

## Item 1: Cover Page

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

March 13, 2020

#### **Fusion Capital, LLC**

SEC File No. 801-110473

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This brochure provides information about the qualifications and business practices of Fusion Capital, LLC. If you have any questions about the contents of this brochure, please contact us at [jmengel@fusioncapital.net](mailto:jmengel@fusioncapital.net) or [dwebster@fusioncapital.net](mailto:dwebster@fusioncapital.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about Fusion Capital, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **Item 4: Advisory Business**

### **A. Fusion Capital, LLC**

Fusion Capital, LLC ("Fusion" or "the firm"), is a South Carolina limited liability company and SEC-registered investment adviser principally owned by Jason Mengel and Dan Webster. Fusion offers investment supervisory, asset management, and financial planning services. Fusion has been in operation since August 2010.

### **B. Advisory Services Offered**

Fusion is an independent investment advisory and financial planning firm offering a variety of financial services to individuals and high-net-worth individuals, trusts, retirement plans, pension and profit sharing plans, charitable organizations, corporations, partnerships, and other legal entities. Advisory services may include financial planning, investment strategy, portfolio management, tax and estate planning, and selection of other advisers.

For its discretionary asset management services, Fusion receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this Brochure.

#### **B.1. Discretionary Asset Management Services**

Fusion's discretionary asset management services are predicated on the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. Fusion will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance, and related financial circumstances. Fusion's objective is to review the client's tax, financial, and estate planning objectives and goals in connection with the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances and make appropriate recommendations and implementation decisions. Fusion may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, Fusion may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

Fusion may prepare an investment policy statement based on the client's investment objectives, goals, and tolerance for risk and such other factors unique to the client and provide appropriate recommendations and implementation decisions. On a quarterly basis, Fusion, in connection with a third-party service provider, will provide clients with reports regarding the performance of their portfolios. In addition, Fusion will monitor those portfolios and make additional recommendations and implementation decisions from time to time to rebalance and/or reallocate each client's investments in accordance with such client's investment policy statement, as applicable.

Fusion's investment advisory services will take into account the client's personal financial circumstances, investment objectives, and tolerance for risk (e.g., cash-flow, tax, and estate). Fusion's engagement with the client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to Fusion in response to a questionnaire and/or in discussions with the client and reviewed in meetings with Fusion.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending securities and strategies as itemized in Item 8 of this Brochure.
- Reporting to the client on a quarterly basis—or at some other interval agreed upon with the client—information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).
- Proposing changes in the client's investment policy statement and/or investment portfolio in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund retained by the client.

In addition to providing Fusion with information regarding their personal financial circumstances, investment objectives, and tolerance for risk, clients are obligated to provide Fusion with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify Fusion in writing of any changes in such restrictions or in their personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, Fusion's reports to clients will remind them of their obligation to inform Fusion of any such changes or restrictions that should be imposed on the management of their account. Fusion will also contact clients at least annually to determine whether there have been any changes in their personal financial circumstances, investment objectives, and tolerance for risk.

#### **B.1.a. Fusion Model Portfolios**

Fusion offers a series of actively managed model portfolios for clients, subject to the appropriateness of a particular model portfolio for the client's individual personal and financial circumstances, investment objectives, and tolerance for risk. The model portfolios are described in Item 8 of this brochure.

#### **B.2. Financial Planning Services**

Clients will receive a written or oral report (based on their preference) providing them with a detailed financial plan designed to help achieve their stated financial goals and objectives. Generally, any of the categories below require a minimum of six hours to compile the necessary data to formulate recommendations. Based on the client's needs, financial planning services may include (but are not limited to) the following:

- Preparation of a recommended asset allocation that serves to diversify the client's portfolio among different categories of investments, such as small, medium, and large capitalization securities; corporate and government fixed income (short, intermediate and long-term maturities); emerging market securities (i.e., foreign issuers); and such other asset categories that are suitable in light of the client's investment goals, objectives, and risk tolerance.
- Preparation of an investment policy statement setting forth the investment plan of the client with specific direction in terms of diversification requirements, tax issues, estate planning issues, risk tolerance, retirement, and other identified objectives of the client, including a targeted rate-of-return objective.
- Preparation of a retirement plan that serves to identify whether the client is saving enough and investing in a way that meets retirement objectives in light of the client's financial circumstances and risk tolerance.
- Preparation of cash flow projections to ensure that the client is able to meet daily living expenses and obligations.
- Implementation of an insurance plan to meet the needs of the client, taking into account family, business, and other financial objectives of the client.
- Preparation of an estate plan to ensure that wealth transition, tax, and related issues are met in accordance with the client's wishes. In many instances, an outside attorney will need to be hired to handle specific legal issues that arise in the formation and implementation of an estate plan.

Fusion will gather required information through in-depth personal interviews and questionnaires. Information gathered will include the client's current financial status, investment objectives, future goals, and attitudes toward risk. Related documents supplied by the client will then be carefully reviewed, and a report will be prepared covering one or more of the above-mentioned topics as directed by the client.

### **B.3. Selection of Other Advisers**

Fusion may recommend third-party investment managers to manage all or a portion the client's portfolio in accordance with its due diligence procedures detailed in Item 8 of this Brochure. Fees for these services are detailed in Item 5 of this Brochure.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

#### **D. Wrap Fee Programs**

Fusion does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

#### **E. Client Assets Under Management**

As of December 31, 2019, Fusion has approximately \$258,378,659 of discretionary assets and \$0 of non-discretionary assets under supervision.



## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fee Schedule

The annual fee for services provided by Fusion will be charged as a percentage of assets under supervision by the firm as detailed in the following fee schedule, which represents Fusion's maximum fees for individual services. All fees are negotiable.

##### *Tiered Pricing Schedule*

<u>Fusion Managed Assets</u>	<u>Fee Schedule</u>
1st Million	1.9%
1-3 Million	1.7%
3-5 Million	1.5%
5 Million and above	Negotiable

Fusion generally requires a minimum account fee of \$1500 for accounts it manages on a discretionary basis. Fusion generally requires a \$100,000 minimum for managed supervisory accounts. Fusion may waive the required minimum account values in special circumstances, and reserves the right to make exceptions to such minimum account values in its sole discretion.

Asset-based fees are always subject to the investment advisory agreement between the client and Fusion. Such fees are billed quarterly in advance. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar quarter based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous quarter, as mutually agreed upon by the client and Fusion. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter. There are no adjustments for significant contributions to and distributions from a client's portfolio.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due, with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. Fusion may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

A client investment advisory agreement may be terminated, without penalty, upon at least 30 days' written notice by Fusion or immediately by the client. Upon termination, any prepaid, unearned fees will be promptly refunded.

## **A.2. Hourly and Fixed-Fee Arrangements**

Fusion offers either hourly or fixed-fee arrangements to all financial planning clients. Generally, the more complex the financial planning engagement, the higher the likelihood that fixed fees will be negotiated, as it is difficult with respect to complex cases to discern the exact number of hours required to provide services. In such a case, a fixed fee would be negotiated and then reevaluated at a later point to determine whether the fixed fee compensation requires adjustment. Fixed fees are computed based upon a good faith estimate of hours required to perform services. Where the time spent can be accurately estimated, then an hourly charge would apply. Fusion attempts to maintain parity with hourly and fixed charges while allowing some flexibility in estimation, taking into account case complexity and client-specific circumstances.

Financial planning fees will be billed at the rate of \$250 per hour or a fixed fee mutually agreed upon by the client and Fusion. For fixed-fee arrangements, Fusion will provide the prospective client with an estimate of the fixed charges prior to finalizing the financial planning agreement. Estimates will be based upon a good faith estimate of the number of hours to complete the assignment multiplied by the hourly rate, and re-evaluated at a later point as discussed above. The client will be billed directly for such services. Invoices will be mailed out on a periodic basis reflecting completed work performed. Clients seeking to terminate this service must do so in writing.

Generally, any of the categories below require a minimum of six hours to compile the necessary data to formulate recommendations. This would equate to a minimum fee of \$1500 for any of the financial planning topics described in Item 4.B.2 of this Brochure.

A financial planning agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination, any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **A.3. Selection of Other Advisers**

Fusion may recommend third-party investment managers to manage all or a portion the client's portfolio in accordance with its due diligence procedures detailed in Item 8 of this Brochure. The client is responsible for the third-party investment manager fees, which are disclosed in applicable manager's Form ADV Part 2A. Third-party fees are in addition to Fusion's fees disclosed in Item A.1. above.

## **B. Client Payment of Fees**

### **B.1. Payment of Asset-Based Fees**

Fusion will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The

client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation. Clients may opt to be billed directly.

### **B.2. Payment of Financial Planning Fees**

In the event of financial planning fees, Fusion will invoice the client as work is performed.

## **C. Additional Client Fees Charged**

The fees charged by Fusion do not include fees charged by any exchange-traded fund, mutual fund, pooled investment vehicle, separate account managers, or any broker-dealer or custodian selected by the client. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, and by any broker-dealer or custodian retained by the client. The management fees for pooled investment vehicles are disclosed in their confidential offering memoranda and applicable subscription documents. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, the client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Fusion may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian. Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. Prepayment of Client Fees**

Fusion requires the prepayment of asset-based fees. Clients will be invoiced at the beginning of each calendar quarter based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous quarter. Fusion's fees will either be paid directly by the client or disbursed to Fusion by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be terminated, without penalty, upon at least 30 days' written notice by Fusion or immediately by the client. A financial planning agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

## **E. External Compensation for the Sale of Securities to Clients**

Fusion financial advisors are compensated primarily through a salary and bonus structure. Fusion may paid any sales, service, or administrative fees for the sale of mutual funds or other investment products. Fusion's advisory professionals may receive commission-based compensation for the sale of insurance products. Fusion may also receive solicitor fees from

referring advisory clients to Global Financial Private Capital, LLC. Please see Items 10.C. and 10.D for detailed information and conflicts and interest.

## **F. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:*** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

***Additional Disclosure Concerning Wrap Programs:*** To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser

representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

Fusion Capital does not charge performance-based fees.

## Item 7: Types of Clients

Fusion offers its investment services to various types of clients, including individuals and high-net-worth individuals, trusts, retirement plans, pension and profit sharing plans, charitable organizations, corporations, partnerships, and other legal entities. Although Fusion provides investment services to the various types of clients mentioned, the services are conditioned upon meeting certain minimum criteria established by the firm for each of the investment programs it offers.

Fusion generally requires a minimum account fee of \$1500 for accounts it manages on a discretionary basis. Fusion generally requires a \$100,000 minimum for managed supervisory accounts. For managed supervisory accounts, clients with less than \$100,000 in liquid assets may be able to find similar services at prices more favorable than those charged by the firm. Fusion, in its sole discretion, may waive the required minimum fee.

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

### **A. Methods of Analysis and Investment Strategies**

Fusion uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Fusion and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to attempt the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Fusion reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Fusion may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds, Exchange-Traded Funds, Independent Investment Managers and Pooled Investment Vehicles, Individual Equity and Fixed Income Securities**

Fusion's discretionary asset management services are predicated on the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. Fusion will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance, and related financial circumstances. *In this regard the portfolios for the majority of clients utilizing Fusion's services which may involve the recommendation by Fusion of a third-party separate account manager to manage all or a portion of the client's assets, have diversified*



*portfolios of equities and fixed income, which generally include the use of no-load and load-waived mutual funds and individual securities (including fixed income instruments).*

Management styles may include, among others, large-cap, mid-cap and small-cap value, growth and core; international and emerging markets; and alternative investments. Fusion may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Fusion will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, individual securities (including fixed income securities), managers, and pooled investment vehicles is set forth below.

Fusion has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds, managers, and pooled investment vehicles
- perform billing and certain other administrative tasks

Fusion may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers, and pooled investment vehicles to clients as appropriate under the circumstances.

Fusion reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include:

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor, or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager, a mutual fund or manager's consistency of investment style, and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Fusion on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Fusion (both of which are negative factors in implementing an asset allocation structure).

Fusion may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (for example, for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the mutual funds or managers utilized. Fusion will endeavor to obtain equal treatment for its clients with mutual funds or managers, but cannot assure equal treatment.

Fusion will regularly review the activities of mutual funds and managers utilized for the client. Clients that engage managers or invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

## **A.2. Material Risks of Investment Instruments**

Clients typically request a diversified portfolio securities that may involve equity securities, corporate debt instruments, municipal fixed income instruments, and government securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **A.2.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **A.2.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be pre-payment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

For appropriately qualified clients, Fusion may recommend investments in the following:

- Private placements
- Option contracts on securities
- Pooled investment vehicles
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations

#### **A.2.h. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to

raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and are thus illiquid and cannot be readily converted to cash.

#### **A.2.i. Option Contracts on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period and interest rates.

#### **A.2.j. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, Fusion will be unable to monitor or verify the accuracy of such performance information.

#### **A.2.k. Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit and market risks. One common risk associated with structured products is a relative lack

of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high investment grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

#### **A.2.I. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **A.2.m. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, Fusion may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

## **B. Investment Strategy and Method of Analysis Material Risks**

### **B.1. Common Investment Strategy Requested by Clients**

Generally, Fusion's clients are looking for long-term capital appreciation with a view to minimizing risk. In this regard, Fusion utilizes a diversified portfolio of securities, which in Fusion's view have a favorable risk and return profile. Such recommendations may be supplemented by the following options strategies.

#### **B.1.a. Fusion Model Portfolios**

Fusion offers a series of actively managed model portfolios for clients, subject to the appropriateness of a particular model portfolio for the client's individual personal and financial circumstances, investment objectives, and tolerance for risk. The model portfolios are as follows:

- **ETF Model Portfolios** – A diversified asset class structure of exchange-traded funds. Model choices are offered for conservative, moderate, and aggressive investors. The asset class structure remains relatively stable, but the weightings of each asset class may vary depending on the current economic and market environment.
- **Current Income Portfolio** – A portfolio of equity and fixed income instruments designed for the investor who needs current income. The portfolio utilizes a variety of equity and fixed income instruments designed to generate current income with an emphasis on capital preservation. This program is appropriate for the conservative investor.
- **Enhanced Income Portfolio** – A portfolio designed to generate a higher level of yield than the Current Income Portfolio. This portfolio is designed for the investor with a moderate to aggressive risk profile who is willing to accept a higher level of risk for the potential of above average yield.
- **Small Account Models** – A diversified suite of actively managed mutual funds whose primary objective is growth. Model choices are offered for conservative, moderate, and aggressive investors.
- **Tactical All Equity** – A diversified portfolio designed with a primary objective of growth. All equity portfolios tend to have a higher level of risk than balanced portfolios (i.e., blend of fixed income and equities).
- **Tactical Bond** – This portfolio is composed solely of fixed income instruments whose primary objective is income and capital appreciation. The portfolio is actively managed with an emphasis on managing duration and interest rate exposure to achieve income and capital appreciation. As with any fixed income portfolio, principal value of the instrument may fluctuate depending on the credit quality of the instrument, current level of interest rates and instrument coupon rate, and the duration (i.e., the amount of time, on average, that the instrument is outstanding, given maturity and bond call provisions). These factors may have a negative or positive impact on the price of a particular fixed income instrument. This portfolio is suitable for the investor that does not need current liquidity.



- Absolute Return – This portfolio is a balanced portfolio with a primary objective of attaining above market returns. This portfolio is suitable for the investor who is willing to assume a higher level of risk for an opportunity for above market returns.
- Alternative Model – A portfolio designed for a portion of a high-net-worth investor's investable assets. The primary objective is to reduce risk and achieve above market returns by investing in assets that do not correlate with the stock market. This program entails a high degree of risk and is suitable for a high-net-worth investor who has sufficient investment experience to understand the risks.
- Dividend Portfolio – A portfolio that consists of large capitalization securities that pay a dividend. The primary goal of the portfolio is to generate income and growth over the long term.
- Focus 5 – A portfolio that utilizes technical analysis that, based upon price and liquidity trends, attempts to find optimal entry and exit points to achieve positive returns. The portfolio will consist of five ETF portfolios that, in our view, have price and liquidity trends that create the potential for capital gains.

## **B.2. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Fusion as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases

### **B.2.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.



#### **B.2.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.2.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **C. Concentration Risk**

Although Fusion employs a broad diversification strategy, there may be times when one industry, sector, or company is more heavily weighted than others. In such event there is the possibility that negative performance of the heavily weighted security will have a greater impact of the overall performance of the portfolio. Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

Fusion has nothing to disclose for this Item.

### **B. Administrative Enforcement Proceedings**

Fusion has nothing to disclose for this Item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

Fusion has nothing to disclose for this Item.

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

### **A. Broker-Dealer or Representative Registration**

Neither Fusion nor its affiliates are registered broker-dealers or registered representatives of broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither Fusion nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Insurance Sales**

Certain managers, members, and registered employees of Fusion are licensed insurance agents. Jason Mengel and Stephen Dyer are licensed as insurance agents with South Carolina and Georgia. Dan Webster is licensed as an insurance agent with South Carolina, North Carolina, and Florida. With respect to the provision of financial planning services, Fusion professionals may recommend insurance products offered through Mengel Financial Group, LLC, Motiv8 Advisors Inc., Gradient Financial Group, LLC, or Webster Financial Tax and Advisory Group, LLC, and earn a commission for doing so. Clients are advised that there is a potential conflict of interest in that there is an economic incentive to recommend insurance products to clients. Fusion professionals strive to put their clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

#### **C.2. Mengel Financial Group, LLC**

Jason Mengel is the sole member of Mengel Financial Group, LLC ("MFG"), an affiliate of Fusion Capital, LLC, in which he conducts an insurance business and earns a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products offered through MFG. Also be advised that Mr. Mengel strives to put his clients' interests first and foremost, and clients may choose any insurance carrier or agency they desire.

#### **C.3. Webster Financial and Tax Advisory Group**

Dan Webster is the sole owner and President of Webster Financial and Tax Advisory Group ("WFTA"), an affiliate of Fusion Capital, LLC. Mr. Webster, through WFTA, recommends to clients various non-securities insurance products of insurance carriers and earns a commission for doing so. Clients are advised that there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products offered through

WFTA. Fusion professionals strive to put their clients' interests first and foremost, and clients may utilize any insurance carrier they desire.

#### **C.4. Optum Wealth Strategies**

Stephen Dyer is the sole owner of Optum Wealth Strategies, a financial services/financial planning firm. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend financial services through Optum Wealth Strategies. Also be advised that Mr. Dyer strives to put his clients' interests first and foremost, and clients may choose any insurance carrier or agency they desire.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

In addition to the information described in Item 10.C. above and Item 12 of this Brochure, Fusion Capital does receive economic benefits from external sources. Fusion Capital refers clients to certain investment management firms in return for an ongoing portion of the advisory fee received by such investment manager. In addition, Fusion does recommend insurance products that may include variable annuity products. Fusion's professionals, who maintain an insurance license, do receive commission payments for the sale of such insurance.

#### **D.1. Solicitor Arrangement with Global Financial Private Capital, LLC ("GFPC")**

Fusion will enter into contractual agreements to act as a solicitor permitted by Rule 206(4)-3 of the Investment Advisers Act of 1940 ("Act"). Pursuant to these agreements, Fusion receives compensation for referring prospective clients to third-party investment managers. Such arrangements will comply with the cash solicitation requirements under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with the referral partner. The solicitor must provide the client with a disclosure document describing the fees it receives from the referral partner, whether those fees represent an increase in fees that the referral partner would otherwise charge the client, and whether an affiliation exists between Fusion and the referral partner. Fusion will provide prospective clients with all applicable written disclosures required by the Act or as otherwise required by state or federal securities regulatory authorities.

Fusion has a written solicitor disclosure agreement with Global Financial Private Capital, LLC ("GFPC"), whereby Fusion will solicit clients on behalf of referral partners and receive ongoing compensation for such referrals, provided such referrals establish investment advisory relationships with the referral partner. In addition to its solicitor's activities, Fusion will provide ongoing monitoring services for clients referred to GFPC who elect to receive such services. Such reviews are designed to make the client aware of the performance of the portfolio and how well the managers/funds selected performed against their peers and their related benchmarks, and to determine whether recommendations made to clients are suitable in light of the client's investment goals, objectives, risk tolerance, financial situation and needs.

Each referral partner may impose restrictions or conditions for managing client assets. It is the client's responsibility to review the referral partners' ADV Part 2A and 2B for important information concerning any conditions imposed for managing investment assets.

#### **D.2. Relationships with Sub-Advisers**

Fusion may in certain instances delegate discretionary management authority to third-party investment managers and pay a portion of its investment advisory fee to the sub-adviser for the management of such client portfolios. Fusion will provide a copy of the sub-adviser's disclosure documents to the client at or prior to engaging such sub-adviser to manage all or a portion of the assets. Although Fusion utilizes sub-advisers that in its view are appropriate and suitable for clients, please be advised that a potential conflict may exist in that there is an economic incentive for Fusion to select sub-advisers with low cost structures.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Fusion has adopted policies and procedures designed to detect and prevent insider trading. In addition, Fusion has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Fusion's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Fusion. Fusion will send clients or prospective clients a copy of its Code of Ethics upon written request.

Fusion has policies and procedures in place to ensure that the interests of its clients are given preference over those of Fusion, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Fusion does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Fusion does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Fusion, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Fusion specifically prohibits. Fusion has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Fusion's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Fusion, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other the firm's clients. Fusion will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of the firm to place the client's interests above those of Fusion and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Fusion may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. TD Ameritrade Institutional, a division of TD Ameritrade, Inc., or Fidelity Investments (collectively herein "custodian"), FINRA-registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Fusion may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. Fusion is independently owned and operated and not affiliated with custodian. For Fusion client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

Fusion considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by Fusion, Fusion will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Fusion will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

Fusion seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)



- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **A.1.c. Soft Dollar Arrangements**

Fusion does not utilize soft dollar arrangements. Fusion does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.d. Institutional Trading and Custody Services**

The custodian provides Fusion with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at the custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

**A.1.e. Other Products and Services**

The custodian also makes available to Fusion other products and services that benefit Fusion but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Fusion's accounts, including accounts not maintained at the custodian. The custodian also makes available to Fusion its managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of Fusion's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

The custodian also offers other services intended to help Fusion manage and further develop its business enterprise. These services may include

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants, and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of Fusion personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Fusion may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

**A.1.f. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Fusion. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Fusion.

**A.1.g. Additional Compensation Received from Custodians**

Fusion may participate in institutional customer programs sponsored by broker-dealers or custodians. Fusion may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Fusion's participation in such programs and the investment advice it gives to its clients, although Fusion receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations

- Research-related products and tools
- Consulting services
- Access to a trading desk serving Fusion participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Fusion by third-party vendors

The custodian may also pay for business consulting and professional services received by Fusion's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for Fusion's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Fusion but may not benefit its client accounts. These products or services may assist Fusion in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Fusion manage and further develop its business enterprise. The benefits received by Fusion or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Fusion also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Fusion to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Fusion will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Fusion's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Fusion's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Fusion endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Fusion or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Fusion's recommendation of broker-dealers for custody and brokerage services.

#### **A.1.g. The Firm's Interest in Custodian Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. This minimum of client assets may give the firm an incentive to recommend that clients maintain

their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

## **A.2. Brokerage for Client Referrals**

Fusion does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. Fusion Recommendations**

Fusion typically recommends Schwab, Fidelity, or TDA as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Fusion to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Fusion derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Fusion loses the ability to aggregate trades with other Fusion advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

Fusion, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the price of such securities. Fusion recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Fusion will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)

- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Fusion seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce transactions costs. To the best of Fusion's knowledge, these custodians provide high-quality trade execution, and Fusion's clients do not pay higher commission or transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Fusion believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since Fusion may be managing accounts with similar investment objectives, Fusion may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Fusion in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Fusion's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Fusion will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Fusion's advice to certain clients and entities and the action of Fusion for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines, and circumstances. Thus, any action of Fusion with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Fusion to or on behalf of other clients.

**B.3. Order Aggregation**

Transactions for each client's account will generally be effected independently, unless Fusion decides to purchase or sell the same security for several clients at approximately the same time. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Fusion believes that a larger size block trade would lead to best overall price for the security being transacted.

**B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Fusion acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Fusion determines that such arrangements are no longer in the best interest of its clients.

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Fusion, at its discretion, may prepare a customized written investment policy statement ("IPS") for a client. Each client account is reviewed periodically or as specified in the client's IPS by Fusion's managing member. Reviews include an inspection of portfolio holdings, change in account values, and actual allocation of the account as compared to the recommended allocation. Reviews may be conducted by any of Fusion's financial advisors.

### **B. Review of Client Accounts on Non-Periodic Basis**

Fusion may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Fusion formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

Fusion typically provides written reports to clients on a quarterly basis. These reports include changes in market values, current and historical time-weighted performance statistics, and comparison to an appropriate benchmark index.

Fusion will provide reports showing the investment performance of a client account and a comparison of such account performance against relevant benchmarks. The client's independent custodian also provides regular account statements directly to the client. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Fusion.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

#### **A.1. Referral of Clients to Other Investment Management Firms**

In addition to the information described in Items 10 and 12 of this Brochure, Fusion does receive economic benefits from external sources. Fusion does refer clients to certain investment management firms in return for an ongoing portion of the advisory fee received by such investment manager. All such arrangements are in compliance with Investment Advisers Act rule 206(4)-3. Generally, these requirements require the solicitor, Fusion, to have a written agreement with the investment management firm. Fusion must provide the client with a disclosure document describing the fees it receives from the investment management firm, whether those fees represent an increase in fees that the investment management firm would otherwise charge the client, and whether an affiliation exists between Fusion and the investment management firm.

### **B. Advisory Firm Payments for Client Referrals**

Fusion does not make payment for client referrals.



## Item 15: Custody

Under government regulations, Fusion is deemed to have custody of a client's assets if the client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets. Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their account. Fusion urges its clients to compare the account balance(s) shown on their Fusion performance review to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account, and clients should carefully review the statements received from the custodian.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Fusion with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In such cases, Fusion will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

Unless otherwise instructed by a client, Fusion does not vote proxies on behalf of its clients. The custodian will provide proxy materials to the client. Fusion will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Fusion supervised and/or managed assets. In no event will Fusion take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Fusion will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Fusion has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Fusion also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Fusion has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Fusion receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Fusion does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Fusion does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There are no bankruptcy petitions to report.