



# **Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure**

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**March 28, 2020**

## **Other Names Under Which Business is Conducted:**

360 Wealth Management, 360 Wealth Management Partners, 360 Wealth Planners LLC, Abacus Wealth Builders, Amplio Wealth Management, Barfield Wealth Management, Benge Financial Group, Castrinos Financial, CSB Wealth Management, Dallas Financial Planner, Don Hubbard Financial Services, Faubourg Private Wealth, Foundation Wealth Partners, Generations Financial Management, Hopper Financial Services, Lemoine and Associates, Lightforce Financial, Maven Wealth Consulting, LLC, Maverick Wealth Management, McLemore Financial Group, Mergent Group, Musso Retirement Advisors, Napa Valley Financial, Orion Wealth Management, Parsons Wealth Management, RLBrown Financial, Ridgemark Financial, Simmons Wealth Management, Team 360 Wealth Management, The Aero Advisor, The Texas Money Manager, True Wealth Management, Valtrum, and Values First Planning.

## **Firm Contact: Sarah Pais, Chief Officer of Compliance and Operations**

This Form ADV Part 2A Appendix 1, or the "Wrap Fee Program Brochure" or "Brochure," provides information about the qualifications and business practices of Advisor Resource Council. If you have any questions about the contents of this Brochure, please contact us by telephone at (972) 421-1360 or by e-mail at [RIACompliance@thearcfirm.com](mailto:RIACompliance@thearcfirm.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State securities authority.

Additional information about Advisor Resource Council also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov), using our unique identifier, CRD # 164109.

Please note that the use of the term "registered investment advisor" and description of Advisor Resource Council and/or our investment advisor representatives as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure, and Form ADV Part 2B, or the "Brochure Supplement," for each of our firm's advisors who provides you with advice or manages your account.

## **Item 2: Summary of Material Changes**

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In this Item, we are required to provide any material changes that have been made to our wrap fee program since our last annual amendment filing, dated March 28, 2019.

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

- We have changed the name of our organization; we now do business under the name “Advisor Resource Council” or “ARC.” Other names under which our business may be conducted are listed on the cover page of this Brochure.
- The ownership of our organization has changed. Our current owners and their equity interests are listed in Item 4, under the heading “Information about the Firm.”
- Our Chief Compliance Officer is now Sarah Pais.
- We now offer clients four actively managed investment strategies in the form of separately managed accounts. A description of each may be found in Item 4, in the Section “Advisory Services,” under the heading “Asset Management.”

### **Full Brochure Available**

Our ADV may be requested at any time, without charge by contacting Sarah Pais, Chief Officer of Compliance and Operations at (972) 421-1360 or [RIACompliance@thearcfirm.com](mailto:RIACompliance@thearcfirm.com).

### **Item 3: Table of Contents**

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<b>Item 2: Summary of Material Changes.....</b>	<b>2</b>
<b>Item 3: Table of Contents .....</b>	<b>3</b>
<b>Item 4: Services, Fees and Compensation .....</b>	<b>4</b>
<b>Item 5: Account Requirements and Types of Clients .....</b>	<b>8</b>
<b>Item 6: Portfolio Manager Selection and Evaluation .....</b>	<b>9</b>
<b>Item 7: Client Information Provided to Portfolio Managers.....</b>	<b>16</b>
<b>Item 8: Client Contact with Portfolio Managers .....</b>	<b>16</b>
<b>Item 9: Additional Information.....</b>	<b>16</b>

## **Item 4: Services, Fees and Compensation**

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Advisor Resource Council, or the “Firm,” “we,” “us” or “our,” is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended.

This Wrap Fee Program Brochure, or Brochure, provides more information about our wrap fee program. More detailed information about the other types of investment advisory and consulting services we provide may be found in our Form ADV Part 2A Brochure, which may be requested at any time, without charge, by contacting Sarah Pais, Chief Officer of Compliance and Operations at (972) 421- 1360 or [RIACompliance@thearcfirm.com](mailto:RIACompliance@thearcfirm.com).

### **Portfolio Management Services**

Our wrap fee program is an investment advisory program that “wraps” or “bundles” services together. Sometimes we refer to this program as “strategic wealth management,” or SWM. Participation in a wrap fee program may be appropriate for clients who desire the benefit of an ongoing advisory relationship, are interested in discretionary asset management, intend to actively engage in buy and sell investment strategies (whether discretionary or nondiscretionary) or who do not intend to maintain substantial positions in cash or cash equivalents. This section of the Brochure describes the general structure and operation of our program.

#### **Wrap Accounts and Portfolio Managers**

As part of our wrap fee program, we create individual accounts, called “wrap accounts,” which are individually-managed investment portfolios that may consist of individual stocks or bonds, mutual funds, exchange traded funds (“ETFs”), options, unit investment trusts, alternative investments and other public or private securities or investments.

Usually, wrap accounts are managed by our individual investment advisor representatives, or “IARs,” who act as discretionary portfolio managers. Alternatively, clients may elect to manage the assets held in their wrap account or impose reasonable limits on the discretion exercised by their advisor.

More information about the services provided by IARs under our wrap fee program may be found below in Item 6, “Portfolio Manager Selection and Evaluation.” Specific information about each IAR who is providing advisory services through our wrap fee program may be obtained in the Brochure Supplement for the IAR, Form ADV Part 2B, which will be provided before or at the time of engagement. Each IAR has different licenses and training and has attained different educational levels. Clients should carefully review the applicable Brochure Supplement before an IAR is engaged.

#### **Custody**

We do not hold or custody client securities and other funds. When we establish a wrap account, we ordinarily designate a qualified custodian to custody the securities and other property held in the account, or our clients may instead designate another custodian that is acceptable to us.

#### **Program Services**

At the onset of each relationship, the client and the client's IAR agree upon the services that we will provide, which may include some or all of the following:

- Access to a designated IAR, who will oversee the wrap account;
- Determining the client's particular investment strategy and investment goals, based on a client profile and other information we obtain when the wrap account is first established;
- Determining any restrictions or limits that will be placed on the management of the wrap account; while we attempt to accommodate each client, the restrictions and limits must be reasonable and not unduly burdensome;
- Access to discretionary portfolio management, including portfolio monitoring and rebalancing, provided at the frequency we agree upon with each client;
- Periodic performance reviews, annually or at more frequent intervals, as requested by our client;
- Custody of assets;
- Execution of transactions; and
- Delivery of required documents, such as mutual fund prospectuses.

## **Fees**

Clients who participate in our wrap fee program may elect one of two fee arrangements, either:

- An asset-based conventional wrap or "bundled" fee, which includes fees for investment advice, discretionary management, as applicable, transaction expenses and other wrap fee program services; or
- An asset-based management fee, which includes fees for investment advice and discretionary management, as applicable, and other wrap fee program services, but excludes the cost of certain transaction-based charges, which are separately billed:

### **Asset-Based Fees**

Regardless of the fee arrangement selected, each client will pay an asset-based fee, calculated as either a percentage of assets or a flat fee based on the size of assets under management. Our maximum asset-based fees are negotiable under appropriate circumstances. When we negotiate fees, we may consider factors such as the fees that our client has paid to a competitor for similar services, the totality of our relationship with the client, the potential for future business, the complexity of the client's investment strategy, the degree to which we provide discretionary asset management, and whether the client will be responsible for transaction-based charges.

Our maximum asset-based fees are below; more information about our billing procedures and practices may be found in our Form ADV Part 2A Brochure, Item 5, "Fees and Compensation," in the Section titled "Calculation and Payment of Fees."

<b>PERCENTAGE OF ASSETS UNDER MANAGEMENT*</b>	
<b>Assets Under Management</b>	<b>Maximum Annual Wrap Fee</b>
\$0 to \$499,999	2.75%
\$500,000 to \$999,999	2.50%
\$1,000,000 to \$1,999,999	2.25%
\$2,000,000 to \$4,999,999	2.00%
Over \$5,000,000	1.75%

\*Fees are prorated and billed quarterly in advance, based on the value of each client's account on the last day of the previous quarter.

<b>FLAT ANNUAL FEE*</b>	
<b>Assets Under Management</b>	<b>Maximum Annual Wrap Fee</b>
\$0 to \$499,999	\$13,750
\$500,000 to \$999,999	\$25,000
\$1,000,000 to \$1,999,999	\$45,000
\$2,000,000 to \$4,999,999	\$100,000
Over \$5,000,000	Maximum of \$100,000 for each \$5,000,000 increment

\*Fees are billed in arrears, quarterly, semi-annually or annually.

Asset-based fees are deducted from each client's wrap account and directly remitted to us. When a wrap account is established, each client determines the method for calculating the wrap fee, authorizes the deduction of fees from the account, and directs the custodian to deduct and remit fees to us. Each client receives a quarterly statement from the custodian that reflects all amounts disbursed from the account, including the amount of our fee.

### **Additional Transaction-Based Charges**

Clients electing the asset-based management accounts agree to pay transaction-based charges, in addition to our asset-based fee. Transaction-based charges vary based upon the type of security that is purchased, sold or exchanged. Charges are currently between \$0 and \$26.50 for mutual fund transactions and \$9.00 for ETF transactions. Actual charges may depend upon the fees that the qualified custodian receives from the mutual fund or ETF that is purchased, sold or exchanged and whether the sponsor of the fund participates in the qualified custodian's transaction fee network, which generally reduces the transaction fees that are charged. If a fund participating in the network is purchased, the fund's sponsor directs a payment to the qualified custodian, which is used to defray transaction charges that are incurred. When a fund participating in the network is sold, the qualified custodian waives the

transaction charge. Clients with asset-based management accounts authorize the qualified custodian to deduct these transaction-based charges directly from their accounts and will receive quarterly custodial statements that reflect these charges.

### **Comparing Fee Arrangements**

Before deciding to participate in our wrap fee program, clients should evaluate our fees and expenses. The same or similar services may be available from other advisors for a lower fee. Fees associated with our wrap fee program may be more or less costly than the fees charged separately for each service provided through our wrap fee program, such as fees for investment advice and costs associated with trading activity. Clients should consider the need for ongoing investment advice, the number of transactions that are likely to be executed, whether buy and hold investment strategies will be used, the need to hold cash balances and similar factors before deciding to participate in our wrap fee program.

When deciding between our fee arrangements, clients should consider the following:

- Clients who elect an asset-based conventional wrap and pay a conventional wrap fee, with no transaction-based charges, should understand that the wrap account's transaction charges will be allocated to the client's IAR. While these charges may be less than conventional brokerage costs, they may be a factor when an advisor decides which securities or mutual funds to purchase or sell and whether to place transactions for the account. Clients should also consider that these conflicts may have an impact on the investment performance of their account.
- Clients who elect an asset-based management account and pay a wrap fee and transaction-based charges should consider the number of transactions that are anticipated. More information about the Firm's relationship with the approved custodian may be found below in Item 9, "Additional Information," under the heading "Other Financial Industry Activities and Affiliations."

### **Additional Costs and Expenses**

All clients who participate in our wrap fee program, regardless of the fee arrangement selected, should expect to pay additional expenses charged by third parties, including the following:

Clients remain responsible for custodial and similar fees and costs customarily associated with the maintenance of a brokerage account.

- Clients will be charged internal expenses associated with investment products such as mutual funds and ETFs, including investment management and 12b-1 fees. These internal expenses are typically calculated as a percentage of the fund's assets under management. Some of these fees are retained by the product issuers, and some are paid to third parties for services such as the maintenance of shareholder accounts and the distribution of prospectuses and similar items. More information about specific expenses charged by a fund or ETF may be found in the applicable prospectus. Because these expenses are directly deducted from a fund's assets, they have the effect of reducing the performance of the investment.

- Products, primarily mutual funds, may have multiple share classes, each class with a different fee and compensation structure, which may include deferred sales charges. Charges for internal expenses may also differ among share classes, including investment management fees and 12b-1 fees. Mutual fund shares acquired in a wrap account may be subject to these fees and expenses, and we may acquire shares in a class other than those designated specifically for advisory or institutional accounts. Clients should not assume that the share class with the lowest fees and costs will be acquired.
- Other types of charges and expenses may be incurred under our wrap fee program, including mark-ups and mark-downs, odd-lot differentials, spreads paid to market makers from whom securities were obtained, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage and securities transactions.

### **Mutual Fund Share Classes**

As explained above, mutual funds generally offer multiple share classes, with each class subject to certain eligibility or purchase requirements (such as minimum investments or participation in an investment advisory program) and different expense ratios and costs. In some circumstances, our advisors may receive additional compensation from a mutual fund based on the share class that is acquired. When designating a share class for purchase, our advisors typically evaluate factors such as the amount of any asset-based advisory fee that is paid by a client or account, whether the purchase or sale of the fund is subject to transaction charges, operational considerations related to a fund or share class (such as access to a particular class through a custodian), and the availability of revenue sharing, distribution fees, shareholder servicing fees and similar items.

The Firm and our IARs may have a financial incentive to recommend or select a share class that results in the payment of additional compensation. The Firm has taken steps to minimize this conflict by providing IARs with guidance and by conducting periodic reviews of client accounts to ensure the appropriateness of share class holdings. Regardless of these actions, our clients should not assume that the share class with the lowest expense ratio or charges will be acquired.

### **Compensation Paid to our Investment Advisor Representatives**

Our IARs receive a portion of the wrap fee that is paid to the Firm, either directly as a percentage of the fee or indirectly in the form of salary paid by the Firm. If an IAR is directly paid a percentage of the wrap fee, the advisor may earn more compensation through the wrap fee program than would be paid in another type of advisory arrangement, and clients may pay more under our wrap fee program than would be charged separately for advice and transactions. Clients should be aware that the potential for increased compensation may create an incentive to recommend the wrap fee program over other types of transaction-based accounts.

## **Item 5: Account Requirements and Types of Clients**

The following types of clients may participate in our wrap fee program:



- Individuals, including high net worth individuals;
- Retirement plans, such as 401(k), pension and profit-sharing plans;
- Charitable organizations; and
- Business enterprises, including corporations, limited liability companies, and partnerships.

We do not impose minimum requirements for participating in our program.

## **Item 6: Portfolio Manager Selection and Evaluation**

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### **Third Party Managers**

The Firm does not use third party portfolio managers in connection with our wrap fee program. All discretionary wrap accounts are managed by one of our investment advisor representatives, who is designated by the client when a wrap account is established. Clients may also elect to establish nondiscretionary wrap accounts (meaning that our IAR will oversee the wrap account and act as instructed by the client).

### **Investment Advisor Representatives**

The Firm does not select or otherwise limit the IARs who may participate in our wrap fee program. Each advisor has an individual asset management philosophy and strategy. Each advisor possesses the discretion to negotiate fees (subject to the maximums described above in Item 4, “Services, Fees, and Compensation,” in the Section titled “Fees”). Clients should be aware that our advisors have completed different levels of education and have acquired different designations and licenses. More information about each IAR may be found in the Brochure Supplement for the IAR, Form ADV Part 2B, which will be provided by the IAR before or at the time the IAR is engaged.

Clients may change a previously-selected IAR or obtain information about additional advisors by contacting the Firm at (972) 421-1360 or by e-mail at [RIACompliance@thearcfirm.com](mailto:RIACompliance@thearcfirm.com). We will provide a list of advisors based on client preferences such as location, education and licensure, and the ability of each advisor to accept new business.

### **Advisory Business**

This section of the Brochure is intended to provide more information about our advisory services, including the investment analysis and strategies commonly used by our individual advisor representatives. The following information is general; clients should consult their individual advisor for a complete understanding of the advisor’s particular investment strategy and the risks associated with the strategy.

#### **Other Advisory Services**

In addition to the wrap fee program described in this Brochure, we offer the following types of advisory services:

- Asset management on a discretionary basis;
- Asset management on a nondiscretionary basis;
- Financial planning and consulting;
- Retirement plan consulting; and

- Referrals to third party money managers, including referrals to LPL Financial, LLC.

More detailed information about each of these advisory services may be found in our Form ADV, Part 2, which can be obtained by contacting us by telephone at (972) 421-1360 or by e-mail at [RIACompliance@thearcfirm.com](mailto:RIACompliance@thearcfirm.com).

Our advisory services, including our wrap fee program, do not involve the sale of insurance, financial planning, legal or accounting advice, although some of our IARs are licensed to sell insurance and may recommend the purchase of insurance.

### **Individual Advice; Restrictions on Investing**

All of our advice is based upon a client's individual needs, which we identify at the onset of each relationship using, as appropriate, client questionnaires and profiles, a review of existing investments and financial status, and other means. We review each client's investment profile at least as frequently as annually and modify our advice as appropriate.

When we provide advisory services, we construct individual investment portfolios that may consist of individual stocks or bonds, mutual funds, ETFs, options, unit investment trusts, alternative investments and other public and private securities or investments. Portfolios are based upon information we receive from each client and the investment philosophy of each IAR. The considerations and process used by an IAR are substantially the same whether or not the client is participating in our wrap fee program.

In our wrap fee program and all of our advisory accounts, each client may impose limits and restrictions on the types of investments that are acquired or held in the account. These restrictions must be reasonable and practicable and permit us to manage the account without undue difficulty.

### **Performance-Based Fees and Side-by-Side Management**

"Performance-based fees" are fees based on the capital gains or capital appreciation in an account. We do not charge performance-based fees. "Side-by-side management" refers to the practice of managing both accounts that are charged a performance-based fee and accounts that are charged other types of fees, such as asset based fees and hourly fees. Because we do not charge performance-based fees, we do not engage in side-by-side management.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

As explained above, wrap accounts that are subject to our discretion will be managed by an IAR who uses methods of analysis and investment strategies that may be the same as or different from the analysis and strategies used by other advisors. Before selecting an advisor, each client should obtain specific information about the investment analysis and strategies used by a particular advisor and consider the risk of loss associated with the advisor's strategies. Below is general information about the analysis and strategies that may be used by our advisors and the risk of loss associated with various types of investments.

#### **Methods of Analysis**

Our advisors may use any or all of the four methods of analysis described below to evaluate securities.

**Charting:** Charting refers to a review of charts of market and security activity in an attempt to identify when the market may be moving up or down, to predict when or how long the trend may last, and to estimate when that trend might reverse.

**Fundamental Analysis:** Fundamental analysis is used to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements, which may present a potential risk since the price of a security may move up or down with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis:** Technical analysis involves the study of past market movements and is intended to recognize recurring patterns of investor behavior and to predict future price movement. Technical analysis does not consider the intrinsic value of a security, which may present a risk since a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis:** Cyclical analysis is used to measure the movement of a particular stock against the overall market in an attempt to predict the price movement of the security.

## Investment Strategies

Our advisors may use any or all of the following strategies to manage wrap accounts, provided that the strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, time horizons, investment restrictions, and other considerations.

**Long-Term and Short-Term Purchases:** An advisor may purchase securities to hold for a relatively long time (typically for more than one year). Risks associated with a long-term purchase strategy include loss of short-term gains that could be profitable to a client or that a security may decline sharply in value before we make the decision to sell. An advisor may also purchase securities with the idea of selling them within a relatively short time (typically one year or less), attempting to take advantage of conditions that may soon result in a price swing.

**Margin Transactions:** This term refers to the practice of purchasing stocks with money borrowed from a brokerage account. This allows the purchase of more stock than could be purchased with available cash and the purchase of stock without selling other holdings. Margin transactions include a risk that any loss will be magnified or that margin calls will occur if the securities pledged to collateralize the margin loans decline in value.

**Option Writing:** Options may be used as an investment strategy. An option is a contract that provides the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, like a stock or bond, is a security. An option is also considered a derivative, because it derives its value from the underlying stock or other asset. There are two types of options:

- A “call” is the right to buy an asset at a certain price within a specific period of time. Calls are used if an advisor believes that the underlying stock will increase substantially before the option expires.
- A “put” is the right to sell an asset at a certain price within a specific period of time. Puts are used if an advisor believes that the price of the underlying stock will fall before the option expires.

An advisor may use options to:

- “Hedge” the purchase of an underlying security; hedging occurs because the option limits the potential upside and downside of the security.
- Write “covered calls,” which are options written on a security owned by an account. In this strategy, an account receives a fee for selling an option covering a security that it owns, and the person purchasing the option has the right to buy the security at a specified price during a specified period.
- Implement a “spreading strategy,” in which two or more option contracts (a put and a call) cover the same underlying security. This strategy is a type hedge or “collar” that affects the terms of purchase or sale by varying price, time and other factors.

## **Risk of Loss**

**All investing involves a risk of loss that clients should be prepared to bear, including the risk that the entire amount invested may be lost.**

Any investment strategy could lose money over short or long periods of time. There can be no assurance that any investment strategy will succeed or achieve the investment objectives established by a client or yield positive results. Some of the risks associated with various types of securities and strategies are summarized below. When establishing an investment objective for a wrap account, or placing limitations on the investment of the account, each client should understand the types of investments commonly used by the advisor and the risks associated with those investments.

**Risk Associated with Debt Obligations:** In addition to the risks generally applicable to an investment in securities, an investment in debt obligations and instruments may be further subject to some unique risks:

- If debt obligations are downgraded by ratings agencies, go into default or if management, legislation or other action reduces the issuer's ability to pay principal and interest when due, the value of debt obligations may decline. Because the ability to pay principal and interest when due is typically less certain for an issuer of lower-rated or unrated obligations (including "junk" or "high yield" bonds), when compared to an issuer of higher-rated obligations, lower-rated and unrated obligations are generally more vulnerable to default, ratings downgrades, and liquidity risk.
- Political risk may adversely affect governmental issues, in addition to risks associated with the economy and similar factors.
- When interest rates increase, the value of interest-bearing investments may decline. This effect is typically more pronounced for intermediate and long-term obligations and for mortgage and other asset-backed securities.
- When interest rates decrease, current income may decline.
- Decreases in interest rates may result in the prepayment of debt obligations and may result in reinvestment at lower rates.

**Derivatives Risk:** Investments in derivatives involve risks associated with the securities or other assets underlying the derivatives, as well as risks that are different or greater than the risks affecting the underlying assets. Risk unassociated with the underlying assets include the inability or unwillingness of the counterparty to perform its obligations, inability or delay in selling or closing positions, and difficulties in valuation.

**Foreign Investment Risk:** Investments in the securities of foreign issuers may involve risks including adverse fluctuations in currency exchange rates, political instability, confiscations, taxes or restrictions on currency exchange, liquidity risk, and reduced legal protection. These risks may be more pronounced for investments in developing or emerging countries.

**Liquidity Risk:** Due to a lack of demand or other factors, there may be no market for particular investments. In that event, sales may not occur in a timely manner, if at all, or sales may be made at less than desired prices.

**Management Risk:** Wrap accounts are usually actively managed portfolios, the value of which may decrease if an advisor pursues unsuccessful investment strategies or fails to correctly identify risks affecting the broad economy or specific issues owned by the accounts.

**Market and Economic Risk:** An account's value may decline due to changes in general economic and market conditions. The value of a security may change in response to developments affecting entire economies, markets or industries, including changes in interest rates, political and legal developments, and general market volatility.

**Risks Affecting Specific Issuers:** The value of an equity security or debt obligation may decline in response to developments affecting the issuer of the security or obligation, even if the overall industry or economy is unaffected, such as management issues, corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.

**Smaller Company Risk:** Investments in smaller companies may involve additional risks attributable to limited product lines, limited access to markets and financial resources, greater vulnerability to competition and changes in markets, lack of management depth, increased volatility in share price, and possible difficulties in valuing or selling the investments.

**ETF Risk:** In addition to the investment risks generally applicable to all securities, investment in an exchange-traded fund, or ETF, may involve unique risks: ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV (net asset value), which is calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. Certain market inefficiencies may cause the shares to trade at a premium or discount to NAV.

- An ETF redeems shares that are aggregated as creation units (usually 20,000 shares or more). If a liquid secondary market ceases to exist, shares may not be sold (redeemed), or the value of the shares may decline.

**Master Limited Partnerships (MLPs) Risks:** MLPs are collective investment vehicles publicly traded on national securities exchanges. MLPs invest primarily in companies in the energy sector or in natural resource production and mineral refinement. MLPs are subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other factors. In addition, MLPs operate as pass-through tax entities, meaning that investors may be liable for their pro rata share of the partnership's items of gain and loss, regardless of the types of accounts where the interests are held.

**Real Estate and Real Estate Investment Trusts (REITs) Risks:** An advisor may allocate assets among various real estate investment trusts ("REITs"), the shares of which may be publicly traded or privately placed. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold concentrations of investments tied to commercial and/or residential developments, which inherently subject investors to risk associated with a downturn in the real estate market. Real estate investments concentrated in particular geographic regions that experience volatility may experience fluctuations in value. Mortgage related holdings may give rise to additional concerns related to interest rates, inflation, liquidity and counterparty risk.

It is not possible to list all risks associated with each class of securities or assets or each market sector. Clients should consult their IAR for more information about specific risks that may be associated with the advisor's investment strategy.

**Voting Client Securities**

The Firm does not and will not accept the proxy authority to vote securities. Clients in our wrap fee program are responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client are voted and for making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to the Firm, we forward them to our clients and request that further solicitations be sent directly to the client.

## **Item 7: Client Information Provided to Portfolio Managers**

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Each client's financial history and personal information, such as social security numbers, identify verification information, and account numbers, are obtained and used as necessary to manage and administer the wrap account. This information is held by the Firm and communicated to third parties, such as a custodian or broker/dealer, only as necessary to administer the account. Non-public information will not be disclosed to any third party, unless required by law or to provide services that have been requested or are necessary for the administration of the account.

A client may update information at any time by contacting the IAR for the wrap account. At least as frequently as annually, the IAR will offer to meet with each client, whether in person or via telephone, to update personal information, to review the wrap account, and to determine if the management of the account remains suitable for the client's current financial situation. If a client's financial situation or investment goals or objectives change, the client should promptly notify the advisor.

## **Item 8: Client Contact with Portfolio Managers**

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As explained above, our wrap fee program does not involve third party portfolio managers. Clients are encouraged to contact the IAR who is assigned to the wrap account at any time, without restriction.

## **Item 9: Additional Information**

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### **Disciplinary Information (Form ADV Part 2A Item – 9)**

The Firm is required to disclose legal or disciplinary events that would be material to a client's evaluation of our ability to provide investment advisory services. Neither the Firm nor its investment advisor representatives have been involved in any legal or disciplinary events related to past or present matters.

### **Other Financial Industry Activities and Affiliations (Form ADV Part 2A Item – 10)**

#### **Broker/Dealer and Registered Representatives**

The Firm is not registered as a broker-dealer. Some of our investment advisor representatives are registered as registered representatives of LPL, an unaffiliated SEC registered broker-dealer and FINRA member, and some of our advisors may not be registered representatives.

### **Material Relationships**

#### **Relationships with LPL**

As described above in Item 5, "Fees and Compensation," in the Section "Compensation for the Sale of Securities and Similar Items," our IARs may sell securities through LPL and receive normal and customary commissions and other types of compensation, including mutual fund 12b-1 fees or variable annuity trails. The potential for receipt of commissions and other compensation may give our IARs an incentive to recommend investment products based on compensation, rather than needs, and may create a conflict of interest.



We address this conflict by ensuring that our clients' interests are always considered ahead of personal gain.

As explained above in Item 5, "Fees and Compensation," in the Section "Investment Advisory Services," under the heading "Fees Charged by Third Party Money Managers," when our clients engage LPL, we receive a portion of the fees paid to LPL by our clients. We believe that these relationships do not create a conflict of interest since our clients pay no more than would be charged for participation in an LPL advisory program absent our referral.

While LPL does not participate in, or influence the formulation of, the investment advice we provide, certain of our supervised persons are "dually registered persons." Dually registered persons are registered representatives with LPL who also serve as our investment advisor representatives. These persons are restricted by FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions through a broker-dealer or custodian that is not approved by LPL. As a result, the use of trading platforms other than LPL must be approved not only by us, but also by LPL.

As explained below in Item 14, "Client Referrals and Other Compensation," in the Section "Transition Assistance Benefits Provided by LPL to Dually Registered Persons," some of our IARs who are dually registered persons may receive monetary payments and other forms of consideration from LPL as transition assistance. Clients should review an advisor's Brochure Supplement to determine whether assistance is provided and the potential for conflicts of interest that may arise from the assistance.

Clients should also understand that LPL is responsible under FINRA rules for supervising certain business activities of the Firm and the trading activity of our dually registered persons that is conducted through broker-dealers and custodians other than LPL. LPL charges a fee for its oversight and supervision. This arrangement may present a conflict of interest because we may have a financial incentive to avoid the oversight fee by recommending that accounts be maintained with LPL, rather than with another broker-dealer or custodian.

### **Insurance Company or Agency**

The Firm owns a majority position in ARC Insurance Ventures (ARC IV), an insurance agency selling life and health insurance, which also provides merchant services. ARC IV owns 50% of ARC Insurance Consultants, an insurance agency selling property and casualty insurance.

### **Insurance**

Many IARs are licensed insurance agents or brokers. In such capacity, they may offer fixed and variable life insurance products and receive normal and customary commissions as a result of any purchase. We also own interests in two insurance brokerage businesses. In the course of providing advisory services, our IARs may recommend the purchase of insurance products from these related entities and may use any insurance agent or broker they choose. Other insurance agencies may offer similar products that cost more or less. Clients should obtain quotes from more than one insurance professional before any purchase is made or authorized.

Insurance compensation, including commissions and trails, is separate from any investment advisory fee charged by the Firm. The potential for receipt of commissions and other compensation when acting as an insurance agent may provide an incentive to recommend insurance products based on the compensation received, rather than on a client's needs.

### **Other IAR Considerations**

Many of our investment advisor representatives are independent contractors and conduct or engage in other businesses, such as other advisory programs. Some of our IARs are advisory representatives of LPL's registered investment advisor and may offer advisory programs sponsored and/or offered by LPL. Fees for programs offered through us, as compared to LPL, may be higher or lower.

Our IARs generally provide services in an advisory capacity. In certain cases, this may present a conflict of interest. In an advisory account, a client is provided with ongoing investment advice, and we receive an ongoing advisory fee for that service. If a client intends to follow a buy and hold strategy or does not wish to purchase ongoing investment advice or management services, an advisory account may not be appropriate.

## **Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading (Form ADV Part 2A Item – 11)**

### **Code of Ethics**

We have a duty to exercise our authority and responsibility for the benefit of our clients, to place the interests of our clients first, and to refrain from having outside interests that conflict with the interests of our clients. We and our employees avoid any circumstances that might adversely affect, or appear to affect, our duty of loyalty. We have adopted a Code of Ethics (the "Code"); the Code's key provisions include:

- Statement of general principles;
- Policy on and reporting of personal securities transactions;
- A prohibition on insider trading;
- Restrictions on the acceptance of significant gifts;
- Procedures to detect and deter misconduct and violations; and
- Requirement to maintain confidentiality of client information.

Our employees must acknowledge the terms of the Code at least annually. Any individual not in compliance with the Code may be subject to termination. We will provide a copy of our Code upon request.

### **Participation or Interest in Client Transactions and Principal/Agency Cross Trades**

We do not recommend any securities to our clients in which we have a material financial interest.

"Cross trading" refers to the practice of buying and selling securities between advisory accounts or between us (acting as principal or agent) and advisory accounts, rather than

buying and selling securities in the market. We do not engage in principal or agency cross trading and we do not cross trade between client accounts.

### **Personal Trading Practices**

Both the Firm and our employees may invest in the same securities at the same time as the securities we recommend to our clients. Since we are not a market maker for any security, we do not consider this practice to conflict with the interests of our clients.

### **Review of Accounts (Form ADV Part 2A Item – 13)**

Generally, we review accounts at least annually. The nature of our review is to determine whether each client's account remains invested in a manner consistent with the client's investment objectives and is appropriately positioned based on our analysis of market conditions and other factors. Only investment advisor representatives and portfolio managers conduct reviews. We may review client accounts more frequently, based on major market or economic events, a client's life events or at a client's specific request. Our advisory clients receive periodic reports in the form of quarterly statements from their custodian; we do not separately provide written periodic reports.

Financial planning clients do not receive reviews of their written plans unless they schedule a financial consultation with us, or they have contracted with us for periodic review. We may also meet as requested to update financial plans and discuss changes in circumstances and similar factors. Financial planning clients who have contracted with us for a post-financial plan meeting or an update to their initial written financial plan will receive a written plan or update.

Retirement plan consulting clients receive periodic reviews of their investment policies and designated investment options for the duration of our consulting service, annually or at the frequency requested by the client. We also provide additional services upon request, for items such as vendor reviews, fee review and benchmarking, and updates to plan document provisions. Retirement plan consulting clients receive written reports, at the frequency requested.

### **Client Referrals and Other Compensation (Form ADV Part 2A Item – 14)**

#### **Other Compensation for Advisory Services**

We may receive compensation or economic benefits from others when we provide advisory services to our clients. This section describes the arrangements related to services that may be provided under our wrap fee program resulting in the payment of additional compensation to us or to our investment advisor representatives.

**Non-Soft Dollar Compensation:** The Firm has received non-soft dollar compensation from TD Ameritrade in the form of the first year of use of Orion Advisor Services software. The Firm may also receive certain non-soft dollar compensation, primarily in the form of in-kind or discounted benefits from LPL or mutual funds, which we use to better monitor and service all of our client accounts, including our wrap accounts. The products and services we receive are as a result of our overall relationship with LPL (or a particular mutual fund). While as a fiduciary we endeavor to act in our clients' best interests, the receipt of these products and services may create a conflict of interest. Our recommendation of LPL (or a particular mutual fund) may be based, in part, on the products and services we receive and not solely on the nature, cost or quality of the custody or brokerage services provided.

**Transition Assistance Benefits Provided by LPL to Dually Registered Persons:** A “dually registered person” is person who is a registered representative with LPL, a broker/dealer, and also acts as an investment advisor representative for us. LPL provides various benefits and payments to dually registered persons that are new to the LPL platform, primarily to assist with the costs (including foregone revenues during transition) associated with transitioning to the LPL platform. Transition assistance is intended to be used for a variety of purposes, including to provide working capital, to satisfy outstanding indebtedness owed to a prior firm, to offset account transfer fees (ACATs) payable to LPL when clients transition to the LPL platform, and to offset technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees.

The amount of the transition assistance provided by LPL is often significant in relation to the overall revenue earned or compensation received by an advisor at his or her prior firm. Payments are generally based on the size of the advisor’s business at the prior firm or assets under custody on the LPL platform. Not all of our IARs are registered representatives of LPL; please refer to the relevant Brochure Supplement for more specific information about any transition assistance a particular advisor receives.

Transition assistance payments and similar benefits may create a conflict of interest relating to our advisory business because the payments and benefits may create a financial incentive to select LPL for brokerage or custody services. We attempt to mitigate these conflicts of interest by evaluating and recommending that clients use LPL based on the benefits LPL provides to our clients, rather than the payments and benefits LPL may provide to us and our advisors. Among the benefits of LPL are:

- The ability to seek best execution;
- The financial strength, reputation, pricing, research, and service of LPL; and
- The ability to obtain many mutual funds without transaction charges and to obtain other securities at nominal transaction charges.

### **Referral Fees**

We may pay referral fees to independent solicitors for the referral of clients to our Firm. The referral fees represent a share of the investment advisory fee that we charge to our clients, but do not result in higher costs. Any client who is referred to us by a solicitor will be given full written disclosure describing the terms and fee arrangements between us and the solicitor(s).

### **Financial Information (Form ADV Part 2A Item – 18)**

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding.

We are not required to provide a balance sheet; we do not serve as a custodian for client funds or securities and do not require prepayment of fees of both more than \$1,200 per client, and more than six months in advance.