

# **MILESTONE INVESTMENT ADVISORS, LLC**

**FIRM BROCHURE  
(ADV PART 2A)**

**MARCH 4, 2020**

***Milestone Investment Advisors, LLC  
6702 Stonefield Road, Suite 201  
Middleton, WI 53562  
Phone: (608) 826-5730  
Website: [www.milestoneia.com](http://www.milestoneia.com)***

This brochure provides information about the qualifications and business practices of Milestone Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (608) 826-5730. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Milestone Investment Advisors, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Milestone Investment Advisors, LLC is available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for the Adviser is 168429.

## **2. MATERIAL CHANGES**

The Firm has no material changes to report since our last annual update to this brochure, which was on March 29, 2019.

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#### **4. ADVISORY BUSINESS**

##### **A. OWNERSHIP/ADVISOR HISTORY**

Milestone Investment Advisors, LLC (“Milestone”) was formed as a Wisconsin company in June 2013 and subsequently registered as an investment adviser with the Securities and Exchange Commission in July 2013. The owners of Milestone are Robert G. Armstrong, Daniel P. Kauper and Angel McClarey.

##### **B. ADVISORY SERVICES OFFERED**

Milestone’s representatives will meet with a client to evaluate the individual client’s investment needs, goals and objectives. After the evaluation, Milestone may recommend one or more of the following services.

##### **1. PORTFOLIO MANAGEMENT SERVICES**

Milestone provides Portfolio Management Services to clients who wish to have their securities and other assets managed on a continuous basis. Prior to beginning Portfolio Management Services, the client and a Representative of Milestone meet to determine the assets to be supervised by Milestone, to discuss the client's short and long term financial goals and to develop a written investment policy statement designed to document the client's objectives and provide guidance to Milestone's professional staff when making decisions on a client's behalf.

As part of its Portfolio Management Services Milestone may recommend to, and assist a client in selecting, one or more third party separate account managers. Due to the significant minimum account size associated with most separate account managers, their use is generally confined to portfolios exceeding a \$3 to \$5 million threshold. When a separate account manager is selected, Milestone will assist the client in establishing an account with the manager, include client assets placed with the manager in Milestone’s Portfolio Management Service, and monitor the manager’s performance. Client may, depending upon the separate account manager selected, be required to enter into a separate agreement with the manager. Separate account managers have full discretionary authority to purchase and sell securities for the client’s accounts. Milestone does not place any orders in client accounts being managed by a separate account manager.

##### **2. FINANCIAL CONSULTING SERVICES**

Milestone offers Financial Consulting on a project basis. Project Consulting services are provided, at the discretion of Milestone, to clients who are not Portfolio Management clients of the firm, who need advice about a specific subject, e.g. retirement planning, investment analysis, estate planning. The advice may be one-time in nature or occur at different times as the client's need for such services arise.

Information provided by each client is analyzed in relation to the financial objectives expressed by the client and as perceived by Milestone. After Milestone decides upon a strategy or recommendation, the conclusions are conveyed to the client. A written report may or may not be provided. Milestone does not produce comprehensive, integrated financial plans as part of the Project Consulting service.

Milestone’s financial consulting services may also include, as a separate service, locating and recommending a private, outside money manager for a client and periodic discussion with client regarding the performance of the manager. While performing Private Manager Search and

Performance Evaluation, no securities commissions generated within the privately managed account will be paid to a Milestone Representative or a Milestone Affiliate.

### **3. 401(K) RETIREMENT PLAN CONSULTING**

For 401(k) Retirement Plan accounts, Milestone provides the following Plan Consulting services designed to assist plan Sponsors and/or Trustees with plan design, selection of suitable investments, periodic monitoring of those investments, and general education to plan participants:

- Advise, if necessary, plan Sponsors and/or Trustees about the need for a written investment policy statement.
- Advise plan Sponsors and/or Trustees of appropriate investment categories for client's retirement plan.
- Advise plan Sponsors and/or Trustees of mutual funds which are consistent with investment categories selected by plan Sponsors.
- Periodically monitor performance of the mutual fund choices of the plan Sponsors and/or Trustees and provide periodic advice regarding possible changes to the investment categories or mutual fund selections.
- Meet twice a year with plan Sponsors and/or Trustees to discuss investment performance.
- Arrange for mutual fund prospectuses to be available to retirement plan participants.
- Provide plan Sponsors and/or Trustees with a quarterly report regarding:
  - performance (quarter, year, three-year, five-year) for each mutual fund selected by plan Sponsors;
  - performance of comparative benchmarks; and
  - value of assets in plan.
- Meet annually, at a time mutually agreed between Milestone and the Sponsor, in a plan participant group meeting.
- Conduct informational/educational group meetings, at the times mutually agreed between Milestone and the Sponsor, with Sponsor's retirement plan participants at initial installation of the plan regarding:
  - general investment concepts;
  - investment performance of selected funds; and
  - investment strategies appropriate to various investment profiles and objectives.

### **C. TAILORED SERVICES**

Milestone's Portfolio Management Services are tailored to the goals of each portfolio. As a result, Milestone allows clients to impose restrictions on investing in certain securities or types of securities.

### **D. WRAP PROGRAM**

Milestone does not sponsor a wrap program. This section is not applicable.

## **E. CLIENT ASSETS MANAGED**

As of December 31, 2019, Milestone manages \$514,359,363 in discretionary assets and \$89,071,053 in non-discretionary assets.

## **5. FEES AND COMPENSATION**

### **A. PORTFOLIO MANAGEMENT SERVICES**

Fees for Milestone Portfolio Management Services are based upon a percentage of the value of assets under management according to the following schedule:

<u>Range of Value of Assets Under Management</u>	<u>Annual Fee</u>
First \$1,000,000	1.00%
Next \$2,000,000	.60%
Over \$3,000,000	.40%

Fees for Portfolio Management Services are generally payable quarterly in arrears after the services are rendered (see exception in the next paragraph). The market value of assets is determined as of March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and December 31<sup>st</sup> or through the date of contract termination for billing purposes. The minimum annual fee is \$2,500. Fees are deducted directly from client accounts in cases where written authorization to do so is provided in advance. Due to fee schedule changes over time, and negotiated fees in some cases, fees may vary from client to client. Fees are calculated on tiers of assets in the account. As an example, let's assume an account with \$2.5 million. The annual fee is calculated as follows: 1.00% on the first \$1 million (\$10,000) plus 0.60% on the next \$1,500,000 (\$9,000). The total fee is \$19,000 on \$2.5 million for a blended rate of 0.76%.

Clients receiving the services of a separate account manager are billed quarterly. Whether the fee is billed in advance or arrears may vary with the separate account manager. The market value of assets is determined as of March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup> or through the date of contract termination for billing purposes. Those assets are typically charged a lower asset-based fee by Milestone and therefore won't necessarily comport with the fee schedule.

Certain securities may be identified by a client as "non-discretionary". Although Milestone includes non-discretionary assets in both the Portfolio Appraisal and Portfolio Performance pages of the Investment Management Report and also considers them with determining client's overall asset allocation and compliance with the underlying Investment Policy Statement, Milestone does not take ongoing responsibility for proactively researching or individually monitoring non-discretionary assets. Upon request, Milestone will provide client with any published information Milestone may have on non-discretionary assets and, at client's directive will effect transactions with these investments. Non-discretionary assets are billed at the reduced rate of 0.20% per annum.

Clients should be aware that in addition to Milestone's fee, each mutual fund, exchange traded fund and variable annuity in which a client's assets are invested also charges its own advisory fees and other expenses that reduce the net asset value of the fund shares or annuity sub-accounts. Separate account managers also charge their own management fees. Because Milestone bills clients an advisory fee based on the total valuation of the portfolio, which includes mutual funds,

exchange traded funds, annuities, and investments receiving the services of separate account managers, clients pay two levels of advisory fees for management of their assets, one directly to Milestone and another indirectly through management fees assessed by the funds, annuities and separate accounts in the portfolio.

Milestone's fees are also exclusive of brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, exchange traded funds and variable annuities also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee and we will not receive any portion of these commissions, fees, and costs. Please see Item 12 for more information on the Milestone's brokerage recommendations.

## **B. FINANCIAL CONSULTING SERVICES**

Financial Consulting Services are provided at an hourly rate of \$300.

Total hourly charges vary depending on a number of factors, including the type of services requested, nature of issues a client wishes to have analyzed, the detail in which the client wishes to have results presented, and the number and length of meetings needed to explain the conclusions and recommendations. The hourly rate may be negotiated.

The client will be given an estimate of the total fee at the signing of the consulting agreement. Generally, one-half of the estimated fee is due at commencement of the project. A final bill is sent to each client after services are completed. If the consulting agreement is terminated, all hourly rate fees paid in advance are refunded to the client after subtracting fees earned by Milestone for time spent in performing services.

## **C. 401(K) RETIREMENT PLAN CONSULTING**

Clients agree to pay Milestone an annual fee based upon total assets in client's plan in accordance with the following fee schedule:

<u>Total Value of Assets</u>	<u>Tiered Annual Fee</u>	<u>Quarterly Fee</u>
\$1 to \$1,000,000	.60%	.15%
\$1,000,001 to \$2,000,000	.40%	.10%
\$2,000,001 to \$5,000,000	.20%	.05%
\$5,000,001 and over	.15%	.0375%

The fees specified above are payable quarterly in arrears (after services have been provided). Fees are calculated on the value of the account assets on the last business day of the previous quarter. Fees may be paid by the client or withdrawn directly from the plan assets by prior authorization of the client. The minimum annual fee for these services is \$500. Fees are calculated on tiers of assets in the account. As an example, let's assume an account with \$1.8 million. The annual fee is calculated as follows: 0.60% on the first \$1 million (\$6,000) plus 0.40% on the next \$800,000 (\$3,200). The total fee is \$9,200 on \$1.8 million for a blended rate of 0.51%.

## **D. TERMINATION OF SERVICES AND ACCOUNTS**

A client may terminate these services for any reason within the first five (5) business days after

signing the separate investment advisory contract without any cost or penalty. Thereafter, the contract may be terminated at any time by giving thirty (30) days written notice to the firm at Milestone Investment Advisors, LLC, 6702 Stonefield Road, Suite 201, Middleton, WI 53562. Any prepaid fees will be refunded on a prorated basis and the client is responsible for paying all of Milestone's unpaid but earned fees to the date of termination.

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

Milestone does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **7. TYPES OF CLIENTS**

Milestone's services are offered to individuals, high net worth individuals, charities, pension and profit-sharing plans and corporations or other business entities. While Milestone does not require a minimum portfolio size, as stated in Item 5.A, it does require a minimum management annual fee of \$2,500.

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

### **A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

Milestone starts each client with an individualized asset allocation model. When deciding on the asset allocation for a client, Milestone takes into account the client's risk tolerance, goals, investment objectives and other data gathered during the client meetings. Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon. Each asset class within an asset allocation strategy has different levels of risk and return, so each will behave differently over time. However, despite being diversified there is no guarantee that a portfolio will grow.

Once the client's asset allocation is determined Milestone will create an investment portfolio for the client. The securities that make up the portfolio are selected using a combination of Fundamental and Technical analysis.

Fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The analysis is performed on historical and present data. On a broader scope, one can perform fundamental analysis on industries or the economy as a whole. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. The risk associated with fundamental analysis is that despite the appearance that a security is undervalued, it may not rise in value as predicted.

Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. The risk associated with technical analysis is that there is no broad consensus among technical traders on the best method of identifying future price movements.

Milestone's analysis of securities and advice relating thereto may be based upon information obtained from financial newspapers and magazines, research materials prepared by others, corporate ratings services, and annual reports, prospectuses, filings made with the Securities and



Exchange Commission, conferences, seminars and continuing education materials. Milestone may also utilize computer models for performance analysis, asset allocation and risk management.

## **B. RECOMMENDED SECURITIES AND THEIR RISKS**

Milestone may use any of the following securities within a client's portfolio: Government Securities, Mutual Funds, Exchange Traded Funds, Real Estate Investment Trusts, Structured Notes, Annuities and Separately Managed Accounts. Client accounts managed by separate account managers are generally funded with individual stocks or bonds but may also include other types of securities.

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear**. Obtaining higher rates of return on investments entails accepting higher levels of risk. Clients need to ask questions about risks they do not understand.

Milestone strives to render its best judgment on behalf of its clients. Still, it cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. An investment could lose money over short or even long periods. A client should expect his/her portfolio value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. The firm continuously strives to provide outstanding long-term investment performance, but many economic and market variables beyond Milestone's control can affect the performance of an investment portfolio. The client's portfolio performance could be hurt by:

- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.
- **Systemic risk:** The chance that an event can trigger a collapse in a certain industry or the economy and cause assets prices to fall sharply.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates. Interest rate risk will vary for the client, depending on the amount of client assets invested in bonds.
- **Manager risk:** The chance that the proportions allocated to the various securities will cause the client's portfolio to underperform relative to benchmarks or other accounts with a similar investment objective.
- **International Investing Risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.
- **Terrorism Risk:** The chance that domestic and international stock prices will decline due to a terrorist event.

- **Political Risk:** The chance that a change in government may affect stock prices of domestic or international stocks.
- **Natural Risks:** The chance that a natural catastrophe (earthquakes, hurricanes, etc.) may affect stock prices of domestic or international stocks

## **9. DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events within the past 10-years that would be material to your evaluation of the firm or the integrity of its management. Milestone has no information applicable to this item because it and its management has not been the subject of any administrative, civil, criminal or self-regulatory proceedings.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Milestone has no other industry affiliations. This section is not applicable.

## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. DESCRIPTION**

Milestone's Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. Milestone will provide a copy of its Code of Ethics to any client or prospective client upon request.

Milestone's Code of Ethics covers all supervised persons and it describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Milestone must acknowledge the terms of the Code of Ethics annually, or as amended.

### **B. MATERIAL INTEREST IN SECURITIES**

Milestone, its owners and investment adviser representatives do not have a material interest in any securities.

### **C. INVESTING IN OR RECOMMENDING THE SAME SECURITIES**

It is Milestone's policy to encourage and allow owners and investment adviser representatives to invest in the firm's investment strategies. Milestone believes its employees should bear the same risks as its clients. Milestone attempts to mitigate the conflict of interest to the best of its ability through the enactment of a Code of Ethics, trading policies, and its fiduciary responsibilities. Accordingly, Milestone generally attempts to place client transactions ahead of the owners and investment adviser representatives' trades. The associates of Milestone are aware of their fiduciary duty to their clients and the prohibitions against the use of any insider information. Records of all associates' proprietary trading activities will be kept by Milestone, available to regulators to review on the premises. However, since Milestone primarily recommends mutual funds and ETFs,

Milestone believes that employee trades are unlikely to have material impact on prices obtained by clients.

## **12. BROKERAGE PRACTICES**

### **A. RECOMMENDATION CRITERIA**

Milestone currently recommends the brokerage and custody services of Charles Schwab & Co., Inc., member FINRA & SIPC, an unaffiliated broker-dealer that serves independent investment advisers. Some of the primary considerations in determining reasonableness of the recommendation are: rates charged by other brokers that provide clearing or custody services for registered investment advisers; reputation and financial strength; breadth and depth of available products, with an important factor being the broker's mutual fund and exchange traded fund universe; accuracy with which transactions are processed; and, customer service responsiveness. Milestone periodically evaluates the foregoing factors, and while it may conclude based on its review that commission rates paid by clients are reasonable, lower commissions may be available from other brokers or in conjunction with retail (non-advisory) accounts, and certain mutual funds that carry a transaction fee may be available on a no-transaction-fee basis from other brokers or directly from the fund company.

#### **i. RESEARCH AND SOFT DOLLARS**

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. Milestone receives the following benefits from Charles Schwab & Co., Inc. that include assistance with practice management and assistance with the management of client accounts, including but not limited to: (a) receipt of duplicate client confirmations; (b) receipt of duplicate client statements; (c) access to a trading desk serving investment adviser firm participants exclusively, and providing research, pricing information, and other market data; (d) access to the investment advisor portion of their web sites which includes practice management articles, compliance updates, and other financial planning related information and research materials; (e) access to other vendors (such as insurance or compliance providers, or providers of research or other materials) on a discounted fee basis through discounts arranged by the custodians; (f) permitting Milestone to access an electronic communication network for client order entry and to access a client's account information and which may otherwise assist Milestone with its back-office functions, including recordkeeping and client reporting; (g) conferences that the Milestone's associated persons may attend (with potentially discounted registration and lodging fees) and receive continuing education credits for attending; and (h) additional training on issues such as practice management, marketing, investment theory, financial planning, business succession, regulatory compliance, and information technology. Generally, many of these services are utilized to service all or a substantial number of client's accounts. Educational, research, or other services provided by custodian or mutual fund companies may benefit all of Milestone's clients, or only some.

#### **ii. BROKERAGE FOR CLIENT REFERRALS**

Milestone does not receive client referrals or any other incentive from any custodian.

### **iii. DIRECTED BROKERAGE**

Some clients may direct the firm to a specific broker-dealer to execute securities transactions for their accounts. When so directed, the firm may not be able to effectively negotiate lower brokerage commissions or achieve best execution on clients' transactions. This can result in higher fees, charges or dealer concessions in one or more transactions for the clients' account because the firm cannot negotiate favorable prices.

### **B. TRADE AGGREGATION**

Milestone may aggregate transactions when trading exchange traded funds ("ETFs") for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and each client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. Milestone may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities or the discretionary or non-discretionary nature of the trades. If Milestone does not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.

## **13. REVIEW OF ACCOUNTS**

### **A. PERIODIC REVIEWS**

Milestone's owners, Robert G. Armstrong (Principal), Daniel P. Kauper (Principal), and Angel McClarey (Principal), review client portfolios on a semi-annual basis for compliance with their assigned objective. They also have computer software that continuously monitors portfolios and provides alerts for deviations from the selected strategies.

### **B. OTHER REVIEWS**

Additional reviews are conducted periodically depending on market conditions, economic or political events, or changes in a client's financial situation that are reported by the client (such as retirement, termination of employment, physical move or inheritance).

### **C. REPORTS**

Milestone will provide Portfolio Management clients with Portfolio Appraisal and Performance reports on a semi-annual basis, or more frequently at the firm's discretion. Additionally, underlying custodians provide clients with individual account statements on at least a quarterly basis. Milestone urges clients to carefully review such statements.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

We do not pay for client referrals or use solicitors. We do not receive any additional compensation for providing investment advice.

## **15. CUSTODY**

Milestone will not have custody of client accounts. Clients will receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Milestone urges each client to carefully review such statements.

## **16. INVESTMENT DISCRETION**

When Milestone has discretionary authority, it is obtained by the client signing an investment management agreement. Decisions regarding purchasing, selling or holding assets are made as frequently as Milestone deems necessary during the management period. Thus, pursuant to an underlying Investment Policy Statement, Milestone decides which securities are to be purchased or sold, in what amounts, and at what time. Milestone also has discretion over the securities dealer(s) to use. All discretionary services are provided without prior consultation with the client. However, Milestone does not make these types of decisions for client accounts being managed by a separate account manager, nor is Milestone granted authority by a client to hire or terminate a separate account manager. These decisions must be made by each client after consultation with a Milestone Representative.

## **17. VOTING CLIENT SECURITIES**

Milestone will not be responsible for responding to proxies of securities held in clients' accounts. Milestone does not plan to receive any proxy solicitation materials from client accounts. The client should direct all proxy questions to the issuer of the security.

## **18. FINANCIAL INFORMATION**

### **A. BALANCE SHEET**

This section is not applicable.

### **B. FINANCIAL CONDITION**

Milestone is required in this Item to provide the client with certain financial information or disclosures about their financial condition if they have a financial commitment that impairs their ability to service their clients. Milestone does not have a financial commitment that impairs its ability to service its clients.

### **C. BANKRUPTCY**

Milestone, its owners and its investment adviser representatives have not been the subject of a bankruptcy proceeding.