

# **Firm Brochure**

## **Part 2A of Form ADV**

**Item 1—Cover Page**

### **20/20 Capital Management, Inc.**

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Costa Mesa, CA 92626

[www.2020fa.com](http://www.2020fa.com)

This brochure provides information about the qualifications and business practices of 20/20 Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at: (888) 541-9694 x708 or by email at: [tkrueger@cwicompliance.com](mailto:tkrueger@cwicompliance.com). 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 the Adviser is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm may refer to itself as a “registered investment adviser” or describe itself as being “registered”; this does not imply a certain level of skill or training.

Effective Date: 2/1/2016

## **Item 2 - Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur to the Firm's Brochure. This is an initial ADV filing.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative "plain English" format. The new final rule specifies mandatory sections and organization.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (888) 541-9694 x708 or by email at: [tkrueger@cwicompliance.com](mailto:tkrueger@cwicompliance.com).

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# ADV PART 2A

## Item – 4 Advisory Business

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### Firm Description

20/20 Capital Management, Inc., hereinafter (“the Adviser”) was founded in 2015 and is a SEC registered investment adviser.

20/20 Capital Management, Inc. brings together a diverse and experienced team of financial professionals to help you create and execute customized plans to achieve financial independence – for yourself, your business, your family and your heirs.

The Adviser is a fee-only investment management and financial planning firm. The firm does not sell securities on a commission basis

The Adviser does not act as a custodian of client assets.

The Adviser has discretion of client accounts and places trades for clients under a limited power of attorney.

The Adviser does act as a sponsor and does provide investment advice to a WRAP program.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Any conflicts of interest arising out of the Adviser’s or its associated persons are disclosed in this brochure.

#### Principal Owners

Adviser is employee owned, and no employees own 25% or more of the firm.

Samir C. Thakkar, is the President and CEO; Kevin M. Grunawalt is the Treasurer; and Tom R. Gibbings is the Secretary.

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### Types of Advisory Services

The Adviser provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services. On more than an occasional basis, the Adviser furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of 10/31/2015, the Adviser manages approximately \$0.00 in assets for approximately 0 clients. Approximately \$0.00 is managed on a discretionary basis, and \$0.00 is managed on a non-discretionary basis.

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### **Tailored Relationships**

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

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### **Assignment of Investment Management Agreements**

Agreements may not be assigned without client consent.

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### **Types of Agreements**

The following agreements define the typical client relationships.

#### **Investment Management Agreement**

As part of the investment management service, all aspects of the client's financial affairs are reviewed. Next, realistic and measurable goals are set. Then strategies to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis. The Adviser periodically reviews a client's financial situation and portfolio through regular contact with the client which often includes an annual meeting with the client. The Adviser makes use of portfolio rebalancing software to maintain client allocations according to the Investment Policy Statement in effect.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. The agreement sets forth the services to be provided, the fees for the service and the agreement may be terminated by either party in writing at any time.

#### **Financial Planning Agreement**

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

The financial planning may be the only service provided to the client and does not require that the client use or purchase the investment advisory services offered by the Advisor or any of the insurance products or other products and services offered by the associated persons of the Advisor. There is an inherent conflict of interest for the Advisor whenever a financial plan recommends use of professional investment management services or the purchase of insurance products or other financial products or services. The Advisor or its associated persons may receive compensation for financial planning and the provision of investment management services and/or the sale of insurance and other products and services. The Advisor does not make any representation that these products and services are offered at the

lowest available cost and the client may be able to obtain the same products or services at a lower cost from other providers. However, the client is under no obligation to accept any of the recommendations of the Advisor or use the services of the Advisor in particular.

We typically charge an upfront fee for financial planning. The fee is determined through evaluation, scope, level of experience, and other related factors.

## Hourly Engagements

The Adviser provides hourly services for clients who need advice on a limited scope of work. The services generally include a full range of services including portfolio monitoring. The hourly rate for limited scope engagements is \$500.

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## Asset Management

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, and interests in partnerships.

Assets are invested primarily in no-load or low-load mutual funds and exchange-traded funds, usually through brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. The Adviser does not receive any compensation, in any form, from fund companies.

Initial public offerings (IPOs) are not available through the Adviser.

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## Insurance Services

The Adviser does not offer any insurance products that are associated with an insurance company with which the Adviser has established a relationship. The management persons of the Adviser may offer such products. There is an inherent conflict of interest in providing these products as financial plans or investment management services which the Adviser also earns fees, may recommend the purchase of insurance products. The Adviser does not make any representation that these products are available at the lowest cost and similar products are available from other providers. The client is under no obligation to purchase insurance products from the Adviser. The Adviser mitigates this conflict by reviewing all insurance product sales versus the financial plan or investment policy statement of the client.

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### **Sub-Advisory Services**

The Adviser provides investment management services to individually managed funds offered by other advisers. The offering advisers delegate discretionary investment authority to the Adviser to research and select and monitor portfolio securities for each of the funds. Clients may have to purchase an insurance product or investment service of the offering adviser (or its affiliates) in order to gain access to the privately managed funds. The funds are offered through individual private placement memorandums unique to each client. The Adviser and/or its representatives may introduce clients to the offering adviser or its affiliates to purchase the access insurance or investment products but does not receive compensation other than the management fees per the terms of the sub-advisory agreement. Typically the annual fee pro-rated and paid quarterly, in advance, by the offering advisory firm based upon the market value of the assets on the last day of the previous quarter as determined in accordance with the method described in the advisory agreement between the offering adviser and its client. The offering adviser and the Adviser may mutually agree to a lower fee for a particular client of the offering adviser. When calculating the advisory fee, the first quarter will commence on the first calendar quarter after the effective date of the sub-advisory agreement. Fund investors may pay management fees (those paid to the Adviser and possibly additional fees to the offering adviser) and/or fund related expenses to the adviser offering the fund. See the private placement memorandum for a description of these fees and expenses, termination clauses, minimum investment amounts and any other requirements needed to invest in a particular fund. Typically the sub-advisory agreements are in effect until terminated by the offering advisory firm or the Adviser by written notice to the other. Some sub-advisory agreements require the Adviser to provide the offering advisory firm with sixty (60) days prior written notice.

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### **WRAP Program**

The Adviser does sponsor and administer its own wrap program. It might also provide investment advice on other wrap programs. Please see the Adviser's Wrap fee brochure for further details.

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### **Termination of Agreements**

A Client may terminate any of the aforementioned agreements at any time by notifying the Adviser in writing. Clients shall be charged pro rata for services provided through to the date of termination. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

The Adviser may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

The Adviser reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Adviser's judgment, to

providing proper financial advice. Any unused portion of fees collected in advance will be refunded.

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

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### **Investment Management**

The Adviser bases its fees on a percentage of assets under management, hourly charges, or fixed fees (not including subscription fees). Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination. The investment management fees are negotiable at the sole discretion of the Adviser.

The maximum annual advisory fee for money management is 2% of assets under management, per annum. All contracts will be reviewed for suitability.

Advisory fees are charged for ongoing services and based on assets under management. As described in other sections, the fee for this service is variable depending on the service provided, assets under management, and other factors. However, 2% of assets under management, per annum, is the maximum (0% being the unusual minimum)

Hourly consulting fees are charged in lieu of or in conjunction with advisory fees. These fees are used for one-time services, financial plans, or when a Client does not want to attach the fee to the assets in question. The fee is typically negotiated and invoiced after the service is provided to the Client. The set maximum is \$500 per hour.

Fixed fees refer to a Client account where the Client requests a fixed fee instead of an advisory fee. These fees may be on-going or for a one time one-time service. The fee is typically negotiated and invoiced after the service is provided to the Client (or period it is provided). As the fee is not a percentage of assets and negotiated based on services to be determined, there is no set minimum or maximum.

Referral fees could come from the selection of other advisers or receiving fees from other registered entities when business is referred to them. Typically, Adviser will receive a percentage of that adviser or entity's fee. In all cases, Adviser will disclose its relationship, how much it receives and what the payment schedule is to the Client.



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## **Financial Planning**

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The maximum fee is \$500.00 and is negotiable. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-on implementation work is billed separately at the rate of up to \$500.00 per hour.

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## **Fee Billing**

Investment management fees are billed quarterly, in advance, meaning that we invoice you before the three-month billing period has begun. Payment in full is expected upon invoice presentation. Fees are deducted from the client account to facilitate billing as authorized by the investment management agreement. Fees for financial plans are billed the lesser of half the agreed upon fee or \$1000.00 in advance, with the balance due upon delivery of the financial plan in some circumstances.

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## **Other Fees**

Unless the client portfolio account is in a wrap program, the client will likely incur fees from brokerages, custodians, administrators and other service providers. These fees are incurred as a result of managing a client account and are charged by the service provider. The amount and nature of these fees is based on the service provider's fee schedule(s) at the provider's sole discretion. These fees are separate and distinct from any fees charged by the Adviser.

The Adviser or the sub-advisors selected by the Adviser may include mutual funds, variable annuity products, ETFs, and other managed products or partnerships in clients' portfolios. Clients may be charged for the services by the providers/managers of these products in addition to the management fee paid to the Adviser. To the extent the client's separately managed portfolio includes such proprietary products; the Adviser will adjust the client's fee associated with the client's separately managed account. The fees and expenses charged by the product providers are separate and distinct from the management fee charged by the Adviser. These fees and expenses are described in each mutual fund's or underlying annuity fund's prospectus or in the offering memorandums of a partnership. These fees will generally include a management fee, other fund expenses and a possible distribution fee. No-load or load waived mutual funds may be used in client portfolios so there would be no initial or deferred sales charges; however, if a fund that imposes sales charges is selected, a client may pay an initial or deferred sales charge. A client could invest in a mutual

fund or variable annuity or investment partnership directly, without the services of the Adviser. Accordingly, the client should review both the fees charged by the funds and the applicable program fee charged by the Advisor to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

If it is determined that a client portfolio shall contain corporate debt or other types of over the counter securities, the client may pay a mark-up or mark-down or a “spread” to the broker or dealer on the other side of the transaction that is built into the purchase price of the security.

The Adviser may recommend a certain vendor that provides brokerage, administrative, custodial, other services for which it charges a fee to the client. Recommending clients use these services is a conflict of interest and the client may obtain these services from other providers at possibly a lower cost. The client may be obligated to purchase these services from the Adviser.

In some cases there may be fees charged which are a result of brokered trading activity by associated personnel of the Adviser that is outside of the constructs of the Adviser’s investment advisory portfolios and are thus not included in the management fee. These trades are generally at the request of the client the fees may vary in size depending on the nature of the client’s requests.

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### **Conflict of Interest between Different Fee Structures**

The Adviser offers several different services detailed in this brochure that compensate the Adviser differently depending on the service selected. There is a conflict of interest for the Adviser and its associated personnel to recommend the services that offer a higher level of compensation to the Firm through either higher management fees or reduced administrative expenses. The Adviser mitigates this conflict through its procedures to review client accounts relative to the client or investors personal financial situation to ensure the investment management service provided is appropriate. Further, the Adviser is committed to its obligation to ensure associated persons adhere to the Firm’s Code of Ethics and to ensure that the Firm and its associated persons fulfill their fiduciary duty to clients or investors.

### **Item 6 - Performance Fees**

Fees are not based on a share of the capital gains or capital appreciation of managed securities. However, the Adviser may employ certain types of investments that do charge a performance fee in which the Adviser does not participate. For these investments, refer to their offering or private placement memorandum for an explanation and amounts of the performance fees.

The Adviser does not use a performance-based fee structure.

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

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### **Description**

The Adviser generally provides investment advice to individuals, high net worth individuals, pension and profit sharing plans, trusts, charitable organizations, corporations or other business entities, or state or municipal government entities. Client relationships vary in scope and length of service.

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### **Account Minimums**

The Adviser has no stated account minimum.

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

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### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, cyclical analysis or other method based on the client's needs.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that the Adviser may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, Morningstar Workstation, custodian's research, and the World Wide Web.

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### **Investment Strategies**

Strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that the majority of our client's account will be invested in a group of core securities. Core securities will be used to expose clients to the most common asset classes, and will be assumed to be held for long time horizons, except for rebalancing. When properly allocated, core mutual funds and ETFs are appropriate for a wide range of investors. The satellite securities are included to tailor the core portfolio to the client's individual needs, as laid out in the IPS, or to take advantage of shorter-term tactical opportunities. Our clients will complete a risk assessment questionnaire for each account type. 20/20 Capital Management are adherents of Modern Portfolio Theory and that different markets

exhibit various degrees of efficiency. This means that we use passively-managed index and exchange-traded funds in more efficient markets, where alpha is increasingly difficult to achieve. Then add actively-managed where there are greater opportunities for a portfolio manager's expertise to provide value to our clients. Portfolios are globally diversified to control the risk associated with traditional markets.

The Adviser's strategies do not involve frequent trading.

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## **Market, Security and Regulatory Risks**

Any investment with the Adviser involves significant risk, including a complete loss of capital and conflicts of interest. All investment programs have certain risks that are borne by the investor which are described below:

### **Market Risks:**

Competition. The securities industry and the varied strategies and techniques to be engaged in by the Adviser are extremely competitive and each involves a degree of risk. The Adviser will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

Market Volatility. The profitability of the Adviser substantially depends upon it correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Adviser cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

Adviser's Investment Activities. The Adviser's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Adviser. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Adviser to realize profits.

Material Non-Public Information. By reason of their responsibilities in connection with other activities of the Adviser and/or its affiliates, certain principals or employees of the Adviser and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Adviser will not be free to act upon any such information. Due to these restrictions, the Adviser may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Accuracy of Public Information. The Adviser selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and sometimes

seeks independent corroboration when it's considered appropriate and reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

Investments in Undervalued Securities. The Adviser intends to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Adviser's investments may not adequately compensate for the business and financial risks assumed.

Small Companies. The Adviser may invest a portion of its assets in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations.

Leverage. When deemed appropriate by the Adviser and subject to applicable regulations, the Adviser may incur leverage in its investment program, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss.

Options and Other Derivative Instruments. The Adviser may invest, from time to time, in options and other derivative instruments, including, but not limited to, the buying and selling of puts and calls on some of the securities held by the Adviser. The prices of many derivative instruments, including many options and swaps, are highly volatile. The values of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Hedging Transactions. Investments in financial instruments such as forward contracts, options, commodities and interest rate swaps, caps and floors, other derivatives, and other investment techniques are commonly utilized by investment

funds to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates, interest rates and/or the equity markets or sectors thereof. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. The Adviser is not obligated to establish hedges for portfolio positions and may not do so.

Market or Interest Rate Risk. The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. If the Adviser holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Adviser's performance; however, if the Adviser has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Adviser.

Fixed Income Call Option Risk. Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Adviser is exposed to reinvestment rate risk – the Adviser will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Inflation Risk. Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Adviser purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, the Adviser is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security.

Investments in Non-U.S. Investments. From time to time, the Adviser may invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.

- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Foreign securities and other assets often trade in currencies other than the U.S. dollar, and the Adviser may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the Adviser's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Adviser's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Adviser's foreign currency holdings. If the Adviser enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Adviser enters forward contracts for the purpose of increasing return, it may sustain losses.
- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

Risk of Default or Bankruptcy of Third Parties. The Adviser may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, the Adviser could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid.

## Regulatory Risks:

Strategy Restrictions. Certain institutions may be restricted from directly utilizing investment strategies of the type in which the Adviser may engage. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel and accountants to determine what restrictions may apply and whether an investment in the Adviser is appropriate.

Trading Limitations. For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Adviser to loss. Also, such a suspension could render it impossible for the Adviser to liquidate positions and thereby expose the Adviser to potential losses.

Conflicts of Interest: In the administration of client accounts, portfolios and financial reporting, the Adviser faces inherent conflicts of interest which are described in this

brochure. Generally, the Adviser mitigates these conflicts through its Code of Ethics which provides that the client's interest is always held above that of the Firm and its associated persons.

Supervision of Trading Operations. The Adviser, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the portfolio accounts to ensure compliance with firm and client objectives. Despite the Adviser's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in portfolio accounts.

Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

### Security Specific Risks:

Liquidity: Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.

Currency: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Limited Liquidity of Interests. An investment in a partnership usually involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for these interests and no market should be expected to develop. Additionally, transfers are usually subject to the consent of the general partner at the general partner's sole discretion.

Lack of Registration: Funds or LP interests have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions.

Withdrawal of Capital: The ability to withdraw funds from the funds or LP interests is usually restricted in accordance with the withdrawal provisions contained in an Offering Memorandum. In addition, substantial withdrawals by investors within a short period of time could require a fund to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the fund's assets and/or disrupting the fund's investment strategy.

## **Item 9 – Disciplinary Information**

The firm nor its employees have been involved in legal or disciplinary events related to past or present investment clients.



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

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### **Brokerage Affiliations**

Associated persons of the Adviser are registered representatives of Ameritas Investment Corp, a broker-dealer.

Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

The Adviser nor any of its management persons have any relationship or arrangement that is material to its advisory business or to its clients.

The Adviser does not recommend or select other investment advisers.

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### **Affiliations**

Through its broker dealer operations/registered representatives, the Adviser performs trading services for the Adviser and its clients. The Adviser charges advisory clients ticket charges and other customary trading expenses, but does not charge a commission for trades placed on behalf of the Adviser's clients. However, clients of the Adviser are not required to use the brokerage services offered by the broker dealer associated with the Adviser. The Adviser does not make any representation that the brokerage services are at the lowest cost available and clients may be able to obtain those services and/or products at a more favorable rate from other brokerages.

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

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### **Code of Ethics**

The Adviser has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to the Adviser's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Adviser's Compliance Officer. Each supervised person of the Adviser receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code

of Ethics during that year. Clients and prospective clients may obtain a copy of the Adviser's Code of Ethics by contacting the Compliance Officer of the Adviser.

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### **Participation or Interest in Client Transactions**

Under the Adviser's Code of Ethics, the Adviser and its managers, members, officers and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. If an issue is purchased or sold for clients and any of the Adviser, managers, members, officers and employees on the same day purchase or sell the same security, either the clients and the Adviser, managers, members, officers or employees shall receive or pay the same price or the clients shall receive a more favorable price. The Adviser and its managers, members, officers and employee may also buy or sell specific securities for their own accounts based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

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### **Personal Trading**

The Chief Compliance Officer of the Adviser is Thomas Krueger. He reviews all employee trades each quarter (except for his/her own trading activity that is reviewed by another principal or officer of the Firm). The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## **Item 12 - Brokerage Practices**

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### **Brokerage Selection and Soft Dollars**

The Adviser has the authority over the selection of the broker to be used and the commission rates to be paid without obtaining specific client consent. The Adviser may recommend brokerage firms as qualified custodians and for trade execution.

In selecting brokers or dealers to execute transactions, Advisor will seek to achieve the best execution possible but this does not require it to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Advisor is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker which are included in the commission rate. Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; statistical and pricing services, as well as discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. It is the policy and practice of the Adviser to strive for the best price and execution for costs and discounts which are competitive

in relation to the value of the transaction and which comply with Section 28(e) of the Securities Exchange Act of 1934, as amended. Nevertheless, it is understood that the Adviser may pay compensation on a transaction in excess of the amount of compensation that another broker or dealer may charge so long as it is in compliance with Section 28(e), and the Adviser makes no warranty or representation regarding compensation paid on transactions. In negotiating mark-ups or mark-downs, the Adviser will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although the client may not, in any particular instance, be the sole direct or indirect beneficiary of the research services provided. The Adviser has no obligation to deal with any broker or group of brokers in executing transactions in portfolio securities.

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### **Order Aggregation**

The Adviser may purchase and/or sell the same security for many accounts, even though each Client account is individually managed. When possible, the Adviser may also aggregate the same transaction in the same securities for many Clients for whom the Adviser has discretion to direct brokerage. Clients in aggregated transactions each receive the same price per unit, although they may pay differing brokerage commissions depending upon the nature of their directed brokerage arrangement, if any.

If more than one price is paid for securities in an aggregated transaction, each client in the aggregated transaction will receive the average price paid for the block of securities in the same aggregated transaction for the day. If the Adviser is unable to fill an aggregated transaction completely, but receives a partial fill of the aggregated transaction, the Adviser will allocate the filled portion of the transaction to clients based on an equitable rotational system as follows:

- The Adviser must ensure that adequate and full disclosure of its allocation and bunching practices has been made prior to the transaction.
- All clients/investors, accounts or funds participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rata basis.
- Aggregate transactions must not be executed unless the intended and resultant aggregation is consistent with its duty to seek best execution and any terms found in the Adviser's written agreements.
- Aggregated orders filled in their entirety shall be allocated among clients/investors, accounts or funds in accordance with an allocation statement created prior to the execution of the transaction(s); partially filled orders shall be allocated pro-rata based on the allocation statement and the variance from the modeled allocation of a security. Where this method prescribes an odd-lot that is less than 100 shares for an account, the allocation will be rounded up to a whole lot. Client/investor funds held collectively for the purpose of completing the transaction may not be held in this commingled manner for any longer than is practical to settle the transaction.

- Each client/investor, account or fund that participates in an aggregated order will participate at the average share price for all the Adviser's transactions in that security on a given business day, with transaction costs shared pro-rata based on each client/investor's, account's or fund's participation in the transaction.
- Investments resulting from any aggregated order must be consistent with the specific investment objective(s) of each client/investor, account or fund as detailed in any written agreements. No additional compensation shall result from the proposed allocation. No Client/investor, account or fund will be favored over any other Client/investor, account or fund as a result of the allocation.
- Pre-allocation statement(s) specifying the participating Client/investor accounts and the proposed method to allocate the order among the clients/investors, accounts or funds are required prior to any allocated order. Basis for establishing pre-allocations may include pro-rata of account assets to assets for the specific strategy, executing broker and variance from modeled position holding as factors. Should the actual allocation differ from the allocation statement, such trade may only be settled with the approval of the CCO or another appropriately qualified and authorized principal of the Adviser.

In cases where the Client has negotiated the commission-rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the Client will be precluded from receiving the benefit of any, possible commission discounts that might otherwise be available a result of the aggregated trade.

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### **Directing Brokerage for Client Referrals**

The Adviser and its associated persons do not receive client referrals from broker dealers or third parties as consideration for selecting or recommending brokers for client accounts.

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### **Directed Brokerage**

The Adviser allows clients to direct brokerage but the Adviser does not require clients to direct brokerage. In the event that a client directs the Adviser to use a particular broker or dealer, the Adviser may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct the Adviser to use a particular broker or dealer and other clients who do not direct Advisor to use a particular broker or dealer which may result in higher trading expenses to the client who directs brokerage. The Adviser may place orders for transactions in certain securities initially only for those accounts which are held in custody at banks or at brokerage firms that permit the Adviser to place trades for accounts held in custody at

that firm with other brokerage firms. Therefore, accounts held in custody at firms which do not permit the Adviser to place transactions with other brokerage firms may not be able to participate in the initial transaction and may not be able to participate in the same gains or losses as other Clients whose accounts are not so restricted. In cases where trading or investment restrictions are placed on a Client's account, the Adviser may be precluded from aggregating that Client's transaction with other accounts which may result in less favorable security prices and/or higher transaction costs.

## **Item 13 - Review of Accounts**

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### **Periodic Reviews**

The CCO is primarily the account reviewer for of the firm. He is instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client. Client accounts are sampled using measures set by the CCO.

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### **Review Triggers**

Accounts are reviewed quarterly or more frequently when market conditions dictate. Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's financial or personal situation.

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### **Regular Reports**

Clients receive periodic reports on at least a quarterly basis. The written reports may include account valuation, performance stated in dollars and as a percent, net worth statement, portfolio statement, and a summary of objectives and progress towards meeting those objectives. Clients receive statements of account positions no less than quarterly from the account custodian.

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

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### **Incoming Client Referrals**

The Adviser receives client referrals which may come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

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### **Referrals to Third Parties**

The Adviser may receive certain benefits from recommended broker-dealer/custodians. These benefits do not depend on the amount of transactions we direct to the broker-dealer/custodian. These benefits may include: A dedicated trading

desk that services our clients, a dedicated service group and an account services manager dedicated to our accounts, access to a real time order matching system, ability to block client trades, electronic download of trades, balances and positions in the broker- dealer/custodian's portfolio management software, access to an electronic interface with broker- dealer/custodian's software, duplicate and batched client statements, confirmations and year-end summaries, and the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements.)

This compensation does not represent any additional fee or expense to the client or to the client's Program account, and does not relate to any particular transactions or investment made by the Adviser's clients with investment managers.

## **Item 15 - Custody**

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### **Custody Policy**

The Adviser does not accept or permit the Firm or its associated persons from obtaining custody of client assets including cash, securities, acting as trustee, provide bill paying service, have password access to control account activity or any other form of controlling client assets. All checks or wire transfer to fund client accounts are required to be made out to/sent to the account custodian.

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### **Account Statements**

All assets are held at qualified custodians and the custodians provide account statements not less than quarterly to clients at their address of record. Clients should carefully review such statements for any discrepancies or inaccuracies.

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### **Performance Reports**

Pursuant to recent amendments to Rule 206(4) under the Investment Advisers Act of 1940, the Securities and Exchange Commission now requires advisers to urge clients to compare the information set forth in their statement from the Adviser with the statements received directly from the custodian to ensure accuracy of all account transactions.

## **Item 16 - Investment Discretion**

The Adviser contracts for limited discretionary authority to transact portfolio securities accounts on behalf of clients. Discretionary authority is granted either by the Adviser's investment management agreement and/or by a separate limited power of attorney where such document is required. The Adviser has the authority to determine, without obtaining specific client consent, the securities to be bought or

sold, and the amount of the securities to be bought or sold. The firm's discretionary authority regarding investments may however be subject to certain limitations. These limitations are recognized as the restrictions and prohibitions placed by the Client on transactions in certain types of business or industries. All such restrictions are to be agreed upon in writing at the account's inception.

The Adviser will consult with the client where discretion is not obtained prior to each trade in order to obtain client approval for the transaction(s).

The client authorizes the discretion to select the custodian to be used and the commission rates paid to the Adviser. The Adviser does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

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

The Adviser will not vote nor advise clients how to vote proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. The Adviser does not give any advice or take any action with respect to the voting of these proxies. For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. The Adviser promptly passes along any proxy voting information to the clients or their representatives.

### **Item 18 - Financial Information**

The Adviser does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. The Adviser meets all net capital requirements that it is subject to and the Adviser has not been the subject of a bankruptcy petition in the last 10 years.

The Adviser is not required to provide a balance sheet as it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

### **Business Continuity Plan**

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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## **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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## **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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## **Summary of Business Continuity Plan**

A summary of the business continuity plan is available upon request to the Adviser's Chief Compliance Officer.

# **Information Security Program**

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## **Information Security**

The Adviser maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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## **Privacy Practices**

### **Privacy Policy**

Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is contained in your client advisory agreement and may be obtained by contacting the Compliance Officer of the Adviser.

The Adviser:

- a) Collects non-public personal information about its clients from the following sources:



- Information received from clients on applications or other forms;
  - Information about clients' transactions with the Adviser, its affiliates and others;
  - Information received from our correspondent clearing broker with respect to client accounts;
  - Medical information submitted as part of an insurance application for a traditional life or variable life policy; and
  - Information received from service bureaus or other third parties.
- b) The Adviser will not share such information with any affiliated or nonaffiliated third party except:
- When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
  - When required to maintain or service a customer account;
  - To resolve customer disputes or inquiries;
  - With persons acting in a fiduciary or representative capacity on behalf of the customer;
  - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;
  - In connection with a sale or merger of The Adviser's business;
  - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;
  - To comply with federal, state or local laws, rules and other applicable legal requirements;
  - In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;
  - In any circumstances with the customer's instruction or consent.
- c) Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.
- d) Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.