

# Firm Brochure

ADV Part 2A - August 27, 2014



**Item 1: This brochure provides information about the qualifications and business practices of Chariot Advisors, LLC.**

**Chariot Advisors, LLC (“Chariot”) is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Investment Adviser provide you with information to help you determine whether to hire or retain that Investment Adviser. If you have any questions about the contents of this brochure, please contact us at (919) 380 -9555 or email us at [info@chariotadvisorsllc.com](mailto:info@chariotadvisorsllc.com). Additional information about Chariot also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

Chariot Advisors, LLC 207 Riverwalk Circle, Cary NC 27511

[www.chariotadvisorsllc.com](http://www.chariotadvisorsllc.com)

## Item 2 – Material Changes

The material changes in this brochure from the last annual updating amendment of Chariot on March 3, 2014 are described below. This list summarizes changes to policies, practices or conflicts of interests only.

- Chariot settled allegations with SEC

In accordance with SEC rules, we will offer to you (or your designated Financial Advisor) a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year, which is December 31. We may further provide other ongoing disclosure information about material changes as necessary, at any time, without charge.

Our brochure may be requested by contacting calling us at (919) 380-9555 or via email at [info@chariotadvisorsllc.com](mailto:info@chariotadvisorsllc.com). Our brochure is also available free of charge on our web site at [www.chariotadvisorsllc.com](http://www.chariotadvisorsllc.com).

Additional information about Chariot is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Chariot Advisors who are registered, or are required to be registered, as investment adviser representatives of Chariot.

## Item 3: TABLE OF CONTENTS

1. Firm Brochure	1
2. Material Changes	2
3. Table of Contents	3
4. Advisory Business Introduction	4
5. Fees and Compensation	6
6. Performance Based Fee and Side by Side Management	12
7. Types of Clients	12
8. Methods of Analysis, Investment Strategies and Risk of Loss	12
9. Disciplinary Information	18
10. Other Financial Activities and Affiliations	18
11. Code of Ethics	19
12. Brokerage Practices	21
13. Review of Accounts	22
14. Client Referrals and Other Compensation	22
15. Custody	23
16. Investment Discretion	23
17. Voting Client Securities	24
18. Financial Information	24

## Item 4 – Advisory Business Introduction

### Overview

Chariot was established in 2006, and the bulk of the assets were accumulated in 2009. On June 30, 2009, Chariot was acquired by Dana Gower, MBA CCP® and Dana is currently the Managing Member, Owner, and Chief Compliance Officer of Chariot. Dana has over 30 years' experience in business and finance, including 10 years as a personal financial advisor with major organizations. As of December 31, 2013, Chariot's Assets under Management (AUM) was \$9,201,617.76 serving over 260 client accounts.

Our primary business at Chariot is that of a Third Party Investment Advisor (TPIA) to clients through Financial Advisors. This consists of advice and management of investments inside of a Variable Annuity and also an offer of Wrap Accounts. A majority of our Variable Annuity business is managed by us through a Sub-Adviser arrangement. We also offer financial planning and investment management to retail clients.

Our investment strategies have a “risk-managed return” and/or “absolute return” orientation. Risk-managed means we seek to minimize the impact of market downturns and while capturing much of a market's upside. Absolute return means we seek to profit regardless of market direction – up, down, or sideways. Absolute return can be used as a stand-alone portfolio or as part of a risk-managed portfolio. To accomplish our objectives, we use a combination of pro-active, active, and passive investment strategies. As a TPIA, we offer standard and customized Investment Portfolios within Variable Annuities and Wrap Accounts. Typically, clients are served primarily by their financial professional, who then works with us to select a portfolio that is matched to the client's risk tolerance and preferences. However, we now offer services to retail clients. While most client portfolios are standardized, we can accommodate clients' requests for customization, as is reasonable and practical.

We manage all client assets on a discretionary basis. That means that we take measures to maintain the integrity of our investment strategies, as we believe necessary, without notice to clients or their financial professional. However, our authority is limited to buying and selling securities on the applicable platform.

### Third Party Investment Adviser (TPIA) Portfolio Offering

Standard and customized portfolios are available in three models - Conservative, Growth, or Aggressive – which are designed to match an individual's risk tolerance. In most cases, a client selects a standard portfolio from the models we offer. The client will complete a questionnaire that details his or her investment goals, risk tolerance and time horizon to aid in selecting a portfolio model. Standard Investment portfolios are managed based on the portfolio's stated goal, rather than on each client's individual needs. Customized Investment Portfolios are managed based upon each client's individual situation, based primarily on the client's Risk Tolerance

Questionnaire. We monitor Investment Portfolio Models regularly and rebalance them as described above. Each client has an opportunity for customization by placing reasonable restrictions on the types of investments to be held in his or her account that will guide us in account supervision. The client and/or his or her financial professional are responsible for notifying us of any updates regarding the client's financial situation and investment objectives. Chariot reserves the right to change the makeup of any Investment Portfolio Model, without notice. However, we will not change the client's selected portfolio risk level without prior consent.

#### Signal Providers and Sub-Advisers for TPIA Investment Portfolios

We may use third-party consultants, "Signal Providers" and "Sub-Advisers," for portfolio management purposes. Signal Providers advise us in making investment buy/sell decisions for any actively-managed portions of our Investment Portfolios. The Signal Providers offer us tools such as ongoing investment sub-strategy recommendations for portfolio management purposes. We retain sole responsibility to accept or reject input received from Signal Providers. These consultants offer sub-strategy-only programs and under no circumstances do they provide overall investment management services or personalized advice. For investments managed under the Midland Vector Variable Annuity, when agreed upon by clients, we are allocating up to 100% of assets to the Adaptive Allocation Portfolio, managed via a Sub-Adviser Agreement with Critical Math Advisors, LLC of Hamilton, NJ. Under this agreement, we are paid by Critical Math for assets allocated to the Adaptive Allocation Fund. Please note that this arrangement can lead to a conflict of interest on our behalf in deciding which assets to allocate to the Fund. However we make this allocation determination based upon the historical performance results as well as the strategy of the Fund, and not on any fees earned under the arrangement. Further, we ask for client consent (affirmative or negative) before allocating. Client assets on the Midland Vector Variable Annuity that are not allocated to the Adaptive Allocation Portfolio are managed in one of two different ways: 1). Recommendations by the investors's financial advisor/agent are reviewed in light of the client's risk profile on record, or 2). In certain cases, labeled "unassigned" by Midland National, all investment decisions are made by Midland National and presumably in concert with the client and/or his financial advisor/agent.

## Retail Investment Advisory Services Available

Standard and customized portfolios are available and are designed to match an individual's risk tolerance. In most cases, a client selects a standard portfolio from the models we offer. The client will complete a questionnaire that details his or her investment goals, risk tolerance and time horizon to aid in selecting a portfolio model. Investment portfolios are managed based on the portfolio's stated goal, rather than on each client's individual needs. Customized Investment Portfolios are managed based upon each client's individual situation, based primarily on the client's Risk Tolerance Questionnaire. We monitor Investment Portfolio Models regularly and rebalance them as described above. Each client has an opportunity for customization by placing reasonable restrictions on the types of investments to be held in his or her account that will guide us in account supervision. The client is responsible for notifying us of any updates regarding the client's financial situation and investment objectives. Chariot reserves the right to change the makeup of any Investment Portfolio Model, without notice.

## Financial Planning Services

We provide services such as comprehensive financial planning, retirement plan analyses, asset allocation reports and basic financial plans. Fee based financial planning is a comprehensive relationship which incorporates many different aspects of your financial status into an overall plan that meets your goals and objectives. The financial planning relationship consists of face to face meetings and ad hoc meetings with your other advisors (attorneys, accountants, etc.).

In performing financial planning services, we typically examine and analyze your overall financial situation, which may include such issues as taxes, insurance needs, overall debt, credit, business planning, retirement savings and reviewing your current investment program. Our services may focus on all or only one of these areas depending upon the scope of our engagement with you.

## Other Services

We may recommend life, disability, health, annuities (fixed and variable), and long-term care insurance as part of an individual financial plan. However Chariot Advisors does not sell insurance or fixed annuities; instead Dana Gower, president and a licensed insurance agent may place such fixed insurance recommended by Chariot Advisors, as desired by the client. Chariot Advisors may also make recommendations regarding wealth care services that are not related to the management of your accounts.

## Item 5 – Fees and Compensation

### TPIA Fees for Investment Portfolios

The annual fee for Investment Portfolio management services will be charged as a percentage of assets under our management.

#### TPIA Fees for Management of Midland National Life Vector II Series Variable Annuity Portfolios

For Investment Portfolio services and management of the allocation of mutual fund sub-accounts portfolios for this annuity, clients are charged at the institutional rate of 0.35% of Assets under Management (AUM). This fee is automatically debited by the custodian from the client's account and paid to us on a monthly basis. This fee is disclosed in the contract established with each client and also in the Vector II Variable Annuity prospectus. Please note that we also earn an additional 0.35% of Assets under Management (AUM) for investments allocated to Adaptive Allocation Portfolio within the Midland National Life Vector Variable Annuity. However this fee is paid to us by Critical Math, LLC and is **not** debited by us from client accounts. In addition to our standard fee, clients are subject to the fees and expenses charged by Critical Math's Adaptive Allocation Portfolio as well as Variable Annuity fees. These fees and expenses are described in the prospectuses for the Fund and the Variable Annuity. These fees will generally include a management fee, a 12b-1 marketing fees, surrender fees, IRA and qualified retirement plan fees, and other expenses. If a client chose to invest directly, without the services of Chariot, the client would not receive our services, which are designed, among other things, to assist the client in determining which variable fund or funds are most appropriate to each client's investment objectives and risk tolerance. Clients should review both the fees charged by the Fund/Variable Annuity and the fees charged by Chariot to fully understand the total amount of fees that will be incurred. A description of these fees and expenses are available in each investment company security's prospectus.

#### Fees for Management of Wrap Accounts

The portion of the advisory fee paid to Chariot for management of Wrap Accounts will not exceed 1.00% and will be paid according to the following fee schedule, depending upon the size and nature of the account. This fee is automatically debited by the custodian from each account and paid to us on a quarterly basis, in arrears. All standard custodial fees are paid by Chariot. Our portfolio management fee schedule can be aggregated by households to qualify for a lower portfolio management fee. There is a minimum initial investment of \$25,000 for Non-Qualified and Individual Retirement Accounts. Minimum account sizes have not yet been established for Pension Plans and 401k plans.

Client Fee Schedule for Non-Qualified and Individual Retirement Accounts:

Account Size	Management Fee*
\$0-\$249,999	1.00%
\$250,000-\$499,999	0.85%
\$500,000-\$999,999	0.75%
\$1,000,000+	0.70%

**\*Plus applicable unaffiliated Solicitor/Investment Adviser Referral and Service fees below**

Client Fee Schedule for Pension Plans and 401k Plans:

Account Size	Management Fee*
\$0-\$4,999,999	1.0%
\$5,000,000-\$9,999,999	0.75%
\$10,000,000-\$24,999,999	0.50%
\$25,000,000+	0.35%

**\*Plus applicable unaffiliated Solicitor/Investment Adviser Referral and Service fees below.**

Wrap Accounts may be established on Trust Company of America (TCA).

**Referral and Service Fees For Wrap Accounts**

If an unaffiliated solicitor/investment adviser has introduced the client to us, an asset-based referral and service fee will be payable by the client. The fee will be negotiated and agreed upon by the client and the solicitor/investment adviser. The maximum referral and service fee that may be charged by the solicitor/investment adviser is 1.00%. The total investment management fee charged to a client will never exceed 2.00%, when this fee is combined with Chariot's fee. The referral and service fee may vary depending on the solicitor's/investment adviser's provision of consulting and monitoring services. The terms and conditions of the service fees are exclusively determined between the client and the solicitor/investment adviser, and we will not be a party to



such arrangements. However, our custodians debit the referral and service fee from the client's account and then Chariot pays the fee directly to the solicitor/investment adviser or their registered investment adviser. The specific annual total investment management fee will be stated in the contract established with each client.

### Wrap Account Incidental Fees

Our Wrap Account fees above generally are all-inclusive except for certain incidental fees that are incurred by the client. Examples of these fees include wire transfer fees, returned check fees, overnight mail fees, and similar items.

### Signal or Technology Provider Fees for Wrap Accounts

If a Signal or Technology Provider is used, we may pay a portion of our advisory fee to them, which typically range from .10% to .50%. However, fees we pay to Signal or Technology Providers **do not** impact the client's ultimate advisory fee.

### Negotiability of Fees

Our advisory fees are typically not negotiable whereas Referral and Service Fees to an unaffiliated solicitor/investment adviser **are** negotiable.

### Advisory Fees in General

Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

### Termination

A client agreement for portfolio management services may be canceled at any time, by either party, for any reason. The Client has the right to terminate an agreement without charge within five business days after entering into the agreement. Termination after five business days will result in proration of the quarter's fee due from the client.

### Unaffiliated Mutual Fund Fees and Expenses

In addition to our fees, clients are also responsible for the fees and expenses charged by other variable funds or mutual funds used in our portfolios. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, a 12b-1 marketing fees, surrender fees, IRA and qualified retirement plan fees, and other fund expenses. If a client chose to invest in these funds directly, without the services of Chariot, the client would not receive our services, which are designed, among other things, to assist the client in determining which variable fund or funds are most appropriate to each client's investment objectives and risk tolerance. Clients should review both the fees charged by the funds and the fees charged by

Chariot to fully understand the total amount of fees that will be due. A description of these fees and expenses are available in each investment company security's prospectus.

### Wholesaling Fees for the Adaptive Allocation Fund

We have a Wholesaler Agreement with Adaptive Allocation Fund, a retail mutual fund managed by Critical Math, LLC of Hamilton, NJ. Under this agreement, Chariot Advisors earns 0.35% of assets referred to Critical Math's Adaptive Allocation Fund by us. This fee is paid to us by Critical Math, LLC and is **not** debited by us from client accounts. Clients are subject to fees and expenses charged by Critical Math's Adaptive Allocation Fund which is described in the prospectus for the Fund. These fees will generally include a management fee, a 12b-1 marketing fees, and an early termination fee. Clients should review both the fees charged by the Fund to fully understand the total amount of fees that will be incurred. A description of these fees and expenses are available in the Adaptive Allocation Fund's prospectus, which is available through Chariot at 919-380-9555 or [info@chariotadvisorsllc.com](mailto:info@chariotadvisorsllc.com) or at [www.unusalfund.com](http://www.unusalfund.com).

## Fees and Commissions from Products and Services Available to Retail Clients

Chariot offers products and services to individual retail clients and will be paid fees and commissions for financial planning, investments, and insurance products. Financial planning is offered on a fee and non-fee basis. For fee-based clients, financial planning clients are charged based upon the extent of planning required and the asset level of the client. Modular planning such as Retirement Planning or Educational Planning ranges from \$500 to \$1,500 per module as determined with the client and agreed upon in advance. Comprehensive planning, which includes the above plus estate planning, etc. generally range from \$2,500 to \$5,000 and up. Fees are calculated based upon the estimated number of hours required to complete your plan and the complexity and nature of your financial situation, which is determined at the outset of your relationship with us. Non-fee planning includes a basic “needs analysis” which is less extensive than regular planning and used as a general guide.

The advisory and service fees paid to Chariot for management of our Wrap Accounts will not exceed 2.0 % and will be paid according to the following fee schedule, depending upon the size and nature of the account. This fee is automatically debited by the custodian from each account and paid to us on a quarterly basis, in arrears. All standard custodial fees are paid by Chariot. Our portfolio management fee schedule can be aggregated by households to qualify for a lower portfolio management fee. There is a minimum initial investment of \$25,000 for Non-Qualified and Individual Retirement Accounts which may be negotiable under certain circumstances.

### Client Fee Schedule for Non-Qualified and Individual Retirement Accounts:

Account Size	Management Fee*
<b>\$0-\$249,999</b>	<b>1.00%</b>
<b>\$250,000-\$499,999</b>	<b>0.85%</b>
<b>\$500,000-\$999,999</b>	<b>0.75%</b>
<b>\$1,000,000+</b>	<b>0.70%</b>

**\*Plus applicable fee due to Chariot in acting as Solicitor/Service of between zero and 1.0%, this is negotiated with the retail client in advance. Thus, when a retail client opens an account with Chariot, in essence Chariot will be earning a double management fee.**

## Other Fees

In addition, Chariot may recommend insurance products such as Annuities (fixed or variable), Life Insurance, and Long-Term Care. If the client decides to implement the plan, Dana Gower is a licensed insurance agent and in his individual capacity he will receive compensation from the sale of fixed insurance products or services that clients decide to purchase. This compensation is in addition to the financial planning fee paid to Chariot Advisors. The fees and expenses you paid for the purchase of these products may be more or less than the expenses you would pay should you decide to implement our recommendations through another investment advisory firm, broker-dealer or insurance agent and are typically determined by the broker-dealer, investment company or insurance agent sponsoring the product. Any recommendation by Chariot for a client to purchase a securities or insurance commission product presents a conflict of interest, as the receipt of commissions by Dana Gower may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under obligation to purchase any commission products from Dana Gower. Clients are reminded that they may purchase investment and insurance products recommended by Chariot through other, non-affiliated broker dealers and/or insurance agents.

## Third Party Services

We may have arrangements with unrelated third parties (including but not limited to other registered investment advisers) to provide services that may include, but are not limited to, the following: research, due diligence, reporting, portfolio analysis, and back office administration. These unrelated third parties will not have any direct contact with clients, nor enter into any advisory contracts directly with clients.

By entering into an Investment Agreement with us, the client implicitly and explicitly authorizes us to use the aforementioned third-party arrangements in servicing his or her account and to share non-public, personal information as required with third-party service providers during the administration and management of the client's account. For the clients' protection, we will execute a "Confidentiality Agreement" barring all third-party service providers from sharing this information with any unauthorized person or entity.

The use of a third-party service provider will not cause the client to pay any additional fees. We will compensate third-party service providers out of the total portfolio management fee charged to the client as outlined in Investment Agreement Fee Schedule and previously in this section of the Firm Brochure.

## Item 6 – Performance Based Fee and Side by Side Management

Chariot does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7 – Types of Clients

Chariot offers investment portfolio management services to individuals, high net worth individuals, investment advisors, broker-dealers, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions. Presently, most clients are individuals of varying net worth and also registered mutual funds. Chariot has relatively low investment minimums.

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

Chariot and/or its Sub-Advisers may use a wide range of fundamental and technical analysis methods in making investment decisions. This includes reviewing research data from numerous sources such as Morningstar, magazines, newspapers, websites, prospectuses, and Mutual Fund companies.

In addition, for a portion of our portfolios we may hire professional Signal or Technology providers who offer buy-and-sell recommendations of specific securities among the various portfolios we construct. Such Signal or Technology providers typically use charting and cyclical indicators as well as numerous quantitative strategies such as trend-following, mean-reversion, and computerized screening methods or other indicators of market movement or pricing in an effort to maximize profits for clients.

Although Chariot employs various risk management techniques, including broad diversification efforts, it is important to remember the following —

***“Investing in securities involves risk of loss that clients should be prepared to bear.”***

### 1. Fundamental Analysis

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a security (stock, bond, mutual fund, ETF, etc) and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

Fundamental analysis serves to answer questions, such as:

Is the company's revenue growing?

Is it actually making a profit?

Is it in a strong-enough position to beat out its competitors in the future?

Is it able to repay its debts?

One of the primary assumptions of fundamental analysis is that the price on the stock market does not fully reflect a stock's "real" value. We use a combination of qualitative and quantitative factors to try and find stocks that are undervalued. We look at both macroeconomic factors such as the overall economy and industry conditions and company-specific factors such as financial condition and management. When we are examining a stock, we might look at the stock's annual dividend payout, earnings per share, Price to Earnings ratio and many other quantitative factors.

However, no analysis is complete without taking into account brand recognition and other qualitative factors.

The end goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

In order to perform this fundamental analysis, we use many resources, such as:

- Morningstar
- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.)
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Research materials prepared by others
- Company press releases
- Corporate rating services
- Company websites
- Inspections of corporate activities

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long term purchases -securities held at least a year
- Short term purchases - securities sold within a year
- Trading -securities sold within 30 days
- Short sales
- Margin Transactions
- Option writing, including covered options, uncovered options or spreading strategies

Once we discover undervalued funds, funds that are investing in undervalued stocks; we look at the company offering these funds to determine stability and volatility of the funds.

## 2. Technical Analysis

Technical Analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

In order to perform technical analysis, we (and/or our Signal Providers and Sub Advisors) use the following techniques:

- Calculate moving averages
- Stochastic oscillators, which incorporate support and resistance levels to determine momentum.
- Charting and chart patterns
- Supply and demand indicators
- Investor behavior and psychology

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Margin Transaction
- Option writing, including covered, uncovered and spread option strategies

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principle is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle. You need to understand that investment decisions made for your account by us are subject to various market, currency, economics, political and business risks. The investment



decisions we make for you will not always be profitable nor can we guarantee any level of performance.

The principal risks associated with our programs include:

- **Market and Interest Rate Risk** – We invest in several markets, foreign and domestic, which include equities, fixed income, and commodity investments. Markets can be volatile and unpredictable. Thus, clients and investors could lose value during market movements – unhedged equities and commodities will go down during falling markets and unhedged fixed income instruments will go down in value during periods of rising interest rates.
- **Specific Securities Risk** – We typically invest in various mutual funds, ETFs, and other instruments, which may include derivatives. Individual securities are subject to numerous risks, including management, market, and credit risks which could result in loss in value of the securities. A portion of our investments are made in debt securities that are below investment grade; i.e., “junk bonds” which are considered speculative and carry a higher risk of default compared to investment-grade bonds. A portion of our investments are made in small and mid-cap securities whose values tend to be more erratic than with large cap companies. Derivatives, including hedging strategies and futures contracts, present risks related to significant price volatility and risk of default by counterparty to a contract.
- **Foreign Investment Risk** – Some of our investments are invested in overseas securities as well as in U.S. organizations with global operations. This makes these investments susceptible to political and economic instability of foreign countries, foreign currency, and exchange rate risks. Losses can result.
- **Trading Risk** – A portion of most of our investments are actively-traded, meaning that we buy and sell securities frequently, in limited amounts. This subjects our investments to trade errors, additional transaction costs, and technical mistakes. Further, with actively-traded investments, we use “shorting” and “leverage” techniques which can result in outsized losses. Short strategies or “selling short” is a technique for trying to profit from the falling price of a security. This is typically done by borrowing a security from a broker and selling it, with the understanding that it must later be bought back (hopefully at a lower price) and returned to the broker. Leverage refers to a security that represents a multiple (e.g. 1 ½ to 2 times) of the face amount of an original investment. Thus, both profits and losses are magnified by the use of leverage.

## 1. Fundamental Analysis Risk

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- When using this method with mutual funds, the funds are composed of many companies and not all of them will be undervalued
- The data used may be at least six months out of date.
- It is difficult to give appropriate weightings to the factors.
- In the early 1970s and 1980s price/earnings multiples of 80 or 90 were considered acceptable by some for 'blue chip' stocks in the United States.
- In the 1980s in the United States some biotechnology stocks sold at '50 times sales'. The companies had no earnings and paid no dividend. The new yardstick to value these became 'products in the pipeline'. By the late 1980s most had lost three-quarters of their stock price.
- It assumes that the analyst is competent.
- A fundamental analyst assumes that other fundamental analysts will form the same view about the company and buy the stock, thus restoring its value and returning the trader or investor a capital gain. In practice, an undervalued company's stock price can stay at approximately the same level (or decline) for years.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- Even when fundamental analysis reveals an undervalued company, or a stock with high growth prospects, it does not tell us anything about the timing of the purchase of the stock. In other words, we may have discovered a grossly undervalued stock whose price has been falling for some time, and may well continue falling.

## 2. Variable Insurance Product Risk

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- **Liquidity and Early Withdrawal Risk** – There may be a surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Any

- withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.
- Sales and Surrender Charges – Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
  - Fees and Expenses – There are a variety of fees and expenses which can reach 2% and more such as:
    - Mortality and expense risk charges
    - Administrative fees
    - Underlying fund expenses
    - Charges for any special features or riders
  - Bonus Credits – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.
  - Guarantees – Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
  - Market Risk – The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
  - Principal Risk – The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### 3. Technical Analysis risk

- Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy.
- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.
- Models and rules can incur sufficiently high transaction costs.

## Item 9 – Disciplinary Information

On August 21, 2013, the SEC alleged that Chariot violated the Investment Company Act and the Advisers Act by making alleged misrepresentations in registration statements and with respect to a pooled investment vehicle (mutual fund). This was done primarily through a former advisory affiliate no longer affiliated with Chariot. On March 6, 2014, these allegations were settled and Chariot was ordered to cease and desist from committing any violations of the Investment Company Act.

## Item 10 – Other Financial Industry Activities and Affiliations

### Wholesaling Agreement

We have a Wholesaling Agreement with Critical Math, LLC and their Adaptive Allocation Fund. Under this agreement, Chariot is paid a percentage of assets referred to the Adaptive Allocation Fund. Chariot is not acting as an Investment Adviser under this Wholesaling arrangement with such introductions and therefore is not responsible for suitability determinations, investment gains or losses and does not provide ongoing Due Diligence of the Fund under this Agreement. This may present a conflict of interest since we are paid for referring potential clients to Critical Math rather than service their needs directly. We only refer potential clients to Critical Math when it fits their particular needs.

### Solicitor Agreements

Wrap Account Solicitor Agreements provide for individual “Solicitors” affiliated with a broker-dealer or registered investment advisor to act in a wholesaling capacity for Wrap Accounts we provide advice to. Registered broker-dealers who are members of the Financial Industry Regulatory Authority (FINRA) while registered investment advisors are registered with either their state or the SEC. Registered Investment Advisers must sign Selling Agreements with us while Individual Solicitors must sign Solicitor Agreements which outline our fee arrangements.

Individual Solicitors are responsible for new client acquisition and providing ongoing service to clients for our TPIA business. See Referral and Service Fees on Page 8 for details. The Solicitor is required to provide each client with a copy of our agreement and a Solicitor Disclosure Document prior to or at the time of entering into a contract with us. The Solicitor is not permitted to offer clients any investment advice on our behalf.

### Financial Planning and Insurance Products for Retail Clients

Chariot offers financial planning in addition to investment advisory services for retail clients. Financial Planning services are available via a written contract with the client. Dana Gower is also a licensed insurance agent/broker appointed with various companies. In his role as insurance agent/broker, he may offer commissionable insurance products to you for which he may receive compensation from insurance companies. He may recommend and sell life, health, annuities and

long-term care insurance and will receive the usual and customary commissions. This may present a conflict of interest since we will be paid a commission for the sale of insurance. We may be incented to recommend insurance products for the commission. However, we have a fiduciary responsibility to our clients and only sell insurance products when it is in their best interests. Our Code of Ethics and Compliance Manual prohibit this activity and it is monitored on a regular basis.

#### *Outside Business Activities – Virtual Insurance Agency and Business Consulting*

Chariot's principal, Dana Gower in his individual capacity is appointed with Virtual Financial Group ("VFG"), and is an insurance agent and financial consultant with VFG. Chariot Advisors has no affiliation with VFG and such services will not be offered to Chariot clients by Dana Gower (please note however that other VFG agents, including those remotely affiliated with Dana Gower may, unbenounced to Dana Gower or Chariot, market VFG services and products to Chariot clients). Additionally, Dana Gower has experience in the fields of Human Resources, Marketing, Business Development, and Administration. As a result, he offers services on a part-time consulting/employee basis, both individually and through various alliances, such as with XelAqua, Inc., and Career Odyssey, possibly others, relating to non-investment services. Mr. Gower intends to earn various types of compensation for such services, including referral fees. However, in none of these arrangements does Mr. Gower provide investment advice nor will he receive compensation for any capital raising conducted by others in such business alliances. He anticipates that no more than 50% of his time will be spent on Business Consulting.

**Chariot does not provide advice regarding legal matters, income taxes, real estate valuation, or property and casualty or liability insurance.**

## Item 11 – Code of Ethics

We have adopted a Code of Ethics which sets forth ethical standards of business conduct that we require of our employees and associates, including compliance with applicable federal and state securities laws. Further, as an Investment Adviser under the Investment Adviser's Act of 1940, Chariot is considered a "fiduciary." As a fiduciary, it is our desire and duty to provide full and fair disclosure of all material facts and to act solely in the best interests of our clients at all times. This fiduciary duty is considered the core underlying principle for our Code of Ethics, which also covers our Insider Trading and Personal Securities Transactions Policies and Procedures. In addition, our Code of Ethics, which is signed by all employees and associates, stresses that no person employed by Chariot shall prefer his/her own interests to those of advisory clients and it prohibits the unauthorized sharing of material non-public information. Supervised persons may not trade ahead of any client or trade in a way that would cause the supervised person to obtain a better price than the price a client would obtain. Personal Securities transactions are reviewed at least quarterly by Dana Gower, Managing Member, Owner, and Chief Compliance Officer of Chariot.

We require that anyone associated with Chariot with access to advisory recommendations, client holdings or other specified information provide annual securities holdings reports and quarterly transaction reports of all personal trades in reportable securities to the firm's designated officer. These reports will be made available to an appropriate regulatory agency upon request. These reports are reviewed on a regular basis by Dana Gower, Managing Member and Chief Compliance Officer of Chariot, to supervise compliance with the firm's Code of Ethics. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering.

Because we receive compensation from assets placed into the Adaptive Allocation Portfolio and the Adaptive Allocation Fund, there is a potential conflict of interest. This conflict of interest exists by recommending the Adaptive Allocation Portfolio for Variable Annuity clients and the Adaptive Allocation Fund for our Wrap Account over other choices. We take this potential conflict of interest seriously. The over-riding reasons for recommending the Adaptive Allocation Portfolio have to do with historical performance and current strategies used by the Portfolio's Managers. Since we offer a proprietary Wrap Account to retail clients, there is a potential conflict of interest in that we generally will recommend our proprietary Wrap Account over other choices. If retail clients select Chariot for Wrap Account services we are being compensated in two different ways. First, we will receive fees as outlined above and in our Wrap Account Brochure for management of the retail client's portfolio. Secondly, we will be serving as a Solicitor in the case of a retail client and therefore we will be paid an additional fee for this activity. Clients are free to select Wrap Accounts elsewhere or, under special client circumstances, Chariot may provide a non-proprietary Wrap Account if requested by the client and if available to Chariot. Third, since we offer insurance products to retail clients, we face a potential conflict of interest in that we are paid commissions for such products.

We have established the following restrictions in order to ensure our fiduciary responsibilities to you are met:

- We shall not buy or sell securities for our personal portfolio(s) where this decision is substantially derived, in whole or in part, from our role as an Investment Advisory Representative of Chariot, unless the information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.
- We emphasize your unrestricted right to decline to implement any advice rendered.

However, some securities trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with our records as required.

In addition, open-end mutual funds and/or investment sub-accounts which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value. Therefore, purchases of mutual funds and/or variable insurance products by an advisor are not likely to have an impact on the prices of the fund in which you invest. These types of transactions are not prohibited by our policies and procedures.

Certain affiliated accounts may trade in the same securities with your accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Our Code of Ethics provides for sanctions when appropriate. Clients and prospective clients may obtain a copy of the firm's Code of Ethics upon request by contacting Dana Gower at our principal office address.

## Item 12 – Brokerage Practices

### Soft Dollar Arrangements

Soft dollar arrangements generally involve an adviser obtaining products or services (other than securities execution) from a broker-dealer in return for directing client securities transactions to the broker-dealer. In these situations, an adviser may cause clients to pay a commission that is higher than the lowest commission rate available from other broker-dealers for similar transactions. Currently, we do not have any soft dollar arrangements. If this policy changes, the firm has an obligation to fully disclose such arrangements to clients in writing. In addition, we will determine that any such brokerage commissions paid by the client are reasonable in light of the brokerage and research services received. Client trades will always be implemented based on the goals and objectives of the client and not on the incentives to us or our supervised persons for implementing the trades.

### Brokerage for Client Referrals

We do not receive client referrals from a broker-dealer or third party. This is not a factor that is considered when we select a broker-dealer to recommend to Clients.

### Directed Brokerage

We require clients to use one of several custodians depending upon the product in question. For variable annuities we require clients to use Midland National Life, for Wrap Accounts we utilize Trust Company of America (TCA). We do not allow clients to direct brokerage.

Not all advisory firms require you to direct brokerage to a specific broker/dealer. We have an obligation to seek best execution for you. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Broker-Dealer's services including the value of research provided, execution capability, commission rates, and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

By directing brokerage to our recommended broker-dealers/custodians, you may pay higher or lower fees or transaction costs than those obtainable by other broker-dealers. In most cases, we believe you are paying a discounted and reasonable rate. Generally, we will not negotiate lower rates below the rates established by the executing broker-dealer for this type of directed brokerage account, unless we believe that such rate is unfair or unreasonable for the size and type of transaction. We believe that the firms we recommend pay the customary industry standard fees on transactions they handle for us.

Transactions for client accounts may be (but are not obligated to be) combined or "batched" to obtain best execution, to negotiate more favorable fee rates or to allocate equitably among our clients differences in prices and commission or other transaction costs. Under this procedure,



transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

## Item 13 – Review of Accounts

### Investment Portfolio Reviews

In most cases, the underlying securities within Investment Portfolio Models and Customized accounts are regularly monitored and periodically revised by Dana Gower, Managing Member, Owner, and Chief Compliance Officer of Chariot. An exception is “unassigned” accounts at Midland National which are implemented by Midland National, presumably in conjunction with the client and/or his financial advisor. Models and accounts are reviewed and revised in order to meet the stated investment objectives and guidelines of each Model (or client, if customized) as conditions dictate. Revisions may be warranted by material changes in variables such as the client's individual circumstances in the case of customized portfolios or, for both Model as well as Customized accounts, such variables as the market, sub-strategist results, or the political or economic environment. Minor revisions may be made daily or weekly while others typically occur after several weeks or months.

### Reports

Investment Portfolio clients receive confirmations of transactions and account statements at least quarterly from the insurance company custodian for Variable Annuities and from the appropriate custodian for Wrap Accounts. We may or may not provide any other reports to our portfolio management clients. Clients are encouraged to compare their custodial statements with any additional reports we provide to ensure accuracy in reporting and are urged to report any discrepancies to Chariot immediately.

## Item 14 – Client Referrals and Other Compensation

### Referral and Service Fees For Wrap Accounts

If an unaffiliated solicitor/investment adviser has introduced a client to us, an asset-based referral and service fee will be payable by the client. The fee will be negotiated and agreed upon by the client and the solicitor/investment adviser. The maximum referral and service fee that may be charged by the solicitor/investment adviser is 1.0%. The referral and service fee may vary depending on the solicitor's/investment adviser's provision of consulting and monitoring services. The terms and conditions of the service fees are exclusively determined between the client and the solicitor/investment adviser, and we will not be a party to such arrangements. However, we debit the referral and service fee from the client's account and pay the fee directly to the solicitor/investment adviser. The specific annual total investment management fee will be stated in the contract we draw up with each client.

### Wholesaling Agreement with Critical Math LLC

We have a Wholesaling Agreement with Critical Math, LLC and their Adaptive Allocation Fund. Under this agreement, Chariot is paid a percentage of assets referred to the Adaptive Allocation Fund. Chariot is not acting as an Investment Adviser under this Wholesaling arrangement with such introductions and therefore is not responsible for suitability determinations, investment gains or losses and does not provide ongoing Due Diligence of the Fund under this Agreement.

## Item 15 – Custody

Chariot shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients should receive at least quarterly statements from the appropriate custodian that holds and maintains client's Investment Portfolio assets. We urge you to carefully review such statements, as the custodian does not verify the accuracy of the advisory fee calculation.

## Item 16 – Investment Discretion

Chariot receives discretionary authority in writing via our Investment Advisory Agreement form signed by the client at the outset of an advisory relationship granting us permission to select the identity and amount of securities to be bought or sold on behalf of clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Should the client wish to impose reasonable limitations on this discretionary authority, such limitations should be included in this written authority statement. Clients may change or amend these limitations as desired.

For registered investment companies, Chariot's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

**No Guarantee:** Although we continuously strive to help all clients meet their goals and to provide clients with stable, growing assets over the long term, we cannot guarantee that the advisory services offered will result in the client's goals and objectives being met, nor can we guarantee profit or protection from loss.

**Arbitration:** Any controversy or claim between us and a client, including, but not limited to, errors and omissions arising out of or relating to our Investment Agreement or the breach thereof, shall be settled by arbitration in accordance with the securities arbitration rules then in effect, and judgment upon the award rendered by the arbitrator(s) may be entered in any court with jurisdiction. This agreement to arbitrate does not waive the right to seek judicial forum when prohibited by federal securities laws. Arbitration is final and binding on all parties.

## Item 17 – Voting Client Securities

Chariot does not vote proxies. Clients maintain exclusive responsibility for (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Chariot to discuss questions they may have with a particular solicitation.

## Item 18 – Financial Information

Registered Investment Advisers are required in this Item to provide you with certain financial information or disclosures about Chariot's financial condition. Chariot is not aware of any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.