited power of attorney does not allow us to withdraw money from client accounts, other than advisory fees if clients agree to give us that authority.

Clients grant us discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney for us to place trades on the client’s behalf. Any limitations to the trading authorization will be added to the Investment Policy Statement.
- Provide us with discretionary authority on the new account forms that are submitted to the broker/dealer acting as custodian for the managed account(s).

If there is any limitation placed on our discretionary authority, it would come from a client who has an inherited security that they want to stay in the portfolio. In that case, we may not have the ability to buy a certain security recommended for our other clients because that inherited security has filled our allocation to the target allocation.

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## **ITEM 17: VOTING CLIENT SECURITIES**

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We do not accept the authority to vote proxies on behalf of clients. Clients will receive proxies and other related paperwork directly from their chosen custodian.

## **ITEM 18: FINANCIAL INFORMATION**

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Our firm is not required to provide financial information as a supplement to this Brochure because we do not require the prepayment of more than \$1,200 in fees and six or more months in advance, we do not take custody of client funds or securities, and we do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

Our firm has never been the subject of a bankruptcy proceeding.