

## **Item 1 - Cover Page**

**A & I Financial Services LLC**  
**9800 Mt. Pyramid Court, Suite 450**  
**Englewood, Colorado 80112**  
**(303) 690-5070**  
**WWW.ASSETSANDINCOME.COM**

**Date of Brochure: March 9, 2018**

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This brochure provides information about the qualifications and business practices of A & I Financial Services LLC. If you have any questions about the contents of this brochure, please contact us at (303) 690-5070. 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.

Additional information about A & I Financial Services, LLC is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view information on this website by searching for A & I Financial Services LLC's name or by using its CRD number: 148357.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

The firm will ensure that clients receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after the firm's fiscal year end—December 31. This means clients will receive the summary of material changes no later than April 30 each year. At that time, A & I Financial Services LLC will also offer a copy of its most current Disclosure Brochure and may also provide other ongoing disclosure information about material changes as necessary.

Clients and prospective clients can receive the most current Disclosure Brochure for A & I Financial Services LLC at any time by contacting Stacey Frank at (303) 690-5070.

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## **Item 4 – Advisory Business**

### **Ownership**

A & I Financial Services LLC (“Advisor” or “we”) is an investment advisor registered with the U.S. Securities and Exchange Commission since January 5, 2009. We are a limited liability company formed under the laws of the State of Colorado. Our owners are Karl F. Frank and Stacey K. Frank.

### **General Description of Primary Advisory Services**

We offer personalized investment advisory services including financial planning and consulting services, referrals to third-party money managers and asset management. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

#### ***Financial Planning Services (Plans and Consultations)***

Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning and other areas. The role of a financial planner is to find ways to help clients understand their overall financial situation and help them set financial objectives.

We offer advisory services in the form of comprehensive and modular (segmented) financial plans. Comprehensive planning services focus on a client’s overall financial situation. Modular planning services and consultations focus on specific areas of client concern. These issue-specific planning services may not take all important financial issues into consideration.

#### ***Asset Management Services***

We offer investment management services providing clients with continuous and ongoing supervision over their accounts. This means that we will continuously monitor a client’s account and make trades in that account when necessary.

#### ***Retirement Plan Services***

Retirement plan services may include preparation of an investment policy statement, investment recommendations and monitoring, performance evaluation, and participant enrollment and education.

#### ***Use of Third Party Money Managers***

We also offer advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

### **Limits Advice to Certain Types of Investments**

We provide investment advice on the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial paper)

- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- Interests in partnerships involving real estate and involving oil and gas interests
- Interests in direct participation programs

We reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives. Please refer to **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

#### **Tailor Advisor Services to Individual Needs of Clients**

We provide services based on your specific needs. You are given the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

#### **Wrap-Fee Program versus Portfolio Management Program**

In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services and transaction services are provided for one fee. Advisor does not act as a portfolio manager of or sponsor wrap fee programs.

#### **Client Assets Managed by Advisor**

As of December 31, 2017, we manage \$202,459,898 in client assets on a discretionary basis and \$43,473,848 on a non-discretionary basis.

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

In addition to the information provided in **Item 4, Advisory Business**, this section provides details about our services and descriptions of each service's fees and compensation arrangements.

#### **Financial Planning Services**

We offer financial planning services that focus on your specific needs and concerns. The services may be comprehensive in nature (focusing on your overall financial situation, risk, goals, and objectives) or they may be modular in nature (focusing on specific areas of concern that you have.) Financial planning services may include giving advice on investment and non-investment related matters. For example, we also conduct business exit strategy planning on a stand-alone basis.

We collect a variety of information from you that is necessary to perform the requested services. We gather the information to review your current financial condition, assist you in determining your attitude toward risk and identify your financial goals, objectives and challenges. Financial data that we gather and review may include statements and account data from banks, broker/dealers and mutual funds, as well as tax returns and insurance policies. Depending on the level and scope of the financial planning

engagement, we may also review wills and trusts. We rely on the information provided by you. Therefore, it is important the information you provide is complete and accurate. Neither we nor our investment advisor representatives ("representatives") are responsible for verifying the information you provide. In addition, if authorized by you, we will gather information or documentation from your other professionals and are expressly authorized to rely on the information provided. We urge you to work closely with your attorney, accountant or other professionals regarding your financial and personal situation.

We meet with you to discuss our recommendations and outline steps you must take to implement those recommendations. Although financial planning services are provided with the intention that you will implement the recommendations contained in the plan, you are not obligated to do so. You retain discretion over implementing decisions relating to financial planning services and are free to accept or reject any recommendation from us. It is your responsibility to notify us of any changes in your financial situation or investment objectives. You should notify us of any changes so that we can work with you to determine if the changes will affect the advice provided by us. Together, we will determine if you wish to engage us to review, evaluate and revise previous recommendations.

Financial planning fees generally range from \$500 to \$25,000 and are negotiable based on the scope of the services provided and the anticipated time to complete the services, your financial situation, expectations and goals, and our relationship with you. A retainer of 50% of the quoted fee is due at the time you sign the client agreement with the remainder due upon presentation of the plan, unless both parties agree to a different payment schedule. We provide a quote for services before beginning any work.

Financial planning services terminate upon presentation of the plan. Either of us can terminate the client agreement at any time by providing written notice to the other party. Termination is effective upon receipt of the notice. If services are terminated within five business days of executing a client agreement, services are terminated without penalty. You are responsible for paying fees for the services completed prior to notice of termination. The fee is calculated as a percentage of work completed on the requested plan prior to the effective date of termination. We provide you with a billing statement that details the prorated fee and any refund due to you or additional fees due from you.

### **Consultations (Limited and Ongoing)**

We offer consulting services focusing on your specific needs and concerns and this can include both investment and non-investment matters. Consultations can also include specialized business exit planning services. Consultation services can be contracted on a case-by-case basis (limited) or on an on-going basis. You have sole discretion whether or not to implement any recommendation from us. It is your responsibility to notify us if there are any changes in your financial situation or investment objectives that could affect the advice provided by us.

Fees for limited consulting services generally range from \$500-\$25,000 and are negotiable based on the scope of the services provided and the anticipated time to complete the services, your financial situation, expectations and goals and our relationship with you. A retainer of 50% of the quoted fee is due at the time you sign the client agreement with the remainder due upon presentation of the plan, unless both parties agree to a different payment schedule.

Fees for on-going consultation services are charged at the end of each quarter at a rate of up to \$2,500 per quarter. Fees are negotiable based on the scope of the services provided and the anticipated time to complete the services, your financial situation, expectations and goals and our relationship with you. If you enter into a client agreement at any time other than the beginning of a quarter, we charge you an initial fee prorated based on the number of days that services are provided during the quarter.

Both limited and on-going consultation services terminate upon completion of the requested services. Either of us can terminate services at any time by providing written notice to the other party. Termination



is effective upon receipt of the notice. If services are terminated within five business days of executing the client agreement, services are terminated without penalty. You are responsible for paying fees for the services completed prior to notice of termination. For limited consultations, the prorated fee is calculated based on the percentage of requested consultations completed. For on-going consultations, the prorated fee is based on the number of days services were provided prior to receipt of the termination notice. We provide you with a billing statement that details the prorated fee due from you.

### ***Commission and Fee Offset***

Our representatives are also registered representatives of Geneos Wealth Management, Inc ("Geneos"), a dually registered broker/dealer and investment advisor. Geneos and Advisor are not related entities. If you elect to have our representatives implement the advice provided as part of the financial planning or consulting services, this may be done by them in their separate capacities as registered representatives. This situation represents a conflict of interest because our representatives could receive fees for the advice and could also receive commissions for implementing the recommendations in their separate capacity as registered representatives. You are not obligated to implement the advice provided by us or to implement transactions through our representatives or the broker/dealer with which they are registered. You are free to select any broker/dealer or registered representative to implement the recommendations provided by us.

If you do implement through us, commissions and fees charged by Geneos and our advisory fees may be higher or lower than at other broker/dealers and investment advisors. Registered representatives with Geneos that are also representatives with us may have a conflict of interest if you purchase securities through Geneos because the higher their production with Geneos the greater potential they have for obtaining a higher pay-out on commissions earned. Further, registered representatives are restricted to only offering those products and services that have been reviewed and approved for offering to the public by Geneos and for which Geneos has obtained a selling agreement, if applicable.

Advisor is licensed as an insurance agency in the State of Colorado. In addition, some of our representatives are licensed insurance agents. If you elect to purchase insurance products through our representatives in this separate capacity, they may earn commissions. This is a conflict of interest because they could receive fees for the advice and also receive commissions for implementing insurance transactions. You are not obligated to implement the advice provided by us or to implement transactions through us as a licensed insurance agency or through our representatives in their separate capacity as insurance agents.

If you elect to implement our advice through one of our asset management programs described later in this disclosure brochure, we may waive or reduce the financial planning or consulting fees as a result of the on-going fees that we will earn for asset management services. Additionally, if you choose to implement our advice through one of our representatives in their separate capacities as registered representatives or insurance agents, or through us as a licensed insurance agency, we may waive or reduce the financial planning or consulting fee as a result of the commissions our representatives will earn in those separate capacities.

### **Asset Management Services**

We offer investment supervisory services defined as giving continuous investment advice to you (or making investments for you) based on your individual needs, goals and objectives. Through this service, we offer a customized investment program providing you with advice regarding allocation among various asset classes, ongoing assistance with evaluation and selection of investments, and adjustment and balancing of portfolios. We meet with you to conduct a detailed financial analysis and assess your financial situation, financial goals and risk tolerance. Based on this analysis, we select portfolio strategist and investment managers. The portfolio strategist and investment managers may be representatives associated with us, they may be sub-advisors who provide model portfolio recommendations, or they may be registered with outside money managers with whom we have relationships. We manage multiple

model portfolios that utilize different asset mixes and trading strategies. A client account may participate in several model portfolios or a single model portfolio. We continuously monitor and review each model portfolio and implement block trades when we determine that investment changes are required.

We assist you in establishing a managed account(s) through a qualified custodian. Typically, we require a minimum account size of \$25,000 to establish and maintain a managed account. Exceptions may be granted to this account minimum at our discretion. We may grant exceptions based on accounts held by members of the same household, anticipated future deposits, history with the client, and other reasons. Certain programs offered by us require that you use a particular custodian to maintain the managed account. If you wish to contract with us for asset management services, you are required to use only those broker/dealers and custodians approved by us. Additionally, our representatives are also registered representatives with Geneos Wealth Management, Inc (Geneos), a dually registered investment advisor and broker/dealer. Due to our representatives' relationship with Geneos, we are limited to using Geneos as a broker/dealer or any custodian or broker/dealer that Geneos has approved for advisory activities.

When executing an asset management agreement for services with us, we are granted trading authorization on your account. We may also have discretionary authority to determine the securities and quantity of securities to be bought and sold, the time of execution and the price at which the trades will be executed. You can place reasonable limitations and restrictions in relation to the discretionary authority.

We charge for our investment supervisory services based on a percentage of assets under management. Typically, our annual charge is based on the following fee schedule:

<u>Value of All Managed Assets at the Firm</u>	<u>Annual Fee</u>
Under \$100,000	1.5%
\$100,000 to \$250,000	1.25%
\$250,001 to \$2,000,000	1.00%
\$2,000,001 to \$5,000,000	0.90%
\$5,000,000 to \$10,000,000	0.80%
Over \$10,000,000	0.70%

Fees are typically billed monthly in arrears and are typically calculated based on the average daily account balance. The initial fee charge begins the first day the account is funded. Certain Third Party Money managers charge fees in arrears or in advance. Fees are prorated based on the number of days that services are provided. The above fee schedule is negotiable based on the amount of assets under management, the complexity of your financial situation, the complexity of the assets maintained in the account, and other relationships we have with you. The exact fee charged is disclosed to you in the asset management agreement signed by you prior to receiving services. Certain assets maintained in the account may be exempted from management fees. For example, if we have recommended the purchase of a commissionable security or insurance product and our representatives implement the recommendation and earn a commission in their separate capacities as registered representatives, we do not charge a management fee on such assets until they have been held for 24 months. In these instances, if the assets are or will be considered managed assets, we may begin earning fees in the 25<sup>th</sup> month after the date of purchase.

You must provide written authorization to have fees deducted from your managed account and paid to Geneos who will then pay the fee to us. Geneos may serve as the paying agent for us and may retain a portion of the advisory fee for administrative, support, and other services it provides to us.

Administrative fees, account maintenance fees, brokerage commissions, transaction ticket fees, and/or other trading fees and account fees charged by the custodian are billed directly to you by the custodian. These fees and charges vary depending on account type and size. We do not receive any portion of such commissions or fees from the custodian or from you. You may incur other charges imposed by third

parties besides us in connection with investments made through the account including, but not limited to, mutual fund sales loads, 12(b)-1 fees, contingent deferred sales charges and surrender charges, short term redemption fees, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Our management fees are separate and distinct from the fees and expenses charged by investment company securities that we may recommend to you. A description of these fees and expenses are available in each investment company security's prospectus.

To the extent mutual funds are selected to fill components of the overall investment strategy, the asset management fee previously referenced does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including 12(b)-1 fees and expenses. You are advised that in addition to our management fee, each mutual fund in which assets are invested will incur separate investment advisory fees and other expenses for which the client will bear a proportionate share. A description of these fees and expenses is available in each investment company security's prospectus.

Our advisory fees are separate and distinct from these other fees and we do not receive or share in a portion of such fees. However, our representatives, in their separate capacities as registered representatives of Geneos, may receive a portion of the 12(b)-1 fees. You should be aware that these 12(b)-1 fees come from fund assets, and thus, indirectly from your assets. Receiving these fees could represent an incentive for registered securities agents to recommend funds with 12(b)-1 fees or higher 12(b)-1 fees over funds with no fees or lower fees, therefore creating a potential conflict of interest. Our representatives only recommend mutual funds to you if such mutual funds are suitable for you and appropriate for fulfilling your objectives.

Either of us may terminate the asset management client agreement at any time by providing written notice to the appropriate party. If services are terminated within five business days of executing the agreement, services are terminated without penalty and no fees are due. If services are terminated after the initial five day period, termination takes effect thirty days after such written notice is delivered or at a later date if so stated in the notice of termination. The final fee is prorated based on the number of days that services are provided prior to the effective date of the termination. You are responsible for paying fees for services rendered until the effective date of termination.

### **Trust Company of America as Custodian**

Trust Company of America (TCA) is the primary custodian for the Advisor. Clients benefit from TCA's favorable trading costs, ability to access accounts, and trading platform. Advisor may recommend that clients establish advisory accounts with TCA to maintain custody of clients' assets and to effect trades for their accounts.

TCA offers clients an asset management account in which the Advisor has a platform for IARs and clients to develop portfolios with a variety of assets. These assets may include, but are not limited to: no-load mutual funds, load waived mutual funds, equities, exchange traded funds, fixed income securities, partnerships, cash and cash equivalents. Custody of assets and funds are maintained through an agreement with TCA. All transactions are cleared pursuant to the Advisor's agreement with TCA. ETF and equity trades are directed through TCA to Virtu Financial for execution and are settled at JP Morgan Chase.

For clients participating in this program, we manage on a discretionary basis pursuant to your written authorization in the Asset Management Agreement. See **Item 16, Investment Discretion**, for additional information.

We and/or our representatives create model portfolios and, using information obtained from you regarding your risk tolerance, investment objectives and other factors determine which model portfolio best suits your financial needs. In addition, our representatives may create custom portfolios to fit your unique needs and situations. Our representatives are responsible for selecting portfolio holdings, executing

trades, and monitoring performance. Some of our representatives may choose to utilize independent research and sub-advisors to assist in directing client investments.

There is a minimum of \$25,000 to establish an account in this program. At our discretion, we may open or retain accounts with less than the required minimum due to factors such as other related accounts, anticipated future deposits, and history with the client.

Fees are charged based on the fee schedule previously discussed under **Asset Management Services**. TCA deducts advisory fees monthly in arrears based on the average daily balance of the account. As previously discussed, fee schedules are negotiable. TCA's custodial fee is charged quarterly in arrears based on the average daily balance of the account. The TCA custodial fees are reduced by up to an annualized rate of 25 basis points on assets held in mutual funds that are part of the custody fee offset program with TCA.

Clients may also incur certain charges imposed by third parties other than us or TCA in connection with investments made through the account. These charges can include but are not limited to mutual fund 12b-1 distribution fees, sub-advisor fees, sub-accounting fees, deferred sales charges on previously purchased mutual funds, short-term redemption fees, qualified retirement plan fees, and account maintenance fees. Fees paid to fund managers' mutual funds are deducted from each fund's Net Asset Value and are an indirect expense of the account. In addition, TCA may participate in certain 12b-1 distribution, sub-accounting, or similar fees; neither we nor Geneos share in these fees. You should review investment prospectuses for all fees and expenses.

In this program, you also pay transaction charges for trade execution, as well as transaction costs including, but not limited to, wire fees, check fees, transfer-in-kind fees and termination fees. TCA may charge additional fees to certain account types.

Trust Company of America issues statements on a quarterly basis for all accounts.

### **Tactical Allocation Program**

The Tactical Allocation Program (TAP) an asset management program in which we may create model portfolios using no-load, load-waived mutual funds and cash and cash equivalents. FTJ FundChoice ("FTJFC") and/or a clearing broker/dealer selected by FTJFC provides custodial services for TAP accounts. We may create model portfolios and then, using information obtained from you regarding your risk tolerance; investment objectives and other factors, determines which model portfolio best suits your financial needs.

In this program, we are granted written discretionary authority through the Asset Management Agreement that you sign. See **Item 16, Investment Discretion**, for additional information.

There is no minimum account size with TAP. Fees are charged as previously discussed under **Asset Management Services**, above. FTJFC automatically deducts the fees on a monthly basis from the account. Fees are payable monthly in arrears and calculated based on the average daily account balance during the month. The first payment is due at the end of the calendar month in which the Agreement is signed and are assessed pro rata if the Agreement is signed at any time other than the first day of the calendar month. Subsequent payments are due and assessed monthly in arrears on the first day of each calendar month. In addition to the account fee, you pay an administrative fee to FTJFC. This fee varies depending on the account type in accordance with the pricing forms from FTJFC furnished by us.

FTJFC may charge additional fees to certain account types, pursuant to a separate agreement between you and FTJFC. You may also incur additional charges imposed by third parties in connection with investments made through the account (see **Asset Management Services** and **Tactical Allocation**

**Program**, above, for more information). FTJFC may participate in these fees. You should review the investment prospectuses for all fees and expenses.

Advisory services provided in such a manner may have fees higher or lower than if you obtained similar services separately. FTJFC issues statements on a monthly basis for all accounts with activity. Accounts with no activity receive quarterly statements.

You can terminate these services without penalty by providing notice within five business days of signing the Agreement. Termination is effective 30 days after the written notice is delivered, or such later date as the parties may state in the notice. Our representatives will continue any work in progress but will not begin any new services during the 30 day period. You are responsible for fees until the effective date of termination.

### **Retirement Plan Services**

Advisor offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. Our services can include, but are not limited to, the following:

- *Preparation of Investment Policy Statement.* An Investment Policy Statement ("IPS") is a document drafted for the purpose of determining an investment philosophy for the retirement plan investment program which may exceed the tenure of the various individuals charged with managing it. The IAR assists The Plan in the preparation and implementation of a suitable IPS.
- *Non-Discretionary Investment Advice.* Advisor provides non-discretionary investment advice regarding assets classes and investment options, consistent with the plan's investment policy statement.
- *Default Investment Alternative Advice.* Advisor provides non-discretionary investment advice to assist with development of qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the plan or who otherwise fail to make an investment election. The Plan Sponsor retains the sole responsibility to provide all notices to participants required under ERISA Section 404(c)(5).
- *Investment Recommendations.* IAR recommends, for selection by the Plan, an array of investments to be offered under the Plan consistent with the policies outlined in the IPS.
- *Investment Monitoring.* IAR monitors the plan investments and determine their suitability pursuant to the criteria set forth in the IPS. When appropriate, IAR will recommend, for selection by the Plan, suitable replacement investments.
- *Performance Reports.* IAR prepares and presents reports evaluating the performance of plan investments pursuant to the criteria set forth in the IPS.
- *Participant Enrollment and Education.* IAR conducts retirement plan investment education seminars and individual (one-on-one) meetings with participants for the purpose of providing them with the opportunity to take full advantage of the benefits provided by the retirement plan.

Advisor acknowledges that in performing the services it is acting as a limited scope "fiduciary" as defined under Section 3(21)(A)(ii) of the *Employee Retirement Income Security Act of 1974* ("ERISA") for purposes of providing non-discretionary investment advice only. Advisor acts in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Advisor to be a fiduciary as a matter of law. However, in providing the fiduciary consulting services, Advisor (a) has no responsibility and does not (i) exercise any discretionary authority or discretionary control respecting management of the client's retirement plan, (ii) exercise any authority or

control respecting management or disposition of assets of the client's retirement plan or (iii) have any discretionary authority or discretionary responsibility in the administration of the client's retirement plan or the interpretation of retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets and (c) is not the "Administrator" of the retirement plan as defined in ERISA.

All recommendations are submitted to the client for ultimate approval or rejection. It is the client's responsibility to evaluate the Advisor's recommendations and make changes to the plan itself.

### **Use of Third Party Money Managers**

We act as solicitor and refer you to unaffiliated third party investment advisors offering asset management and other investment advisory services. We perform due diligence in selecting the third party money managers. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

Through this service, we help you identify your risk tolerance and investment objectives and then recommend money managers relative to those objectives and tolerances. You select a recommended third party investment advisor based on your needs and enter into an agreement directly with the selected advisor, who provides the asset management services. Our representatives are available to answer questions regarding your account. Our representatives also act as the communication conduit between you and the third-party investment advisors.

Third party managed programs generally have account minimum requirements and these minimum requirements vary from investment advisor to investment advisor. Account minimums are generally higher on fixed income accounts than equity based accounts. A complete description of the third party investment advisor's services, fee schedules and account minimums are disclosed in the third party investment advisor's Disclosure Brochure that is provided to clients at the time an agreement for services is executed and an account established. The type and frequency of reports provided to clients will also depend upon the third party investment advisor selected.

Third-party investment advisors may take discretionary authority to determine the securities to be purchased and sold for the client. We do not have any discretionary authority and are not responsible for selecting investments or implementing trades in your accounts. However, in some instances, we may be considered a sub-advisor because we are responsible for the initial and on-going suitability review and are also responsible for maintaining your current information. The third-party investment advisor may also use other sub-advisors in providing management and other advisory services to your accounts.

When referring clients to third party money managers, we are paid a portion of the fee charged and collected by the third party investment advisor in the form of solicitor fees or consulting fees. You do not directly pay us for this referral service and our solicitor/referral fee does not appear as a direct cost to you. However, the third party money manager takes our solicitor/referral fee into consideration when determining the total fee charged to you. The third party money manager also considers other factors when determining the fee, such as the amount of assets under management and the number of client accounts.

The actual fee charged to you varies depending on the third party investment advisor selected, but is generally 1%-3% annually of your total account value. The maximum fee paid to us is 1.5%. Any fees paid to sub-advisors are included in the total charge paid by you. All fees are calculated and collected by the selected third party investment advisor. Fees are paid to Geneos as our paying agent, and Geneos then pays the fee to us. Geneos may also receive a portion of the fee for administrative, support, and other services it provides to us.

You may incur additional charges including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges and IRA and qualified retirement plan fees. We do not receive any portion of such

commissions or fees. We are only compensated by the solicitor/referral fees described above, and do not receive any other compensation in connection with your account. When we negotiate lower fees and expenses charged by third parties, all negotiated improvements are for your benefit.

While we review the performance of numerous third-party investment advisor firms, we have entered into a relationship with FTJ FundChoice, Assetmark, and others. Any third party investment advisors recommended by us must be registered or exempt from registration in the state where you reside. You are advised that our representatives may have a conflict of interest by only offering those third party investment advisors that have agreed to pay a portion of their advisory fee to us. You should know that there may be other third party managed programs that may be suitable to you and that may be more or less costly. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. Investments involve risk, including the possible loss of principal.

### **Additional Compensation**

As discussed previously, some of our representatives are also registered representatives of Geneos Wealth Management, Inc (Geneos), a dually registered broker/dealer and investment advisor. In addition, they may be independently licensed as insurance agents. If you elect to implement our recommendations and select our representatives to implement the transactions, they may earn commissions when selling securities or insurance products in these separate capacities. You are not obligated to implement the advice provided by us or to implement transactions through our representatives. You are free to select any broker/dealer or registered representative to implement the recommendations provided by us.

Please be aware that if we recommend the purchase of a commissionable security or insurance product and our representatives implement that transaction and earn a commission in their separate capacities as registered representatives, we do not charge a management fee on those managed assets until they have been held for 24 months. In these instances, if the assets are or will be considered managed assets, we begin earning fees in the 25th month after the date of purchase.

We may receive other economic benefits that create a conflict of interest. For example, we may receive from a broker-dealer or other financial institution, without cost, computer software and related systems support, which allows us to better monitor client accounts maintained at that financial institution ("other economic benefit"). We may receive the software and related support without cost because it renders investment management services to clients that, in the aggregate, maintain a certain level of assets at that financial institution. While these arrangements do not qualify as soft dollar arrangements, they present a conflict of interest for an advisor. An advisor has the incentive to direct client transactions to the financial institution that will provide it with the most other economic benefits. If the advisor utilizes the services of a financial institution that provides the advisor with economic benefits, it will not be deemed to breach its fiduciary duty to its clients even if the clients pay a commission higher than the lowest commission available to obtain such economic benefits so long as certain conditions are met. These conditions include the requirement that such other economic benefit is in the best interest of the clients and that the benefit is disclosed to clients.

Examples of other economic benefits that we may receive include:

- Access to a trading desk that provides for specialized services
- Access to block trading
- Access to an electronic system for client order entry and account information
- Software, research, or other tools in connection with the delivery of investment advisory services

From time to time, we may receive expense reimbursements for travel and/or marketing expenses from distributors of investment and/or insurance products; however, these do not constitute soft dollar arrangements. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are

typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing, client events, and seminar expenses. Receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas. The product sponsor reimbursements are typically made by those sponsors for whom sales have been made or sales may be made in the future. As a part of our fiduciary duty, both we and our representatives endeavor at all times to put your interests first. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

### **Comparable Services**

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

## **Item 7 – Types of Clients**

We provide investment advice to the following types of clients:

- Individuals (including high net worth individuals)
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

### **Minimum Investment Amounts Required**

For managed accounts held at Trust Company of America, there is a minimum of \$25,000 to establish an account. At our discretion, we may open or retain accounts with less than the required minimum due to factors such as other related accounts, anticipated future deposits, and history with the client.

There is no minimum account required for the Tactical Allocation Program.

Third party managed programs generally have account minimum requirements and these minimum requirements vary from investment advisor to investment advisor. Account minimums are generally higher on fixed income accounts than equity-based accounts.

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

### **Methods of Analysis**

We may use technical, cyclical, trend following and fundamental analysis when considering investment strategies and recommendations. In simple terms, charting looks at historical patterns, cyclical analysis looks at recurring periods, fundamental analysis involves analyzing company characteristics and technical



analysis studies past market data looking for price trends and movements. We may also use trend following when managing assets.

### ***Technical***

This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets may indicate future performance.

### ***Trend Following***

This strategy tries to take advantage of long-term moves that appear to be playing out in various markets and could result in profits or losses from both the ups and down of the markets. Traders using trend following are not aiming to forecast or predict specific price levels but identify and participate in a trend. This trading method involves risk management and looks at the number of shares held, the current market price and the current market volatility.

### ***Cyclical***

Cyclical analysis looks at recurring periods of expansion and contraction that can impact a company's profitability and cash flow. There are a variety of cycles that can be examined and some are more commonly known than others, such as a four-year presidential cycle or annual/quarterly fiscal reporting cycles. Identifying cycles can help to anticipate tops and bottoms and also to determine trends. But sometimes cycles don't repeat themselves, sometimes they overlap and sometimes they offset each other. Cyclical stocks tend to rise quickly when the economy turns up and fall quickly when the economy turns down (e.g., housing, automobiles, telecommunications, paper, etc. Non-cyclical industries (e.g., food, insurance, drugs, health care, etc.) are not as directly impacted by economic changes.

### ***Fundamental***

Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

### **Investment Strategies**

When implementing investment advice to clients, we may employ the following investment strategies:

- 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 (Borrowing securities in anticipation of a price decline and returning an equal number of securities at some future time.)
- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Advisor.)
- Option writing (Including covered options, uncovered options or spreading strategies.) (Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.)

## **Risk of Loss**

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. You should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved.

Investing in securities involves risk of loss. Further, depending on the different types of investments, there may be varying degrees of risk:

- Market Risk. Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- Political Risk. Investment returns may be affected by political changes or instability in a country. Instability affecting investment returns could stem from civil unrest, terrorist acts, changes in government and foreign policy makers, or military control.
- Equity (Stock) Market Risk. Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- Company Risk. There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- Options Risk. Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- Fixed Income Risk. Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- ETF and Mutual Fund Risk. ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.

- **Management Risk.** Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

#### **Primary Method of Analysis or Strategy**

We employ the strategies of selected research firms. Other strategies are technical analysis, cyclical analysis, and trend following. One of the risks involved with using these methods is frequent trading of securities. Frequent trading can affect investment performance, particularly through increased transaction costs and possibly taxes. Other risks include the chance that investments may lose value and results may not be correlated to broader market indices.

#### **Primarily Recommend One Type of Security**

We do not primarily recommend only one type of security, such as a single type of mutual fund. We frequently recommend no-load mutual funds without trade restrictions as well as certain ETFs. Some of the risks involved with recommending these securities include fund expenses and, for certain funds, potential tracking error with the indices these funds attempt to mirror. As stated above, ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. You also incur additional trading costs when purchasing ETFs. Although we generally attempt to purchase funds without short term redemption fees, these funds may be purchased and, if quickly sold, performance may be adversely affected.

## **Item 9 – Disciplinary Information**

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

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

We do not have a related person that is:

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

### **Securities Sales**

Some of our representatives are also registered representatives of Geneos Wealth Management, Inc (Geneos), a dually registered broker/dealer and investment advisor. In this separate capacity, they can sell securities to any client and can earn commissions as a result. This is a conflict of interest because they could receive commissions in their capacity as a registered representative and could also receive advisory fees in their capacity as an investment advisor representative. You are under no obligation to use the services of our representatives or Geneos and can select any broker/dealer they wish to implement securities transactions.

### **Insurance Sales**

Some of our representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to insurance companies with which our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

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

### **Code of Ethics**

Section 204A-1 of the *Investment Advisers Act of 1940* requires all investment advisors to establish, maintain and enforce a Code of Ethics. Advisor has established a Code of Ethics that applies to all of its associated persons. An investment advisor is considered a fiduciary according to the *Investment Advisers Act of 1940*. As a fiduciary, it is an investment advisor’s responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of clients at all times. Advisor has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for its Code of Ethics, which also covers its insider trading and personal securities transactions policies and procedures. Advisor requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply

with all federal and state securities laws at all times. Once employed by or affiliated with Advisor, and at least annually thereafter, all supervised persons sign an acknowledgement that they have read, understand and agree to comply with Advisor's Code of Ethics. Advisor has the responsibility to make sure that the interests of all clients are placed ahead of its or its supervised persons' own investment interests. Advisor fully discloses all material facts and potential conflicts of interest to clients prior to conducting any services. Advisor and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect its duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of Advisor's Code of Ethics. However, if a client or a potential client wishes to review Advisor's Code of Ethics in its entirety, a copy is provided promptly upon request.

In addition to abiding by Advisor's Code of Ethics, our Certified Financial Planner® designees abide by the Code of Ethics and Responsibility Code of the Certified Financial Planner™ Board of Standards, Inc. The Code of Ethics and Responsibility Code requires CFP® designees to not only comply with all applicable laws and regulations but to also act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP® designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from one of our representatives.

### **Participation in Client Transactions and Personal Trading**

We and our representatives may buy or sell securities or have an interest or position in a security for our personal accounts that are also recommended to clients. Advisor is and shall continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. As these situations may represent a potential conflict of interest, it is our policy that all persons associated in any manner with us must place your interests ahead of their own when implementing personal investments. We will not buy or sell securities for our personal accounts where our decision is derived, in whole or in part, by information obtained as a result of our employment unless the information is also available to the investing public upon reasonable inquiry. To help minimize the conflict of interest, most securities recommended by Advisor are widely held and publicly traded.

### **Item 12 – Brokerage Practices**

If you wish to implement our advice you are free to select any broker you wish. If you wish to have our representatives implement the advice in their capacity as registered representative, we will use our broker/dealer, Geneos Wealth Management (Geneos). Our representatives are registered representatives of Geneos and are required to use the services of Geneos when acting in their capacity as registered representatives. Geneos has a wide range of approved securities products for which it performs due diligence prior to selection. Geneos registered representatives are required to adhere to these products when implementing securities transactions through Geneos. Commissions charged for these products may be higher or lower than commissions clients may be able to obtain if transactions were implemented through another broker/dealer. Because our representatives may also be registered

representatives of Geneos, it provides compliance support to our representatives. In addition to compliance support, Geneos also provides our representatives, and therefore us, with back-office operational, technology and other administrative support.

If you wish to implement our advice, you are free to select any broker/dealer or investment advisor you wish. If you contract for our asset management services, we must use those custodians and broker/dealers that have been approved by Geneos. Additionally, some of the programs we utilize may require you to establish your account with a particular custodian or broker/dealer.

We take seriously our obligation of best execution for client transactions. It is a catalyst in deciding about a particular broker/dealer or custodian. While quality of execution at the best price is an important consideration, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer or custodian suggested by us must be efficient, seamless and straight-forward. Overall custodial support services, trade correction services and statement preparation are some of the other factors we consider when suggesting a broker/dealer. We do not have any soft dollar arrangements.

Broker/dealers and custodians utilized by us may make available (at reduced or no cost) other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of fees to advisors from clients' accounts
- Assist with back-office functions, record-keeping and client reporting.

Such broker/dealers and custodians may also offer other services intended to help us manage and further develop our business enterprise such as consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing.

As a fiduciary, we endeavor to act in our clients' best interests. Our recommendation that clients maintain their assets in accounts at certain broker-dealers or custodians may be based in part on the benefit to us of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by such broker-dealers. This may create a potential conflict of interest.

You are under no obligation to act on our recommendations. If we assist in implementing any recommendations, we are responsible for ensuring that you receive the best execution possible.

### **Block Trades**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used when we believe such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions are averaged as to price and are allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation or remuneration as a result of blocking trades.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Unless you contract for on-going consultation services, financial planning reviews are performed only upon a request from you. We recommend that you have your financial plan reviewed at least annually or more frequently if there are changes that effect your goals, objectives or financial situation. Additional fees may be charged and a new engagement may be needed if you wish to receive additional reviews.

If you contract for on-going consultation services, you receive a review at least annually to determine if your objectives are being met. We can perform reviews more frequently if you request it or if you notify us about a change that triggers a review.

We will monitor your Investment Management accounts on an ongoing basis and will conduct account reviews at least once annually to ensure the advisory services provided to you are consistent with your current investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

We continuously monitor model portfolios regarding asset allocation, fund or security selection, and rebalancing. Each representative is responsible for reviewing their own accounts and determining when changes are needed (e.g. changes in suitability or risk tolerance).

### **Account Reports**

You receive a statement from your account custodian at least quarterly. In addition, accounts managed by other money managers send you reports as disclosed in their disclosure brochure. You may access your accounts electronically at any time. If you request it, we will prepare a performance report for your account using Albridge.

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

### **Client Referrals**

As described above, the firm has entered into various agreements with third party money managers whereby we refer clients to third party managers for services. In such cases, the client pays advisory fees to the third party manager and our firm may be compensated with a portion of those fees. Since our firm is paid a referral fee for referring client assets to various third party managers, a conflict may exist which incentives our advisor representatives to make these referrals.

Another type of solicitor arrangement could occur where our firm *pays* another person or entity for client referrals. We may also enter into agreements with solicitors (referring parties) to refer clients to us. If a client is referred to us by a solicitor, the solicitor will provide the client with a copy of our Form ADV Disclosure Brochure as required by Rule 204-3 of the *Investment Advisers Act of 1940*. The client will also receive a copy of the solicitor disclosure statement containing the information set forth in Rule 206(4)-3 of the *Investment Advisers Act of 1940*. If a referred client enters into an investment advisory agreement with us, a cash referral fee is paid to the referring party that is based upon a percentage of client advisory fees generated. This referral relationship will not result in clients being charged any fees

over and above the normal advisory fees charged for the advisory services provided. The referral agreements between the referring parties and us are in compliance with regulations as set out in 17 CFR §275.206(4)-3, the Rules under the *Investment Advisers Act of 1940*, and the rules set forth by the respective state jurisdictions.

Also, there may be situations where joint business is conducted with more than one representative. In this case, one representative refers the client to another representative and the advisory fee is split between the two representatives.

### **Other Compensation**

For additional discussion on other compensation received by us, our owners or our representatives, please refer to Additional Compensation under **Item 5, Fees and Compensation**, **Item 10, Other Financial Industry Activities and Affiliations** and **Item 12, Brokerage Practices**.

### **Item 15 – Custody**

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

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us at (303) 690-5070.

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

In addition to having trading authority on your accounts, we may manage accounts on a discretionary or non-discretionary basis. If provided on a discretionary basis, this means we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing transactions. You must provide us with written authorization to exercise this discretionary authority.

When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian. You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

If management services are provided on a non-discretionary basis, we contact you before implementing any transactions in an account. You must accept or reject our investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, we are responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. You should know that if you are not able to



be reached or are slow to respond to our request, it can have an adverse impact on the timing of implementing trades and we may not achieve the optimal trading price.

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

We do not perform proxy-voting services on your behalf. You retain this right and responsibility. You should read through the information provided with the proxy-voting documents and make a determination based on the information provided. Upon your request, our representatives may provide limited clarifications of the issues presented in the proxy voting materials based on their understanding of issues presented in the proxy-voting materials. However, you have the ultimate responsibility for making all proxy-voting decisions.

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

This item is not applicable to our brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for its most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

### **Class Action Lawsuits**

You retain the right under applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for you. We do not initiate such a legal proceeding on your behalf and do not provide legal advice to you regarding potential causes of action against such a security issuer and whether you should join a class-action lawsuit. We recommend that you seek legal counsel prior to making a decision regarding whether to participate in a class-action lawsuit. Moreover, our services do not include monitoring or informing you of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased or sold by or for you.

### **Customer Privacy Policy**

A & I Financial Services LLC (“AIFS”, “we”, “us”, or “our”) values you as a customer and respects your right to privacy. We recognize that you have placed your trust in us, and we take the responsibility to preserve that trust. One way we endeavor to keep your trust is to properly handle your personal information.

We pledge to you that:

- Protection of your privacy is a top priority;
- Your account information and all documents you provide to us are protected in a secure environment;
- We only collect personal information in order to accomplish our customer commitments to you;
- Information about you is only used and shared in limited and controlled ways; and
- In the event that we wish to share information about you with non-affiliated third parties, you are given options concerning what information may be shared, and your privacy wishes will be respected. You may also choose to opt out of any information sharing.

AIFS maintains physical, electronic and procedural safeguards to ensure that personal information we have about you is treated responsibly and in accordance with our privacy policy. We restrict access to information about you only to those investment advisor representatives and employees

who need to know that information in order to provide products and services to you or to conduct business. Representatives or employees who have access to the information may only use it for legitimate business purposes. In addition, we take steps to safeguard information about you in accordance with applicable data security regulations.

We collect personal information about you from these sources:

- New Account Application, applications for the purchase of various products, and other forms;
- Product vendors, as a result of your transactions with us; and/or
- Depending on the product you are requesting to purchase, information received from consumer reporting agencies, medical providers or others.

We may disclose the following categories of information to entities that perform administrative services on our behalf or as required or permitted by law for legal, regulatory, or other purposes:

- Information you provide directly to us on the New Account Application, applications, or other forms;
- Information we receive about your transactions with us or with our product providers; and/or
- If required for the products you purchase, information received from other agencies such as: consumer reporting agencies concerning your creditworthiness, motor vehicle and driver's license reports, medical and employment information, and loss reports.

We may disclose information about you to our staff, affiliates, representatives, their affiliated businesses, and third parties who provide you with financial products and services. Nonaffiliated third parties may include retirement plan sponsors or third party administrators, mutual fund companies, insurance companies and agencies, other broker-dealers, and clearing firms. Our privacy policy is the same for current, as well as former clients. If you close your account, in the process of transferring your investments we may share your information with the new custodian that you or your advisor selects.

A special note about medical or health information: While we might receive medical or health information from you at the time of application for various types of insurance, we do not use it or share it – internally or externally – for any purpose other than what is directly related to the administration of your policy, account, or claim, as required or permitted by law, or as you authorize us to do.

We pledge to work to protect the security of your confidential information.