



CARLSON CAPITAL MANAGEMENT, LLC.

11 Bridge Square  
Northfield, MN 55057  
507.645.8887

March 16, 2018

Form ADV Part 2A, Firm Brochure

**Item 1 – COVER PAGE**

This brochure provides information about the qualifications and business practices of Carlson Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 507.645.8887 and/or [justin@carlsoncap.com](mailto:justin@carlsoncap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Carlson Capital Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Carlson Capital Management LLC is 281544.

Any references to Carlson Capital Management, LLC as a registered investment adviser or its related persons as registered advisory representatives do not imply a certain level of skill or training.

## Item 2 - MATERIAL CHANGES

At least annually, Carlson Capital Management, LLC (“CCM”) will update this section of the Brochure to discuss any material changes.

Each year we will deliver to our clients, by no later than April 30<sup>th</sup>, either (1) an updated Brochure that includes all material changes; or (2) a summary of any material changes and an offer to provide a copy of the complete Brochure. The most current Brochure is available on our website at [www.carlsoncap.com/adv](http://www.carlsoncap.com/adv) or you may request a copy by contacting us at 507.645.8887.

### SUMMARY OF MATERIAL CHANGE:

There have been no material changes made to this Brochure since our last Annual Amendment filing made on March 30, 2017.

ANY QUESTIONS: CCM’s Chief Compliance Officer, Justin D. Stets, remains available to address any questions that an existing or prospective client may have regarding this Brochure.

**Item 3 - TABLE OF CONTENTS**

Item 1 - COVER PAGE .....	1
Item 2 - MATERIAL CHANGES.....	2
Item 3 - TABLE OF CONTENTS .....	3
Item 4 - ADVISORY BUSINESS.....	4
Item 5 - FEES AND COMPENSATION.....	10
Item 6 - PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT .....	14
Item 7 - TYPES OF CLIENTS .....	14
Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	14
Item 9 - DISCIPLINARY INFORMATION.....	17
Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	17
Item 11 - CODE OF ETHICS, PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	19
Item 12 - BROKERAGE PRACTICES .....	20
Item 13 - REVIEW OF ACCOUNTS .....	24
Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION .....	25
Item 15 - CUSTODY.....	25
Item 16 - INVESTMENT DISCRETION.....	26
Item 17- VOTING CLIENT SECURITIES .....	26
Item 18 - FINANCIAL INFORMATION .....	26

#### **Item 4 - ADVISORY BUSINESS**

Carlson Capital Management, LLC (“CCM”) is a fee-based financial advisory firm that offers wealth management, financial advisory and institutional (retirement plan) services to clients. CCM was founded in 2015. CCM is principally owned by Carlson Capital Management Inc., which was founded in 1987 and was previously registered with the SEC as an Investment Adviser from September 21, 1990 until January 5, 2016. Principal owners of Carlson Capital Management Inc. include Gregory A. Carlson, Jeffrey R. Carlson and Justin D. Stets.

As of December 31, 2017, CCM had \$1,936,915,425 of client assets under discretionary management. “Assets Under Management,” as defined by Section 203A(a)(2) of the Investment Advisors Act of 1940, are the “security portfolios” for which an advisor provides “continuous and regular supervisory or management services.”

We have four Minnesota office locations: Bloomington, Hastings, Northfield and Rochester. The majority of our clients reside in the greater Twin Cities area, but we serve clients from all over the country.

#### **Types of Advisory Services**

CCM offers investment advisory services using an integrated wealth management approach. The following advisory services are included:

- Integrated wealth management
- Investment management
- Financial planning services including:
  - Retirement planning
  - Estate and advanced estate planning
  - Tax planning
  - Insurance planning
  - Education planning and
  - Philanthropic planning

At CCM, our advisory services are customized based on the individual needs of our clients. We meet with prospective clients to assess their needs, goals and objectives prior to making specific recommendations. We assist prospective clients in determining their short-term and long-range investment goals and objectives.

We ask prospective clients to complete a custom inventory form and questionnaire to assist us in obtaining information about their financial situation and history. We gather various financial information and history including, but not limited to:

- Retirement and financial goals
- Investment objectives
- Investment horizon
- Financial needs
- Cash flow analysis
- Cost of living needs

- Education savings needs
- Savings tendencies
- Debt, assets and liabilities
- Wills and trusts
- Investment and bank accounts
- Other applicable financial information required in order to provide the investment advisory services requested

Upon completing our analysis of your situation, we will work with you to determine an asset allocation strategy customized to your financial goals, objectives and risk tolerance. CCM designs portfolio allocation strategies with objectives ranging from principal preservation to aggressive growth. After evaluating the information that you have provided to us, we will determine which of our portfolio allocation strategies would be most suitable for you. From there, we customize your portfolio allocation taking into consideration your limitations or restrictions, the market and economy at the time and your financial situation, goals and objectives.

Managed portfolios are constructed using open-ended mutual funds, exchange traded funds (ETFs), and closed-end interval funds. When appropriate, we will also utilize fixed income securities. Upon your specific request, CCM will maintain individual stock holdings for tax purposes. You also have the ability to impose restrictions and/or limitations on investing in certain securities or types of securities.

After we have done the work necessary to create a recommended portfolio, we will schedule a meeting with you and present the recommended investment strategies. Upon your approval of our recommendations, you will sign an Advisory Agreement, which establishes the fiduciary relationship between CCM and you, the client. Additionally, the client signs an Investment Policy Statement which grants CCM discretionary authority to trade on the client's behalf, meaning that we can execute without prior consultation with you. The Investment Policy Statement specifically outlines the type of investments that will govern the account, including any possible restrictions on investing or selling certain securities on the client's behalf. We will then implement the portfolio strategy. Thereafter, we will manage the account by making appropriate changes to the strategies, and determining and potentially altering, from time to time, the securities to be purchased and sold in the account. CCM may actively trade securities and hold such securities for periods of 30 days or less, or maintain positions for longer or shorter term periods.

CCM generally requires a minimum investment (currently \$1,000,000 in cash or securities) that can be deposited with an independent, qualified custodian or broker-dealer in order to provide Integrated Wealth Management services. Under certain circumstances, CCM may waive the minimum account requirement and accept accounts less than \$1,000,000. Such circumstances may include, but are not limited to, the fact that additional assets will soon be deposited or you have other accounts under management with CCM.

## FINANCIAL PLANNING DISCOVERY

Before a formal relationship begins, we will schedule a meeting with you to present our analysis of your situation and recommendations for steps to be taken to assist you in working toward your financial and life goals.

Your financial plan will be based on your financial situation at the time and the financial information that you disclose to CCM. As requested by clients, and as part of a client's financial plan, CCM also may provide advice on stock option analysis and education funding.

You are not obligated to implement investment recommendations through CCM. If you direct CCM to implement your recommended financial plan, a separate planning fee may be assessed in addition to the advisory fees paid to CCM.

## CARLSON PORTFOLIOS

CCM provides an alternative offering for prospective clients who do not have the complexity in their financial situations that require the array of solutions provided by our Integrated Wealth Management platform. Carlson Portfolios provides the investment discipline and structure of our portfolio allocation strategies and leverages the investment research capabilities, portfolio management team and technology previously offered exclusively to high-net-worth clients.

Carlson Portfolios is a practical option for investment clients with \$250,000 or more to invest. For some clients, starting on the Carlson Portfolios path is the beginning of engaging CCM and may progress to the Integrated Wealth Management platform as the need arises for more advanced financial planning. For others, the solutions and advisory experience of Carlson Portfolios could meet their investment needs for years to come.

## CCM INSTITUTIONAL CLIENT SERVICES

In addition to the services CCM offers to individuals and families, CCM Institutional Client Services serves clients by providing comprehensive, customized 401(k) retirement plan and foundation and endowment solutions. With regard to 401(k) plans, we will work with business owners and companies of all sizes to address the five key areas that contribute to the success of plan sponsors and plan participants alike, including the following:

Plan Design - CCM Institutional Client Services develops comprehensive designs for retirement plans that:

- Help maximize contributions
- Allow for a choice of employer contributions that may be required, matching or discretionary
- Assist in understanding and selecting eligibility, entry date and vesting provisions
- Ensure testing provisions that leverage employer contributions

Fiduciary Responsibility and Governance - CCM Institutional Client Services assists in managing the plan's fiduciary responsibilities and reducing liability. The process provides the following deliverables:

- A CEFEX certified fiduciary governance process that allows for the plan sponsor to follow global standards of fiduciary excellence
- Documentation and storage of fiduciary processes on a secure file server
- Comprehensive fiduciary education and communication programs

Carlson Capital Management, LLC.

- Development, maintenance and execution of an appropriate Investment Policy Statement (IPS)
- The option of selecting from either a 3(21) or a 3(38) fiduciary platform

Competitive Retirement Benefits - CCM Institutional Client Services assists clients in ensuring their plans are competitive, both in total cost structure and in the performance of the underlying investment choices by offering the following services:

- Benchmarking of record-keeping, investment management and plan compliance services
- Independent investment “scorecarding” system that shows historical performance versus peers

Disciplined Investment Strategy - Investment options may be tailored to a participant’s needs, while also having a disciplined investment strategy for those seeking broadly diversified, risk-adjusted portfolios. The investment experience includes:

- Low cost mutual funds
- Transparent fee structure
- Full non-proprietary open architecture platform
- Broadly diversified investment menus
- Quarterly rebalanced turn-key model portfolios

Successful Participant Outcomes - Education and communication program delivery includes:

- Effective and targeted participant education
- On-going participant communication
- Comprehensive participation rate and asset allocation adequacy analysis

With regard to foundations and endowments, CCM Institutional Client Services works with foundation and endowment stewards, offering access to CCM’s investment advisory services and related consultation regarding fiduciary responsibility and practices.

**Advisory Business Disclosures**

Disclosure Brochure. A copy of CCM’s written Brochure as set forth on Part 2 of Form ADV will be provided to each client prior to, or contemporaneously with, the execution of the Advisory Agreement.

Client Obligations. CCM makes certain assumptions with respect to interest and inflation rates and may rely on past trends and prior performance of the markets and the economy in general. However, past performance is in no way an indication of future performance. CCM cannot offer any guarantees or promises that your financial goals and objectives will be met. After you engage CCM, it is important that you continue to review the plans presented to you and update us on changes in your financial situation, goals, or objectives. Should your financial situation or investment goals or objectives change, it is important to notify CCM promptly. Failure to notify CCM of any such changes could result in investment recommendations or planning solutions not meeting your needs. You are advised that the advice offered by CCM does not include drafting legal documents or providing legal advice. Therefore, you will need to seek the services of an attorney as needed.

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. As indicated above, to the extent requested, CCM may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance,

etc. CCM does not serve as an attorney or accountant, and no portion of our services should be construed as legal or accounting services. Accordingly, CCM does not prepare estate planning documents or tax returns. To the extent that you request such services, CCM may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.), including representatives of CCM in their separate individual capacities as licensed insurance agents. You are under no obligation to engage the services of any such recommended professional. You retain absolute discretion over all such implementation decisions and are free to accept or reject any recommendation from CCM or its representatives. Please Note: If you engage any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, you agree to seek recourse exclusively from and against the engaged professional. Please Also Note-Conflict of Interest: The recommendation by CCM's representatives that you purchase an insurance commission product through one or more of CCM's representatives in their separate and individual capacities as an insurance agent, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on your particular needs. You are not under any obligation to purchase any insurance commission products through such a representative. You are reminded that you may purchase insurance products recommended by CCM through other, non-affiliated insurance agents. CCM's Chief Compliance Officer, Justin D. Stets, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

Retirement Rollovers-Potential for Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If CCM recommends that a client roll over their retirement plan assets into an account to be managed by CCM, such a recommendation creates a conflict of interest if CCM will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, CCM serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. No client is under any obligation to rollover retirement plan assets to an account managed by CCM. CCM's Chief Compliance Officer, Justin D. Stets, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

Use of Mutual and Exchange Traded Funds. Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by CCM independent of engaging CCM as an investment advisor. However, if a prospective client determines to do so, he/she will not receive CCM's initial and ongoing investment advisory services.

Use of DFA Mutual Funds. CCM utilizes mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers. Thus, if the client was to terminate CCM's services, and not transition to another adviser who utilizes DFA funds, restrictions regarding additional purchases of, or reallocation among other, DFA funds will generally apply.



Portfolio Activity. CCM has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, CCM will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when CCM determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by CCM will be profitable or equal any specific performance level(s).

Fund Liquidity Constraints. CCM may utilize mutual funds that provide for limited liquidity, generally on a quarterly basis. Thus, if CCM determines that the fund was no longer performing or if you ever determined to transfer your account, the fund could not be sold or transferred immediately. Rather, sale or transfer would need to await the quarterly permitted sale date. Moreover, the eventual net asset value for the fund could be substantially different (positive or negative) than the fund value on the date that the sale was requested. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Adviser, in writing, not to purchase such funds for the client's account.

Quovo: Account Aggregation. CCM, in conjunction with the services provided by Quovo, may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by CCM (the "Excluded Assets"). The client and/or their other advisors that maintain trading authority, and not CCM, shall be exclusively responsible for the investment performance of the Excluded Assets. Unless otherwise specifically agreed to, in writing, CCM's service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if CCM is specifically engaged to monitor and/or allocate the assets within the client's 401(k) account maintained away at the custodian directed by the client's employer. As such, except with respect to the client's 401(k) account (if applicable), CCM does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If CCM were asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and CCM shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that CCM provide investment management services for the Excluded Assets, the client may engage CCM to do so pursuant to the terms and conditions of the Investment Advisory Agreement between CCM and the client

Sub-Advisory Engagements. The CCM may serve as a sub-advisor to unaffiliated registered investment advisors according to the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the unaffiliated investment advisor(s) that engage CCM's sub-advisory services maintain both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for CCM's designated investment strategies and/or programs. If the custodian/broker-dealer is determined by the unaffiliated investment adviser, CCM will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, the underlying clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case through alternative clearing arrangements recommended by CCM. Higher transaction costs adversely impact account performance.

Independent Managers. The CCM may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. The CCM shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. The CCM generally considers the following factors when considering its recommendation to allocate investment assets to Independent Manager(s): the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, CCM's investment advisory fee as set forth in Item 5.

Scope of Work. You are advised that investment recommendations and advice offered by CCM are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney or accountant.

Potential Tax Implications. You are advised that transactions in your account, account re-allocations, and the rebalancing of your account may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other tax-exempt qualified retirement accounts.

Performance of Smaller Accounts. You are advised that performance may suffer due to difficulties with diversifying smaller accounts. In addition, performance of smaller accounts may vary from the performance of larger accounts due to fluctuations in the market that may affect smaller accounts more and the effects of compounding may be greater in larger accounts.

Wrap Fee Program. You are advised that CCM does not participate in a wrap fee program.

## **Item 5 - FEES AND COMPENSATION**

CCM's fees are negotiable and are not based on a share of capital gains on, or capital appreciation of, funds in your account.

### **Integrated Wealth Management**

Client fees for Integrated Wealth Management are tiered as follows:

Account Size	Maximum Annual Fee
First \$2,000,000	1.00%
Next \$2,000,000	0.75%
Over \$4,000,000	0.50%

The formula CCM uses to calculate your quarterly fee is as follows: (Based on a \$10 million dollar portfolio)

First \$2,000,000 x 1.00%	\$20,000
Next \$2,000,000 x 0.75%	\$15,000
<u>Remaining \$6,000,000 x 0.50%</u>	<u>\$30,000</u>
\$10,000,000	\$65,000 \ 4 = \$16,250 quarterly fee

### **Carlson Portfolios**

Client fees for Carlson Portfolios are tiered as follows:

Account Size	Maximum Annual Fee
First \$500,000	1.25%
Next \$1,500,000	1.00%
Over \$2,000,000	0.75%

### **Financial Planning**

Fees are strictly for the initial presentation of a Financial Plan by CCM.

Planning fees are negotiable and generally fall within the parameters outlined below. Your fees will depend on several factors including time spent with CCM, number of meetings, complexity of your situation, amount of research, services requested and usage of staff and other resources.

Fee Type	Maximum Fee	Payable
Financial Plan	\$1,500 to \$7,500	Payable one-half (1/2) upon execution of the client agreement with CCM and the balance due at the time of presentation of the plan.
Integrated Wealth Management	\$2,500 to \$15,000	Payable one-half (1/2) upon execution of the client agreement with CCM and the balance due at the time of presentation of the plan.

### **General Billing Information**

CCM may change the above fee schedules upon 30 days' prior written notice to you.

CCM aggregates all of your managed accounts together to determine your quarterly fee.

You may make additions to your account or withdrawals from your account at any time. Additional assets deposited into an account after it is opened will be charged a pro-rated fee based upon the

Carlson Capital Management, LLC.

number of days remaining in the then current three month period. No fee adjustments will be made for account appreciation or depreciation between billing cycles.

Fees are paid quarterly in advance. The fee will be calculated based on the value of the account on the last business day of the prior calendar quarter. The initial quarterly fee will be a pro-rated portion of the fee based on the number of days remaining in the calendar quarter.

Advisory fees will be deducted directly from your account to the extent authorized by the client Advisory Agreement. You will be provided with regular custodial account statements that reflect the deduction of advisory fees. If a client's account does not contain sufficient funds to pay advisory fees, CCM may sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse an account for advisory fees paid to CCM, except for ERISA and IRA accounts.

CCM's fees may be negotiated or waived in certain circumstances depending upon such factors as: anticipated future earning capacity, the level and scope of services required, anticipated future additional assets, dollar amount of assets to be managed, related accounts and account composition.

Because our billing schedules change over time, existing clients may be billed according to a different schedule.

The custodian will send to the client a statement, at least quarterly, indicating all amounts disbursed from the account. CCM's quarterly statement will encourage the client to compare CCM's statement with the statement received from the custodian. It is the client's responsibility to review fee deductions to ensure they are correct, as the client's custodian will not do so.

**CCM Institutional Client Services**

Client fees for small Institutional Client plans (less than \$3 million) are generally tiered as follows:

First	\$ 1,000,000	1.00%	\$ 10,000	\$ 10,000
Next	\$ 2,000,000	0.60%	\$ 12,000	\$ 22,000
Next	\$ 3,000,000	0.50%	\$ 15,000	\$ 37,000
Next	\$ 4,000,000	0.40%	\$ 16,000	\$ 53,000
Above	\$ 10,000,000	0.30%	-	

Client fees for larger Institutional Client plans with a high number of participants (\$3 million with 50+ participants) are generally tiered as follows:

First	\$ 1,000,000	0.75%	\$ 7,500	\$ 7,500
Next	\$ 2,000,000	0.60%	\$ 12,000	\$ 19,500
Next	\$ 3,000,000	0.50%	\$ 15,000	\$ 34,500
Next	\$ 4,000,000	0.40%	\$ 16,000	\$ 50,500
Above	\$ 10,000,000	0.30%	-	

Carlson Capital Management, LLC.

Client fees for large Institutional Client plans with a low number of participants (\$3 million with less than 50 participants) are generally tiered as follows:

First	\$ 3,000,000	0.60%	\$ 18,000	\$ 18,000
Next	\$ 3,000,000	0.50%	\$ 15,000	\$ 33,000
Next	\$ 4,000,000	0.40%	\$ 16,000	\$ 49,000
Above	\$ 10,000,000	0.30%	-	

Note: The formula CCM uses to calculate the quarterly fee for Institutional Client Services is illustrated in the fourth and fifth columns in the three tables shown above.

CCM's Institutional Client Services fees may be negotiated, reduced or waived in certain circumstances depending upon such factors including the level and scope of services required, anticipated future additional flows, and dollar amount of assets to be managed.

### **Fee Disclosures**

As discussed above, CCM's investment advisory fee is negotiable at CCM's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with CCM and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by CCM to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

Other Fees and Expenses. In addition to the fees above, you will pay fees for securities transactions executed in your account in accordance with the custodian's current transaction fee schedule, a copy of which is available upon your request. Custodians and broker-dealers also may charge an account for custodial services, account maintenance fees and other fees associated with maintaining the account and purchases and sales of securities for the account. These fees are not charged by or paid to CCM but are paid to the account's custodian or broker-dealer. Mutual funds and ETFs in which clients invest charge their own advisory fees and other expenses as set forth in each fund's prospectus. You should request and read each fund's prospectus prior to investing. Please refer to Item 12 for additional information regarding Brokerage Practices.

Tradeaway/Prime Broker Fees. If, in the reasonable determination of CCM that it would be beneficial for the client, individual equity and/or fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (i.e., Schwab, TD Ameritrade). CCM's Chief Compliance Officer, Justin D. Stets, remains available to address any questions that a client or prospective client may have regarding tradeaway arrangements.

Fee Refunds. The client may terminate for any reason upon fourteen days (14) written notice to CCM, specifying the date of termination (date cannot precede the written notice). In the event a client

terminates as described above, management fees paid, but not yet earned, shall be refunded to the client pro rata based on the number of days the client utilized CCM's services.

#### **Item 6 - PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

CCM does not charge performance-based fees.

#### **Item 7 - TYPES OF CLIENTS**

With the exception of the Carlson Portfolio, CCM's services are geared toward high-net worth families and individuals, trusts and estates, charitable organizations, pension and profit sharing plans, and corporations or other business entities.

#### **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

In general terms, CCM takes a structured, long-term approach to investing that is based on Modern Portfolio Theory and a factor-based investing. CCM applies the following principles to investment management:

- *Risk and return are related.* Investors are rewarded in proportion to the risk taken. Framing decisions around compensated risk factors in the equity and bond markets connects investors to the forces that create opportunities to build wealth over time. Financial science offers insight into these risks. Evidence from practicing investors and academics points to an undeniable conclusion: returns are compensation for taking risk. Gain is rarely accomplished without accepting risks, but not all risks carry a reliable reward. Financial science over the last 50 years has brought us to a powerful understanding of the risks that are worth taking and the risks that are not.
- *Broad global diversification reduces risk and may increase return.* Diversification is the most essential risk reduction tool available to investors. It enables them to capture broad market forces while reducing the excess, uncompensated risk arising in individual stocks.
- *Structure determines performance.* Structure, or asset allocation, determines most of the performance in a diversified portfolio. The factors that have been shown to have the most explanatory power are: (1) exposure to market risk, (2) exposure to company size (3) exposure to company valuation and (4) the quality of the underlying companies in a portfolio. Active management through security selection or market timing plays a very small role in the overall performance of a portfolio. In most cases, the increased costs and ineffective strategies employed by active managers lead investors to decreased returns relative to market benchmarks.
- *Proactive management affects portfolio outcomes.* Taking a proactive approach to investment management may allow investors to decrease risk and may increase expected returns within a portfolio. By utilizing a strategy that locates assets in accounts by their tax efficiency, harvests tax losses when available and opportunistically rebalances asset class components, investors may decrease future risk and may increase return over time.

Investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the investment portfolios offered by CCM will require you to be prepared to bear the risk of loss and fluctuating performance. Below are some more specific risks of investing:

- **Market Risk.** The prices of securities held by mutual funds in which clients invest may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by the fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations. Clients should have a long-term perspective and be able to tolerate potentially sharp declines in market value.
- **Management Risk.** Adviser's investment approach may fail to produce the intended results. If the adviser's perception of the performance of a specific asset class or fund is not realized in the expected time frame, the overall performance of client's portfolio may suffer.
- **Equity Risk.** Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund or ETF can be more volatile than the market as a whole. This volatility affects the value of the client's overall portfolio. Small-cap and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.
- **Fixed Income Risk.** The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities held by the fund is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- **Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (1) an ETF's shares may trade at a market price that is above or below its net asset value; (2) the ETF may employ an investment strategy that utilizes high leverage ratios; or (3) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. Adviser has no control over the risks taken by the underlying funds in which client invests.
- **REIT Risk.** To the extent that a client invests in real estate investment trusts ("REITs"), it is subject to risks generally associated with investing in real estate, such as (1) possible declines in the value of real estate, (2) adverse general and local economic conditions, (3) possible lack of availability of mortgage funds, (4) changes in interest rates, and (5) environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and

focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.

- **Foreign Securities Risk.** Funds may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- **Liquidity Risk** Interval funds include the same risks listed above with mutual funds, and in addition, carry liquidity risk, which is the risk that certain assets may not be able to be sold in a timely manner

CCM analyzes mutual funds recommended to clients based on a fund's structure, relative performance among its peer group, total operating expense ratio, portfolio turnover, investment objective and investment restrictions and limitations and other metrics. Adviser typically recommends that clients invest in no-load mutual funds and exchange traded funds advised by Dimensional Fund Advisors ("DFA") or Vanguard that have low operating expenses, low portfolio turnover, below average capital gains distributions and a demonstrated expertise and focus in each particular asset class. DFA funds generally are available for investment only by clients of registered investment advisers, and all investments are subject to approval of the adviser. This means that you may not be able to make additional investments in DFA funds if you terminate your agreement with Adviser, except through another adviser authorized by DFA.

CCM does not represent, warrant or imply that the services or methods of analysis used by CCM can or will predict future results, successfully identify market tops or bottoms or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. No promises or assumptions can be made that the advisory services offered by CCM will provide a better return than other investment strategies.

CCM primarily recommends that clients purchase open-end mutual funds, ETFs, and closed-end interval funds to implement CCM's investment advice. These underlying funds may, in turn, invest in a broad range of stocks of any market capitalization, including large-, mid- and small-cap stocks; and/or a broad range of fixed income securities of any credit quality or maturity, including U.S. Government and agency securities, municipal securities, corporate debt, and debt of foreign issuers including those located in emerging markets. Underlying funds may also invest in real estate, commodities-related



assets, or high-yield, high-risk debt securities, and they may engage in leveraged or derivative transactions. CCM has no control over the investment strategies, policies or decisions of the underlying funds' investment managers. CCM's only option would be to liquidate its clients' investments in an underlying fund in the event of dissatisfaction with the fund's manager. In addition to risks generally associated with investments in mutual funds, ETFs are subject to the following risks: (1) the market price of an ETF's shares may trade above or below their net asset value; (2) an active trading market for an ETF's shares may not develop or be maintained; or (3) trading of an ETF's shares may be halted if the stock exchange's officials deem such action appropriate.

CCM may invest on a limited basis in derivative instruments in an effort to mitigate concentrated risk in a client's portfolio. Derivatives may be used for hedging purposes when clients come to CCM with concentrated holdings in a small amount of equity positions. Utilizing derivative instruments in this way could potentially affect returns to investors. Some types of derivatives that may be used most frequently may include, without limitation, put or call options on securities or indices.

Investing in derivatives for hedging purposes or otherwise may result in certain transaction costs which may reduce account performance. No assurances can be given that derivative positions will achieve the desired correlation with the security. Further, no assurances can be given that these investments or instruments will be used, or that, if used, they will achieve the desired results.

CCM has a relationship with a third-party vendor that manages individual U.S. equities that uses statistical sampling to track an index with two primary investment objectives: (1) match the return of the U.S. equity benchmarks (minus expenses) and (2) create tax efficiency for the investor. There is a possibility of a material tracking error for these portfolios if the portfolio holdings do not match those of the index. This solution is primarily utilized for clients that hold highly appreciated individual stock portfolios with values greater than \$500,000.

#### **Item 9 - DISCIPLINARY INFORMATION**

There is no disciplinary information required to be reported for CCM or its management persons that is material to your evaluation of CCM, its business or its management persons.

#### **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

CCM and/or its principals have material business arrangements with the following other entities as described below:

- **Carlson Trust:** National Advisors Trust Company, FSB, a national trust company ("NATCo"), was created to support the fiduciary needs of clients who, through their estate planning efforts, prefer to continue to maintain their relationship with their financial advisory firm. NATCo is a wholly owned subsidiary of National Advisors Holdings, Inc. ("NAH"). Carlson Capital Group, Inc. (which is under common control with CCM) and approximately 135 other advisory firms or affiliates located in over 40 states own equity interests in NAH. Carlson Capital Group, Inc. holds a less than 1% interest. The mission of NATCo is to support the delivery of trust and custody services to the clients of its shareholders. CCM may recommend NATCo to its advisory clients seeking trust services. The grantor in a trust agreement would name CCM as the investment manager with discretion to manage the trust estate, and the agreement would also provide that NATCo discharge the administrative, distribution and

custodial responsibilities of the trust through the entity named Carlson Trust, a Trust Representative office (“TRO”) of NATCo. Carlson Capital Group, Inc., as a shareholder of NAH (the parent company of NATCo), and by extension CCM, may benefit by realizing a profit in the form of dividends or corporate distributions from NAH, in addition to any investment advisory fees paid under the trust agreement. This relationship is a conflict of interest. We believe, however, that our selection of NATCo, through their TRO program, is in the best interests of our clients. Our selection is primarily supported by NATCo’s uniquely designed trust and custody services, including an advanced, multi-custodian investment management platform, trust accounting services, referral marketing programs, trust education programs, practice management programs, economies of scale, and other related services to advance the success of CCM and its clients. Finally, NATCo is a “trust only” organization focused on trust and custody services for CCM, and is not involved in lending and depository banking functions.

- **CCM Tax & Trust Administration:** CCM Tax & Trust Administration provides tax return preparation and trust administration services for a fee to individuals and trusts and estates, including clients of CCM. Clients who engage CCM Tax & Trust Administration will pay a separate fee. The client should be aware that CCM Tax & Trust and CCM is under common ownership.
- **ViaForte, Inc. (“ViaForte”):** ViaForte applies advanced estate planning strategies and design to utilize opportunities and offer access to financial vehicles provided by insurance companies. The team at ViaForte works with individuals, financial services firms, and business to business advisors which includes advisory clients of CCM. ViaForte’s agents are licensed with various insurance companies. As such, ViaForte may receive commissions in connection with any insurance product purchased through ViaForte. The client should be aware that ViaForte and CCM are under common ownership. ViaForte products that include securities are offered through M Holdings Securities, Inc., a Registered Broker/Dealer, Member FINRA/SIPC.
- **American Center for Philanthropy (“ACP”):** ACP is an independent, non-profit organization established in 2001 by the founders of CCM to provide individuals and families an easier and more efficient way to manage their charitable giving, in addition to maximizing tax benefits. ACP is recognized as a tax-exempt public charity as described in Sections 501(c)(3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC) of 1986, as amended. CCM plays a role in the administration of ACP by handling new account openings, grant processing, account changes, transfers and board communications. CCM receives administrative and investment management compensation from ACP for its services. Conflict of Interest. The client should be aware of this relationship and conflict of interest.

Conflict of Interest. The recommendation by CCM that a client engage in any of the four above mentioned entities presents a conflict of interest. No client is under any obligation to engage any CCM affiliate. Clients are reminded that they may purchase such services or products offered by CCM affiliates through other, non-affiliated providers. CCM's Chief Compliance Officer, Justin D. Stets, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

- **Zero Alpha Group (“ZAG”):** CCM is a member of ZAG, a national network of wealth management firms committed to applying the best financial thinking to serve clients in a fiduciary capacity. Members are committed to providing objective, long-term wealth management solutions to investors, focusing on asset allocation and a structured quantitative approach to investing. ZAG members seek to follow the highest fiduciary standards as represented by the Centre for Fiduciary Excellence (“CEFEX”). ZAG members are geographically diverse, and their executives meet regularly to share investment information, strategic and marketing plans, and research related to investment management. ZAG also may negotiate with mutual fund companies, platform sponsors and custodians in an effort to obtain lower costs on behalf of members’ respective clients.

## **Item 11 - CODE OF ETHICS, PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Code of Ethics. CCM has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. At CCM, we take seriously our compliance and regulatory obligations and require all staff to comply with such rules and regulations as well as our own internal policies and procedures to ensure we maintain a responsible and ethical way of doing business. We maintain a Code of Ethics for our financial advisors, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws. CCM requires all employees to report their personal securities transactions. We also prohibit employees from trading based on material non-public information. A copy of our Code of Ethics will be provided to you upon request.

Professional Fiduciary Designations and Certifications. CCM employees who have obtained the Certified Financial Planner (CFP®) designation are bound by the CFP Board’s Standards of Professional Conduct, which outline ethical and practice standards for CFP professionals.

CEFEX Certification. CCM was among the first investment advisers globally to successfully complete the independent certification process of CEFEX. Through CEFEX’s independent assessment, the certification provides assurance to investors, both institutional and individual, that CCM has demonstrated adherence to the industry’s best fiduciary practices. Additionally, CCM Principal Justin Stets, Sr. Integrated Wealth Advisor Jason Kley, and Director of Investments and Research Adam Hoffmann have been awarded the AIF® designation from the Center for Fiduciary Studies, signifying specific training in fiduciary responsibility. The AIF® designation certifies that the recipient has specialized knowledge of fiduciary standards of care and their application to the investment management process. To receive the AIF® designation, the individual must meet prerequisite criteria based on a combination of education, industry experience, and/or ongoing professional development, complete a training program, successfully pass a comprehensive, closed-book final examination under the supervision of a proctor and agree to abide by the Code of Ethics. In order to maintain the AIF® designation, the individual must annually renew their affirmation of the Code of Ethics and complete six hours of continuing education. The Designation is administered by the Center for Fiduciary Studies, the standards-setting body of fi360.

Privacy Policy. CCM strives to handle your non-public, personal financial information in such a way to protect that information from falling into hands that have no business reason to know such information. Each year (in April with your first quarter report) we provide you with our Privacy Policy.

Participation or Interest in Client Transactions. CCM does not recommend investments to clients in which CCM or any of its principals has a financial interest. If any such investment were proposed, the principal will disclose any participation or interest in the transaction to the client and obtain the approval of CCM's Chief Compliance Officer, Justin D. Stets, in advance.

Personal Trading. CCM may buy or sell mutual funds or ETFs that we recommend to clients. CCM and its staff will not put their interests before your interests. It is the express policy of CCM that no CCM employee may purchase or sell a security listed on a stock exchange prior to the same transaction(s) being implemented for a client account to prevent front-running.

CCM has established restrictions in order to mitigate any conflict of interest and ensure our fiduciary responsibilities to you are satisfied as follows:

- A director, officer or employee of CCM shall not buy or sell exchange-traded securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his/her employment unless the information is also available to the investing public on reasonable inquiry. No associated person of CCM shall prefer his/her own interest to that of the advisory client.
- CCM maintains a list of all securities holdings for the firm and its employees. The Chief Compliance Officer reviews these holdings on a quarterly basis.
- CCM requires all individuals to act in accordance with all applicable federal and state securities laws governing registered investment advisers.
- Any individual not in observance of the above may be subject to termination.

## **Item 12 - BROKERAGE PRACTICES**

Recommended Custodians. CCM typically recommends Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer and member SIPC, to serve as an independent, qualified custodian of clients' assets. CCM also may recommend The Vanguard Group, Jefferson National, Teachers Insurance and Annuity Association/College Retirement Equities Fund ("TIAA-CREF") and TDAmeritrade ("TDA").

Although CCM typically recommends Schwab, clients may maintain their accounts at another bank, trust company or broker-dealer. However, CCM's services may be limited due to service or trading platform restrictions imposed by these other custodians.

### **How We Select Custodians**

CCM seeks to recommend custodians who will hold your assets and execute transactions on terms that we believe are most advantageous overall when compared to other available providers and their services. CCM considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)

Carlson Capital Management, LLC.

- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (e.g., stocks, bonds, mutual funds, ETFs)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below

**Services That May Not Directly Benefit You**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, CCM can receive from Schwab and TIAA-CREF (or other broker-dealer/custodian investment platform, unaffiliated investment manager, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products that benefit us but may not directly benefit your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third-parties provided by Schwab. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab or TIAA-CREF. In addition to research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services That Generally Benefit Only Us**

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

Schwab may provide some of these services themselves. In other cases, they will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third-party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel and reimbursement of expenses (including travel, lodging and meals).

Order Aggregation. Due to the individual management of client accounts, we do not aggregate the purchase or sale of securities for various client accounts.

### **Schwab Custodial Services**

For CCM's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab's commission rates applicable to our client accounts were negotiated based on the condition that CCM clients in the aggregate maintain account balances of at least \$10 million at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. Conflict of Interest. However, it may also create a conflict because it incentivizes CCM to continue recommending Schwab to obtain the discount. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we direct a different broker-dealer to execute and then to settle into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we typically direct Schwab to execute most trades for your account. We believe that Schwab's execution is favorable based on the factors we consider as set forth above.

Schwab Advisor Services<sup>TM</sup> serves independent investment advisory firms like CCM by providing CCM and our clients with access to Schwab's institutional brokerage trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

### **Schwab Custodial Services That Benefit You**

Schwab Advisor Services<sup>TM</sup> include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. These services generally benefit you and your account. CCM's Chief Compliance Officer, Justin D. Stets, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

### Our Interest in Schwab's Services

The availability of services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

Trade Order Error. From time to time, CCM may make an error in submitting a trade order on your behalf. When this occurs, CCM may place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain of at least \$100 to charity. If a loss occurs greater than \$100, CCM will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they typically will be netted.

### Additional Benefits Currently Received

CCM receives certain Additional Benefits that may or may not be offered to the Registrant again in the future. At the present time, the Additional Benefits include the following:

- a discount from Schwab toward the cost of Schwab's PortfolioCenter® software, which CCM uses to help effectively manage its clients' accounts; and
- a credit of up to \$25,000, to be directed toward iRebal, a third-party software/technology-related vendor, on CCM's behalf, that will be applied to the cost of software/technology-related expenses over the course of the year. CCM utilizes the iRebal software to help effectively manage its clients' accounts.

Schwab provides these Additional Benefits to CCM in its sole discretion and at its own expense, and neither CCM nor its clients pay any fees to Schwab for the Additional Benefits.

### Schwab Advisor Services Technology, Operations and Service Advisory Board

Tim Jackson, CCM's head of technology, serves on the Schwab Advisor Services Technology, Operations and Service Advisory Board (the "Board"). As discussed above, CCM recommends that clients establish brokerage/custodial Schwab to maintain custody of the clients' assets and effect trades for their accounts. The Board consists of approximately 23 representatives of independent investment advisory firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services' services for independent investment advisory firms and their clients. Board members serve for three-year terms. Mr. Jackson's term ends in 2020. Board members

enter nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange and the NASDAQ stock market (symbol SCHW). The Board meets in person approximately twice per year and has periodic conference calls scheduled as needed. Board members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Board members' travel, lodging, meals and other incidental expenses incurred in attending Board meetings.

### **Item 13 - REVIEW OF ACCOUNTS**

Periodic Reviews. The frequency of regular progress meetings is determined jointly by our clients and their primary financial advisor. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. You are advised that you must notify your financial advisor promptly of any changes to your financial goals, objectives or financial situation as such changes may require your advisor to review the portfolio allocation and your overall financial plan, and make recommendations for changes.

Account Rebalancing. CCM utilizes a rebalancing software program that allows us to review the strategy and composite of each client's portfolio on a regular basis. CCM's investment team has set up tolerance bands that trigger alerts when portfolio balances deviate from established asset allocation thresholds. Additionally, CCM advisors and investment team members may identify and weigh tax implications, upcoming client cash flow needs, and /or anticipated additions to the portfolio when evaluating and executing upon rebalancing opportunities.

The following, individually or as a team, participate in reviews:

- Gregory Carlson, Principal/Co-founder
- Jeffrey Carlson, Principal/Co-founder
- Justin Stets, Principal/President
- Judd Lohmann, Senior Integrated Wealth Advisor
- Andrew Hauskins, Senior Integrated Wealth Advisor
- Anthony Bolstroff, Senior Integrated Wealth Advisor
- Jason Kley, Senior Integrated Wealth Advisor
- Callie Geist, Integrated Wealth Advisor
- Charlie Lawson, Tax Manager
- Katy Vermeer, Senior Integrated Wealth Advisor
- Matt Morehead, Integrated Wealth Advisor
- Matthew Rich, Integrated Wealth Advisor
- Kevin Koski, Director of Tax Services
- Adam Hoffmann, Director of Investment & Research
- Andreas Scott, Integrated Wealth Advisor
- Colin Watkins, Integrated Wealth Advisor
- James Yaworski, Investment Research & Trading Specialist

Regular Reports. Schwab provides monthly statements that are sent to you directly. Other custodians provide at least quarterly statements. Additionally, you will receive confirmations of all transactions occurring direct from the account custodian. On a quarterly basis, CCM will provide you with a



consolidated report of your managed account. It is your responsibility as the client to compare CCM's report with statements received direct from the account custodians. Should there be any discrepancy the account custodian's report will prevail.

#### **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

Other Compensation. We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisers whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

CCM approved product vendors and custodians may provide monetary and non-monetary assistance with client events, and may provide educational tools and resources. CCM does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. CCM's due diligence of a product does not take into consideration any assistance it can receive.

Solicitation Services. CCM can receive referrals of potential advisory clients from various sources. These referral sources can receive a percentage of the asset management fee based upon their involvement in the relationship. The compensation paid to these referral sources is for the solicitation services and for client referrals only. The solicitation services include making any introductions and providing information and material about the advisory services and programs of CCM. None of the fees for these referrals are passed along to a client in any way. Clients will be provided with written notice of, and asked to authorize in writing, the payment of any solicitor's fee paid on their referral in compliance with the requirements of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Conflict of Interest. Solicitations are a conflict of interest wherein CCM may be obligated to send referrals back to the third party. CCM may refer other professionals to its clients but only when CCM believes that the services provided by the professional best suit the client's needs.

#### **Item 15 - CUSTODY**

Under the Advisers Act, CCM is not deemed to have custody of your assets if you authorize CCM to instruct your custodian to deduct our advisory fees directly from your account. Your account custodian maintains actual physical custody of your cash and securities. You will receive account statements directly from your custodian at least quarterly that detail the securities transactions in the account and the amount of all fees deducted. Account statements will be sent to your address of record. You should carefully review those statements promptly when you receive them.

In some cases, CCM does maintain custody of a client's accounts, primarily when CCM or its principals act as a personal trustee or when a client asks CCM to access their outside accounts for overall portfolio management. In those cases, we have an annual audit to ensure proper procedures are followed and the client's accounts are maintained appropriately.

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from CCM to transfer client funds or securities to third parties. These arrangements are also disclosed at ADV Part 1, Item 9, but in accordance with the guidance

provided in the SEC's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

#### **Item 16 - INVESTMENT DISCRETION**

Clients typically grant CCM authority to manage the client's account on a discretionary basis. Discretionary authority means that CCM has the authority to buy, sell, exchange, or convert securities in your managed accounts (or, from time to time, select certain sub-advisers to manage a portion of your account). You may terminate discretionary authorization at any time upon receipt of written notice to CCM.

Additionally, you are advised that:

- You may set parameters with respect to when an account should be rebalanced and set trading restrictions or limitations;
- Your written consent is required to establish any brokerage account;
- CCM would require the use of the broker-dealer with which your financial advisor is registered for sales in commissionable mutual funds or variable annuities, if you elect to implement those purchases through your financial advisor;
- With the exception of deduction of CCM's advisory fees from the account, if you have authorized automatic deductions, CCM will not have the ability to withdraw your funds or securities from the account.

#### **Item 17- VOTING CLIENT SECURITIES**

CCM does not exercise proxy-voting authority over your securities. Unless you suppress proxies, proxy statements will be sent directly to you by the account custodian or transfer agent. You may contact CCM about questions you may have or opinions on how to vote the proxies. However, how you vote the proxies is solely your decision and at your own expense.

#### **Item 18 - FINANCIAL INFORMATION**

CCM is financially stable. There is no financial condition that is likely to impair our ability to meet our contractual commitment to you or any other client.

CCM has not been the subject of a bankruptcy petition.

CCM does not solicit fees of more than \$1,200 per client, six months or more in advance.

ANY QUESTIONS: CCM's Chief Compliance Officer, Justin D. Stets, remains available to address any questions regarding this Part 2 Brochure.