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**September 23, 2020**

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Sheaff Brock Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 317-705-5700 or [audreyk@sheaffbrock.com](mailto:audreyk@sheaffbrock.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Sheaff Brock Investment Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 118739.

## Item 2 Summary of Material Changes

The purpose of this Item 2 is to disclose material changes that have been made to this Brochure since the last annual update of this Brochure.

Since the last annual update of this Brochure dated March 22, 2019, the following material changes have been made:

- Updated Item 18 Financial Information to disclose Sheaff Brock has obtained a Paycheck Protection Program loan.
- Updated Item 12 Brokerage Practices to include E\*TRADE Advisor Services as a Custodian/ Broker Dealer for Sheaff Brock.
- Updated Item 14 Client Referrals and Other Compensation
  - To disclose Sheaff Brock has entered into an agreement for client leads.
  - To reflect Sheaff Brock's participation in E\*TRADE Advisor Network client referral program.
  - To disclose Sheaff Brock no longer receives certain additional economic benefits from TD Ameritrade.

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## Item 4 Advisory Business

Sheaff Brock Investment Advisors, LLC ("Advisor") is a privately-held corporation that began providing investment advisory services in 2001. Advisor's parent company is Sheaff Brock Capital Management, LLC, whose principal owners are:

- David Sheaff Gilreath, Managing Director, and
- Ronald Robert Brock, Managing Director.

This Brochure provides important information about Advisor, its services and compensation, the costs of its advisory services, and situations where its interests may conflict with the interests of its clients. Clients should pay particular attention to the discussions about the various potential conflicts of interest because these can affect Advisor's judgment in managing client's account, in recommending the custodian to hold account assets, and in choosing the broker to execute trades for the account, among other important considerations. Clients should consider that Advisor will have the authority to invest in shares of the Auer Growth Fund whose investment adviser, SBAuer Funds, LLC, is partially owned by our parent company. Advisor will have the authority to invest in shares of the Dividend Performers and Preferred-Plus mutual funds whose investment adviser, Innovative Portfolios, LLC ("IP") is wholly owned by our parent company. For certain portfolios, Advisor will also have the authority to allocate management of account assets to subadviser Salzinger Sheaff Brock, LLC ("SSB") which is partially owned by our parent company. Our parent company will benefit economically from advisory fees earned by SBAuer Funds, IP managed mutual funds and SSB, from client assets managed by them. This benefit provides an incentive to invest a client's account in the SBAuer Funds, IP managed mutual funds or allocate assets to SSB, based on the economic benefit our parent will receive rather than the investment needs of the client.

If you have questions about the information in this Brochure, you can reach your investment adviser representative (the "Portfolio Consultant") at the email address, telephone number, or street address shown on the Brochure Supplement he or she gives you.

As used in this brochure, the words "we," "our," and "us" refer the Advisor and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### **SERVICES ADVISOR OFFERS**

Advisor offers a range of investment advisory programs and services ("Program"), including the following:

- Individual Portfolio Management Services ("IPM Services")
- Model Portfolio Management Services ("MPM Services")
- Model Marketplace Services
- Financial Planning and Extended Planning Services
- Consulting Services

Please note that the information in this Brochure is necessarily general and does not address all details of Advisor's services. Because certain terms of a client's Advisory Agreement are negotiable, clients should always refer to their individual Advisory Agreement for terms that apply specifically to them.

### **INDIVIDUAL PORTFOLIO MANAGEMENT SERVICES ("IPM")**

Through our IPM Services, we offer individualized portfolio management services for clients seeking a customized approach, rather than one based on a "Model Portfolio" (see below for a description of our Model Portfolios Management).

### *Suitability Information*

Through the IPM Services, the Portfolio Consultant will work with the client to identify the client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon (all the "Suitability Information") for the account that will be managed through the IPM Services.

Based on the Suitability Information and any other information the Portfolio Consultant determines appropriate under the circumstances, the Portfolio Consultant will work with the client to develop a portfolio of investments which is suitable for initial investment of the assets to be managed through the IPM Services. The portfolio will provide for allocation of the assets among various asset classes, to be managed by the Portfolio Consultant on a fully discretionary basis according to an investment style and strategy consistent with the account's Suitability Information.

### *Portfolio Investments*

For IPM Services accounts, Portfolio Consultants typically develop a portfolio comprised of a diversified mix of investments consistent with the Suitability Information. The investments are drawn from the *Securities About Which We Offer Advice* described below, as the Portfolio Consultant determines suitable for the account. The investment strategy and any liquidity needs and investment restrictions imposed by the client will affect the specific types of investments we purchase for the account. When suitable for the account, a Portfolio Consultant may develop a portfolio and manage an account based on investment strategy ideas or investment selections from the Model Portfolios (discussed below), adapted to the individual needs and objectives of the account. At times, specific investments can include the Auer Growth Fund, IP managed mutual funds or use a portfolio designed by SSB as an allocation based upon the investment objectives. These offerings are managed by affiliated companies. Tax considerations are recognized, but not the driving force in portfolio management decisions.

### **MODEL PORTFOLIO MANAGEMENT SERVICES ("MPM")**

Through our MPM Services, we offer portfolio management services based on our Model Portfolios. Each Model Portfolio is designed to meet a particular investment objective. Model Portfolios can be used to build an appropriate mix of income and growth potential for the client. Following are the current Model Portfolios we offer:

***IntelliBuild Growth*** - This model consists of about 33 domestic equity positions which are market cap agnostic however tend to be mostly mid-cap and small-cap. The portfolio is normally 100% invested in equities. The stock selection process uses the Investor's Business Daily IBD 50 and The New America lists. The strategy follows a quantitative methodology while utilizing institutional level research. Turnover is reasonably high at about one or two position changes per week. The primary objective of the strategy is capital appreciation.

***Dividend Growth & Income*** - This model consists of about 25 generally domestic equity positions. The portfolio objective is to select stocks that strive to provide high, steady and consistent dividend income as well as seeking stocks that have the ability to increase dividends and provide long term capital appreciation over time. Turnover is low at about two position changes per quarter, less than 45%. The investment objective of the portfolio is income and capital appreciation.

***Bulls of the Dow*** - This model consists of the ten highest Sheaff Brock scoring stocks in the Dow Jones Industrials Index. The strategy seeks to invest in stocks that offer the best opportunity to avoid downside risk and have the opportunity to offer long term capital appreciation. The selections are rebalanced quarterly which generally results in two to three changes per quarter. Portfolio objective is capital appreciation and dividend income.

**Twenty Under Thirty-Five** - This model consists of twenty domestic stocks that are priced at \$35 or less at time of model purchase. The strategy seeks to invest in stocks that offer the best attributes to avoid downside risk and have the opportunity to offer long term capital appreciation. The selections are rebalanced quarterly. Portfolio objective is capital appreciation.

**Covered Call** - This model consists of 25 to 30 generally domestic equities chosen by similar methods described in the above portfolios. Each position is then covered by a "covered call" option position. First, the strategy seeks to earn premium credit from call options that can provide current and consistent income. Second, the strategy seeks to invest in high quality equities that can offer the potential for capital appreciation. Turnover is very high and short-term capital gains are common. The portfolio objective is income and secondarily capital appreciation.

### **Option Opportunity**

**Put Income** -The objective of the overlay portfolio is cash flow and eventual capital gain income from the expiring time premium of put options. Out-of-the-money options are initially sold on high quality equities or indices, and then expire, or become in-the-money and are rolled forward in time until expiration. Turnover of the put positions is high. Issues held are generally marginable stocks, bonds, mutual funds, cash, and short put option positions on individual equities. Put Income portfolios add additional equity risk to the underlying portfolio holdings.

**Index Income**- The objective of overlay portfolio is cash flow and eventual capital gain income from the expiring time premium of put option credit spreads on a recognized equity ETF/index (usually the S&P 500). A short put is initially sold on an equity index, usually 3% out-of-the money, and that option is paired with a long "insurance"-type put usually with a strike price 15% lower. If the spread expires out-of-the-money, a gain is created, and a new spread is written. If the spread expires in-the-money the short put is rolled out in time for a credit, and a new "insurance" put is bought approximately 15% below the rolled strike price. Turnover of the spreads is normally monthly. Issues held are generally marginable stocks, bonds, mutual funds, cash, and credit spread put option positions. Index Income portfolios add additional equity risk to the underlying portfolio holdings.

**Preferred Income** - This portfolio consists of about 25 positions in preferred stocks and corporate bond trusts that trade as preferred stocks. Generally the stocks are NYSE listed and have a par value of \$25 per share, although institutional \$1,000 par securities can be used. The primary objective is to seek income. Capital appreciation is generally minimal.

**Real Estate Income & Growth** – The model is a fully invested portfolio of publicly traded Real Estate Investment Trusts (REIT), companies servicing or developing real estate, or funds focused on investments in real estate. The strategy is mostly comprised of generally smaller and midsized capitalization REITs in the 13 REIT sectors of the equity REIT universe. The REITs are selected based on the investment process of managing downside risk while focused on capturing current income and the opportunity for capital appreciation. The strategy objective is income and the opportunity for capital appreciation.

**Intermediate, Core, Core Plus, Corporate Core Plus and High Yield Bond** - These portfolios can invest in corporate bonds, mortgage backed and other structured securities, U.S. government securities and taxable municipal bonds. The objective is income and capital preservation. Each portfolio is sub-advised by Oppenheimer Asset Management (OAM), Carmel, IN an SEC registered investment advisor. OAM principals have many years of experience managing institutional fixed income portfolios.

**Short Duration Cash Management** - The objective of the portfolio is to offer a higher current yield

alternative to short-term investments such as traditional money market funds. The strategy is designed to provide liquidity and capital preservation. This portfolio is sub-advised by Oppenheimer Asset Management (OAM), Carmel, IN an SEC registered investment advisor. OAM principals have many years of experience managing institutional fixed income portfolios.

**Salzinger Sheaff Brock** - ETF and mutual fund portfolios, including the closed end portfolio offered through Advisor, are sub-advised by Mark Salzinger who is affiliated by being a member of Salzinger Sheaff Brock, LLC. Mark is also publishing editor of a newsletters, the *No-Load Fund Investor*.

#### **AFFILIATED ADVISER/MUTUAL FUND**

As described above, Advisor is affiliated by virtue of parent ownership with a registered investment adviser, IP, an SEC-registered investment adviser. IP offers two mutual funds, the Dividend Performers ("DP") and the Preferred Plus ("PP") of the Collaborative Investment Series Trust, an investment company registered under the Investment Company Act of 1940. As detailed previously in this section, the Advisor manages portfolios with similar trading strategies and objectives as PP and DP. To that end, clients need to compare the fees and expenses charged by the mutual funds versus those fees and expenses charged by the Advisor, as manager of portfolios that are similar in nature to the mutual funds. In addition, clients should compare any applicable breakpoints for fee reduction as well as the risks and liquidity of the two separate investments. A discussion of the applicable fees and expenses, breakpoints, risks and liquidity issues relating to DP and PP may be found in the prospectus for the funds at [www.dividendperformers.com](http://www.dividendperformers.com) and [www.preferred-plus.com](http://www.preferred-plus.com). The applicable fees, expenses, risk and liquidity issue for the Advisor managed portfolios may be found in this ADV, Part 2A under Items 4 and 5. Finally, Clients of Advisor should understand that there is a choice between the two separate investments that may result in a higher fee structure and/or lower rate of return depending upon the Client's choice.

Please refer to Item 8 for information about Advisor's methods of analysis and investment strategies, the types of investments Advisor generally recommends, and the material risks involved with respect to the IPM Service and MPM Service. Refer to Item 12 for information regarding brokerage.

#### **SUBADVISOR SERVICES**

Advisor acts as sub-advisor to registered investment advisors. In these arrangements, Advisor provides continuous and regular supervision of the investment strategy. Advisor will execute all trades in sub advised accounts. Registered investment advisor will be responsible for all communications with the client. Registered investment advisor will determine suitability for investments in Advisor's strategies.

#### **MODEL MARKETPLACE SERVICES**

Advisor's investment management services are made available through various model marketplace platforms. Advisor provides model marketplace platform with regular updates to the investment holdings (i.e. "models") contained in certain Advisor managed investment strategies. Investment advisors then utilize one or more of Advisor's investment models to invest client assets. In these situations, the platform is ultimately responsible for implementing Advisor's ongoing investment recommendations and for performing many other services and functions typically handled by Advisor in a discretionary managed account program. No other services are offered to Model Marketplace accounts, and Advisor considers these assets to be non-discretionary assets under management.

Providing investment management services to both separately managed client accounts and to a model marketplace platforms can give rise to certain conflicts of interest. Advisor's recommendations implicit in the investment models provided to the platform typically reflect recommendations also being made by Advisor to other separately managed clients. As a result, Advisor may have already commenced trading for its discretionary separately managed client accounts before the program

platform has received or had the opportunity to evaluate and act upon Advisor's investment model recommendations. This could ultimately result in client trades placed by the platform being subject to price movements, particularly with large orders or where the securities are thinly traded, which may result in model program clients receiving prices that are less favorable than those prices obtained by Advisor for its discretionary client accounts. In order to address this potential conflict, Advisor has developed a trade rotation policy that helps to ensure that all Advisor investment recommendations are communicated to model programs on a fair and equitable basis.

## **FINANCIAL PLANNING & EXTENDED PLANNING SERVICES**

Advisor offers clients a range of financial planning services based on the specific needs of the client. Advisor and client will enter into a written Financial Planning Agreement that describes the specific Financial Planning Services Advisor will provide, and the fees for such services. Through our Financial Planning Services, the Advisor meets with the client to discuss and analyze the client's investments and financial situation, and help the client to identify his or her financial goals and objectives, tolerance for risk, and investment time horizon, among other key factors to developing a financial plan. Clients may be asked to provide detailed information about the client's personal and family situation, estate and retirement plans, trust agreements, wills, investments, insurance, or other information necessary to provide the specific services requested. Based on the information provided by the client, the Advisor will develop recommendations to help the client towards achieving his or her financial objectives.

### *Reliance on Information from Client, Other Professionals & Planning Assumptions*

In providing the Financial Planning Services, the Advisor will rely on assumptions or estimates regarding a number of important factors that may or may not turn out to be accurate at any time. These assumptions will often include subjects such as future market performance and investment returns, anticipated and reasonably foreseeable living and medical expenses, tax laws, interest rates, and other factors. Advisor will also rely on information provided by client and client's other professionals (e.g., attorneys, accountants, etc.).

Advisor is not required to verify any information received from the client or from such other professionals, and Advisor is expressly authorized to rely on such information. As a result of likely differences between the items assumed and the actual situation at any time in the future, client's (or client's successors') financial situation or needs may be materially different than anticipated and client's financial or investment objectives may not be achieved. Clients are advised that it remains their responsibility to promptly notify Advisor if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Advisor's previous recommendations or services.

Advisor will generally provide a written report or financial plan in connection with the Financial Planning Services which will usually include recommendations to assist the client in achieving his or her financial goals and objectives, which may include recommendation to use Advisor's services to manage client's assets. See Item 10 for potential conflicts of interest that arise as a result of the potential for compensation if the client chooses to accept such recommendation.

## **Extended Planning Services**

Once the initial engagement has been completed, the client will determine the extent to which client wishes to implement the recommendations made by Advisor, and may extend the Advisory Agreement to provide for an annual, renewable extended planning arrangement which includes on-going guidance and assistance with respect to implementation and regular consultations with the Advisor.

## **CONSULTING SERVICES**

Advisor provides a range of consulting services addressing a variety of investment and non-investment related matters, such as investment consultations. The scope of these project-based services varies,



as each engagement is individually negotiated and tailored to accommodate the specific needs of a particular client. In these cases, the services we provide will be included in a consulting agreement negotiated by Advisor and the client. We will charge a project or consulting fee, which will vary depending on the scope of the services to be provided. Advice is based on objectives communicated, either orally or in writing, by the client or the client's advisors. Advice may be provided through individual consultations or a written plan document, as agreed between Advisor and client.

## **INFORMATION REGARDING OUR SERVICES**

### ***Changes in Client Circumstances***

Clients are advised that changes in their personal or financial situation, investment objectives, tolerance for risk, or investment time horizon may cause the strategy or portfolio designated for the client's account to become no longer suitable. In the event of any material change in client's personal or financial circumstances, client should contact the Portfolio Consultant or Advisor promptly so that we may assist in identifying another program, strategy or other investments that better meet the client's needs.

### ***Deposit Cash or Cash Equivalents***

Generally, for the IPM Services and MPM Services, client is expected to deliver only cash or cash equivalents to the Custodian. With Advisor's consent, client may transfer securities to the Custodian, but the securities will be liquidated to cash as soon as reasonably practical, unless Advisor agrees that such assets may be retained in the account. Client may not transfer or deposit to the account any securities that are not publicly traded or that cannot be promptly sold, except upon our agreement. Client will grant us and the Custodian the authority, in our respective discretion, to liquidate securities transferred into the account or to require client to transfer such securities out of the account upon request.

Clients may withdraw account assets on notice to Advisor, subject to usual and customary securities settlement procedures. Advisor designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Advisor may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. early redemption or contingent deferred sales charges) and tax ramifications, for example.

### ***Differences Among Portfolio Consultants' Accounts***

Portfolio Consultants develop different Portfolios for clients participating in the IPM Services and MPM Services, follow different investment strategies and styles, and have different policies and practices for developing, rebalancing, and adjusting portfolios in view of the Suitability Information of the accounts they are managing. Consequently, it is expected that the portfolios, levels of volatility, fees, expenses, returns, and performance will vary significantly among accounts from one Portfolio Consultant to another, as well as among the accounts of each Portfolio Consultant. The Portfolio Consultant will be acting on behalf of Advisor; and any discretion granted by the client to the Portfolio Consultant will be deemed to be granted to, and may be exercised by, Advisor. Advisor, as the Portfolio Consultant's supervisor, will have the authority to direct any act of the Portfolio Consultant in the performance of any service. Although the Portfolio Consultants act under the general supervision of Advisor and Advisor monitors the accounts of each Portfolio Consultant, Advisor does not direct or mandate the investment strategy or style followed by a Portfolio Consultant.

## **SECURITIES ABOUT WHICH WE OFFER ADVICE**

We offer advice regarding a wide variety of securities, including:

- exchange-listed or over-the-counter, common, preferred, or convertible securities of domestic or foreign issuers;

- warrants;
- certificates of deposit;
- corporate debt securities;
- municipal securities;
- securities issued by the US Treasury, agencies, or government sponsored enterprises;
- shares of money market funds, open-end investment companies (mutual funds), closed-end funds, unit investment trusts, and exchange-traded funds ("ETFs"); and
- option contracts on securities.

However, with respect to any individual client's account and Portfolio, our advice will be limited to those securities with respect to which the client has requested advice and those which the Portfolio Consultant determines are suitable for the account. This list is more extensive than the investments we recommend for a typical client's account. Please refer to the discussion in Item 4 with respect to the IPM Service and MPM Service and in Item 8 for information about the investments we typically recommend.

### **ASSETS UNDER MANAGEMENT**

As of December 31, 2019, Advisor managed \$1,037,106,007 on a discretionary basis and \$1,097,941 on a non-discretionary basis of clients' assets.

## **Item 5 Fees and Compensation**

### **INDIVIDUAL PORTFOLIO MANAGEMENT AND MODEL PORTFOLIO MANAGEMENT SERVICES**

The maximum Advisory Fee rate for the IPM and MPM Services is 1.75% based upon a percentage of assets under management. Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the market value of the client's account on the last trading day of the previous quarter. All inflows and outflows from the previous quarter in excess of \$20,000 are reflected as a pro-rated fee adjustment on the current quarter's invoice. If services are initiated or terminated at any time other than the beginning or end of a calendar quarter, fees will be pro-rated. Fees will be debited from the account or other related account in accordance with the client authorization in the Advisory Agreement.

A minimum of \$500,000 of assets under management per relationship is required for IPM and MPM services although the account size may be negotiable under certain circumstances. Advisor may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Advisor is paid a quarterly fee based upon a percentage of assets under management to act as subadvisor. The fee is paid by the underlying accounts. Subadvisor fee is in the range of fees charged by Advisor for IPM and MPM Services.

Advisor is paid a quarterly fee based upon a percentage of assets under management by model marketplace platforms to provide investment management services. Fee is in the range of fees charged by Advisor for IPM and MPM Services.

### **Additional Fees & Expenses**

The Advisory Fees are separate and distinct from a number of other expenses that the accounts will incur, including:

- Brokerage and Investment Expenses
- Investment Company Expenses
- Custodial Expenses

### *Brokerage and Investment Expenses*

As used in this Brochure, the term "Brokerage and Investment Expenses" refers to the following:

- commissions, ticket charges, and other fees charged by brokers (including the Custodians) who execute securities transactions for the account on an agency basis;
- mark-ups, mark-downs, or other spreads included in the amount charged by or paid to a dealer for securities bought or sold on a principal basis, and underwriting fees, dealer concessions, or related compensation in connection with securities acquired in underwritten offerings;
- odd lot differentials, transfer or other taxes, floor brokerage fees, exchange fees, service and handling fees, electronic fund or wire transfer fees, costs of exchanging currencies, and postage and delivery expenses; and
- costs of cash management services (including for "sweep" arrangements of idle cash into bank deposit accounts or money market mutual fund accounts), and direct and indirect fees for other financial or investment services provided by brokers or custodians.

Advisor does not receive any of the Brokerage and Investment Expenses. Please refer to Item 12 for additional information about our brokerage practices and costs.

### *Investment Company Expenses*

Mutual funds, money market funds, ETF's, variable annuities, and UIT's (all referred to as a "fund") deduct from their assets the internal management fees, operating costs, and investment expenses they incur to operate the fund, and the administrative and mortality costs of the variable annuity. These internal expenses also include recordkeeping fees, and transfer and sub-transfer agent fees, among others. All of these represent indirect expenses that are charged to the fund's shareholders.

Frequently, these internal expenses also include "Distribution Fees." These amounts are deducted from the fund's assets to compensate brokers who sell fund shares, as well as to pay for advertising, printing and mailing prospectuses to new investors, and printing and mailing sales literature. Mutual fund internal expenses also commonly include "Shareholder Service Fees" which are amounts deducted from the fund's assets to pay the costs of responding to investor inquiries and providing investors with information about their accounts.

Distribution Fees and Shareholder Service Fees are referred to collectively as "12b-1 Fees," named after the SEC rule that adopted them. The 12b-1 Fees are calculated for each class of shares of a fund, and are calculated as a percentage of the total assets attributable to the share class. The 12b-1 Fees, Advisor fees, and other ongoing expenses are described in the fund's prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help compare the annual expenses of different funds.

Mutual funds may also impose an early redemption fee if shares are redeemed within a short time period, usually within 30, 60 or 90 days from the date of purchase.

Advisor does not receive any of the Investment Company Expenses for investments in a Program account.

### *Custodial Expenses*

Clients must pay the cost of services provided by their Custodian for: (1) arranging for the receipt and delivery of securities that are purchased, sold, borrowed or loaned for the account; (2) making and receiving payments with respect to account transactions and securities; (3) maintaining custody of account securities; and (4) maintaining custody of cash, receiving dividends, and processing exchanges, distributions, and rights accruing to the client's account. The Custodian may be compensated through commissions or other transaction-based fees for securities transactions executed through the Custodian (or its affiliates) or by asset-based fees for investments settled into the

Custodian's accounts, or both. The specific fees and terms of each Custodian's services are described in the client's separate custodial agreement.

Refer to Item 12 for more information regarding brokerage services provided by the Custodians.

## **FINANCIAL PLANNING & CONSULTING**

The fee for financial planning and consulting is dependent upon the nature and scope of services to be provided. Advisor can charge the client an hourly fee ranging from \$75 to \$500 per hour or the client can elect to be charged a one-time project fee. A one-time project fee typically ranges between \$500 and \$20,000. Financial Planning and Consulting fees are negotiable at Advisor's discretion. An hourly financial planning fees is due quarterly based on billable hours. Project financial planning fees are paid quarterly based upon percent of completion of the proposed project fee throughout the engagement. The fee is determined and agreed upon by client prior to commencement of any work.

## **GENERAL INFORMATION REGARDING FEES**

### **Fees in Advance and Terminations**

Advisory fees for the IPM Services and MPM Services are paid in advance. The Advisory Agreement may be terminated by either party upon notice to the other party. Advisory Fees payable for the last calendar quarter shall be prorated based on the number of days the Advisory Agreement is in effect during such quarter, and the balance shall be refunded to client.

After an Advisory Agreement has been terminated: Client may be charged commissions, sales charges, and transaction, clearance, settlement, and custodial charges, at prevailing rates, by the Custodian and any executing or carrying broker-dealer; client will be responsible for monitoring all transactions and assets; and Advisor shall not have any further obligation to monitor or make recommendations with respect to the account or those assets.

### *Grandfathering of Minimum Account Requirements*

Pre-existing advisory clients are subject to Advisor's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our minimum account requirements will differ among clients.

### *Risk of Liquidations to Pay Fees*

The Custodian will be authorized to deduct the Advisory Fees directly from the client's account, without notice to the Client. If sufficient cash is not available in the account to pay the Advisory Fees when due, the Custodian will liquidate securities selected by Advisor without prior notice to the client. If mutual funds are liquidated, the client may be charged a contingent deferred sales charge, an early redemption fee, or a fee to discourage short-term trading of fund shares. If the liquidated securities have declined in value, the client will realize a loss and lose the opportunity for future appreciation of the securities.

### **Deduction of Fees from Custodial Account**

The Advisory Agreement and Custodian account application authorizes and directs the Custodian to deduct the Advisory Fees directly from the Account upon receipt of our instructions. We require clients to authorize the Custodian to deduct the Advisory Fees from the account and pay us. Clients are not generally permitted to choose to have Advisory Fees billed directly to them for payment in lieu of billing the Custodian; however, this term may be negotiable in our sole discretion. The amount of the Advisory Fee deducted by the Custodian will be reflected on the Custodian's regular statements to the client.

### *ERISA Accounts*

Advisor is deemed to be a fiduciary with respect to certain clients pursuant to the Employee Retirement

Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Advisor may only charge fees for investment advice about products for which we do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which we receive commissions or 12b-1 fees, however, only when such fees are used to offset advisory fees.

### **Limited Negotiability of Advisory Fees**

Although Advisor has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the Advisory Agreement between the adviser and each client.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm. Because advisory fees and other terms of service may be negotiated separately with individual clients, some accounts pay lower advisory fees than other accounts.

### **EVALUATE ALL COSTS OF OUR SERVICES**

When evaluating the overall costs and benefits of our services, Clients should consider not just the advisory fees, but also the Brokerage and Investment Expenses, the Investment Company Expenses, and Custodial Expenses, as well as the compensation that our parent company will earn which is in addition to the advisory fees client will pay pursuant to the Advisory Agreement. Clients should consider carefully all of these direct and indirect fees and expenses of our services and the investment products Advisor recommends to fully understand the total costs and assess the value of Advisor's services. Our advisory fees and the other costs of our services may be higher than amounts charged by other advisers or financial services firms for similar services.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

Advisor does not charge performance-based fees.

## **Item 7 Types of Clients**

Advisor provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit-sharing plans (other than plan participants)
- Trusts, estates and charitable organizations
- Corporations or other businesses not listed above
- Registered Investment Advisors
- Model marketplace platforms

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### METHODS OF ANALYSIS

Advisor's Investment Committee and its Portfolio Consultants use a variety of methods of analysis in managing client portfolios and the Model Portfolios. Following are typical methods of analysis that may be used; however, clients should inquire of their specific Portfolio Consultant the particular method to be used in managing the client's account or with respect to a particular Model Portfolio:

**Fundamental Analysis.** This method is used to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. We obtain research from third-party sources for much of the data.

**Technical Analysis.** This method analyzes sector movements and apply that analysis in an attempt to recognize undervalued or oversold sectors. We may also use technical analysis (Stochastics, point-and-figure bullish percent's, or the Dow Theory for example) to raise cash. Technical analysis does not consider the underlying financial condition of a company or industry. This presents a risk in that a poorly-managed or financially unsound company or out of favor sector may underperform regardless of market movement.

**Quantitative Analysis.** This method uses mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price, earnings per share, return-on-equity, PEG ratio, current ratio and debt levels and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Asset Allocation.** This method aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon. The three main asset classes are equities, fixed-income and cash and equivalents. Each asset class has different levels of risk and return, so each will behave differently over time. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

### Mutual Fund and/or ETF Analysis.

In analyzing mutual funds and ETFs, we look at the experience and track record of the portfolio managers to determine if they have demonstrated the ability to invest successfully over periods of time and in different economic conditions. We also consider whether or not there is a significant overlap with the underlying investments held by other mutual funds and ETFs. We monitor the funds in an attempt to determine if they are continuing to follow their stated investment strategies. We also evaluate the fees of the portfolio managers and the internal expenses to determine whether the client is receiving adequate value for these fees and expenses.

A risk of our mutual fund and ETF analysis is that, as in all investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund, managers of different mutual funds and ETFs in a client's account may purchase the same security, increasing

the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund, which could make the fund less suitable for the client's portfolio. Moreover, we do not control the portfolio manager's daily business or compliance operations, and we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES & RISKS**

Advisor reserves the right to employ a number of investment strategies in pursuit of the investment objectives for client Portfolios, including long-term purchases, short-term purchases (investments expected to be held for less than a year), trading (investments held less than 30 days), and option writing, as follows:

**Long - term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short - term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the owner the right to buy an asset at a certain price within a specific period of time. We will often sell a call in order to create additional income in an account if we are comfortable with the option strike price as a suitable sale price for the underlying stock.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time.

We may sell a put in order to create additional income in an account if we are comfortable with the option strike price as a suitable buy price for the underlying stock.

We may (although it is not an active strategy used often by us) also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a premium for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

We may also use "cash secured or margin secured puts", in which we sell a put option on security you do not own. In this strategy, you receive a premium for making the option available, and the person purchasing the option has the right to sell the security to you at an agreed-upon price.

A risk of selling puts is that the price of the underlying stock can fall below the agreed-upon option price so that if the put is exercised or we want to buy the option back from the option buyer prior to the termination of the option, a possible loss could be incurred.

### ***Margin Accounts***

Certain strategies or Portfolios (such as options) require the use of a margin account to establish required positions. For other Portfolios, the use of margin is not expected to be used frequently, except as necessary to borrow sufficient funds to purchase a security for an account. This typically happens if sufficient cash is not available in the account to purchase the security and it is not advantageous to sell other investments. The use of margin carries risks that clients should understand. In volatile markets, security prices can fall very quickly. If the net value of a client's account (less the amount the client owes to the broker) falls below a certain level, the broker will issue a "margin call" and the client will be required to sell the security (and other positions) or add more cash to the account. You could lose more money than you originally invested. Additionally, the client must pay interest on the margin balance owed to the broker until it is repaid in full. The amount of margin interest will diminish the client's profits and in some cases could cause net losses in the client's account.

### **Risk of Errors in Investment Decisions**

There is a risk that Advisor's judgment about the attractiveness, relative value, or potential appreciation of a particular market sector or security, or about the timing of investment purchases or sales, may prove to be incorrect, resulting in losses to the client's account. The success of Advisor's strategy for an account or Portfolio is subject to Advisor's ability to continually analyze and select appropriate investments, and allocate and re-allocate the investments consistent with the intended investment objectives and risk parameters. There is no assurance that Advisor's efforts will be successful.

### **Reliance on Sources of Information**

Advisor's method of analyzing investment opportunities assumes that the information Advisor receives about securities, managers, and companies, the characteristics and ratings of the securities they issue, and other publicly-available sources of information Advisor utilizes is accurate and unbiased. While Advisor is alert to indications that data may be incorrect or skewed, there is always a risk that its analysis may be compromised by inaccurate or misleading information.

### **Management of Account Until Advisor Receives Notice**



Unless and until the client notifies Advisor to designate a different portfolio for the account or to notify Advisor of material changes in the Suitability Information, Advisor will continue to manage the account according to the Suitability Information in its records. Clients should inform Advisor promptly of significant changes in their individual or family circumstances or financial situation, or in the investment goals or objectives, investment time horizon, tolerance for risk, or liquidity needs of their account so that appropriate changes can be made.

### ***Tax Considerations***

Advisor's strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Moreover, custodians and broker-dealers must report the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### ***Risk of Loss***

All investing involves a risk of loss that investors should be prepared to bear. The descriptions contained below are a brief overview of the material risks related to Advisor's investment strategies; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with participation in the Advisor's services.

***Market Risk:*** The risk that the price of a particular investment will change as a result of overall market conditions that are not specific to that particular company or investment.

***Market Volatility Risk:*** The prices of securities may be volatile. Price movements of securities in which Advisor invests are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and U.S. and international political and economic events and policies. In addition, governments from time to time intervene, directly or by regulation, in certain markets, particularly those in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

***Equity Risk:*** Equity security values may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of the securities participate or other factors relating to the companies.

***Preferred Security Risk:*** Preferred securities generally are subordinated to bonds and other debt instruments in a company's capital structure and therefore will be subject to greater credit risk than those debt instruments. In addition, preferred securities are subject to other risks, such as having no or limited voting rights, being subject to special redemption rights, having distributions deferred or skipped, having floating interest rates or dividends, which may result in a decline in value in a falling interest rate environment, having limited liquidity, changing or unfavorable tax treatments and possibly being issued by companies in heavily regulated industries. Preferred securities that do not have a maturity date are considered to be perpetual investments.

**Interest Rate Risk:** The risk that interest rate changes will affect the price of a particular investment. For example, when interest rates rise, the price of bonds generally falls

**Option Risk:** Changes in the market price or other economic attributes of the underlying investment, changes in the realized or perceived volatility of the relevant market and underlying investment and time remaining before an option's expiration affect the market price of options.

If the market for the options becomes less liquid or smaller the market price of the options may be adversely affected. Advisor may close out a written option position by buying the option instead of letting it expire or be exercised. Advisor may close out of long options by selling instead of letting it expire or be exercised. There can be no assurance that a liquid market will exist when Advisor seeks to close out an option position by buying or selling the option.

When Advisor writes (sells) an option, it faces the risk that it will experience a loss if the option purchaser exercises the option sold by Advisor. Writing options can cause the client's account to be highly volatile, and it may be subject to sudden and substantial losses.

Advisor's option positions will be marked to market on each day that the exchanges are open. Advisor's option transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class that may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers.

The decision on when and how to use options involves the exercise of skill and judgement. Market behavior or unexpected events can adversely affect a well-executed options program. Anticipation of future movements in securities prices or other economic factors of the underlying investments impact the success of an option strategy. No assurances on the Adviser's judgement being correct can be given.

**Leverage Risk:** A client's account may be subject to leverage risk through the use of derivative instruments. Leverage magnifies the accounts exposure to declines in the value of one or more underlying investments or creates investment risk with respect to a larger pool of assets than the client would otherwise had and may be considered a speculative technique. The value of an investment will be more volatile and other risks tend to be compounded if and to the extent that use derivatives or other investments have embedded leverage. Engaging in such transactions may cause Advisor to liquidate positions when it may not be advantageous to do so to satisfy its obligations or to meet maintenance requirements.

**Liquidity Risk:** The risk that particular investments may become difficult to sell or purchase. There can be no assurance that a liquid market for the investment will be maintained, in which case Advisor's ability to realize full value in the event of the need to liquidate certain assets may be impaired and/or result in losses. Decreased liquidity may cause Advisor to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on performance. Advisor may be unable to sell illiquid securities even under circumstances when the Adviser believes it would be in the best interest of the Client to do so. The market for certain investments may become less liquid or illiquid due to adverse market or economic conditions or changes in the conditions of a particular issuer. Further, transactions in less liquid or illiquid securities may entail transactions costs that are higher than those for transactions in liquid securities.

**Trading Risk:** Advisor may use frequent trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Frequent

trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. This may include buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses. When a frequent trading policy is in effect, there is a risk that investment performance within your account may be negatively affected, particularly through increased brokerage and other transactional costs and taxes.

**Cyber Security Risk:** With the increase use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, Advisor may be susceptible to operational and information security risks resulting from cyber-attacks and/or other technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, gaining unauthorized access to digital systems for purpose of misappropriation of assets and causing operational disruptions. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service. Successful cyber-attacks against, or security breakdowns of Advisor may adversely affect the client.

**Event-Based Risks:** The risks of events the market has not anticipated, known as “Black Swans.” A Black Swan event is an event that is unprecedented or unexpected at the point in time it occurs, and which can cause large market dislocations.

**Management Risk:** The success of the Advisor’s strategies for each Portfolio is subject to Advisor’s ability to continually analyze and select appropriate investments, and allocate and re-allocate the investments as a suitable portfolio consistent with the intended investment objectives and risk parameters. There is no assurance that Advisor’s efforts will be successful.

## Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Advisor does not have any matters to disclose under this Item.

## Item 10 Other Financial Industry Activities and Affiliations

### *Relationships with Investment Company and Investment Advisers*

As disclosed in Item 4, our parent company owns an interest in SBAuer Funds, LLC, which is the investment adviser to a mutual fund, the Auer Growth Fund (the “AG”), an investment company registered under the Investment Company Act of 1940, in which we sometimes invest portfolio assets for accounts participating in IPM Services and certain MPM Services portfolios. The Chief Financial Officer and the Chief Compliance Officer of the Advisor serve in the same positions for SBAuer Funds, LLC. For additional information about the AG, the fund Prospectus and Statement of Additional Information are available on the Internet at: [www.sbauerfunds.com](http://www.sbauerfunds.com). Prospective investors should review these documents carefully before making any investment in the AG mutual fund.

Our parent company is also the owner of an investment adviser, Innovative Portfolios, LLC (“IP”), which is the adviser to two mutual funds, Dividend Performers (“DP”) and Preferred-Plus (“PP”) of the Collaborative Investment Series Trust, an investment company registered under the Investment Company Act of 1940. We may invest portfolio assets for accounts participating in the IPM Services and certain MPM Services in the DP and PP mutual funds. The Chief Investment Officer, Chief Compliance Officer and Chief Financial Officer of the Advisor serve in the same positions for IP. For

additional information about DP and PP, the Prospectus and Statement of Additional Information for each fund are available at [www.dividendperformers.com](http://www.dividendperformers.com) and [www.preferred-plus.com](http://www.preferred-plus.com). Prospective investors should review these documents carefully before making any investment in the funds.

Certain investment adviser representatives of the Advisor are also investment adviser representatives of IP and registered representatives of Arbor Court Capital, LLC ("ACC"), an unaffiliated broker-dealer. As a registered representative, he or she sells the DP and PP mutual funds. The registered representative is compensated by ACC for the sale of the DP and PP in the form of usual and ordinary commissions. These relationships create a potential conflict of interest in that investment advisor representative is advising IP and Advisor clients as an investment advisor representative and compensated for selling DP and PP as a registered representative.

Our parent company is owner with Mark Salzinger of an investment adviser, Salzinger Sheaff Brock, LLC ("SSB"), to which Advisor has the authority to allocate management of client Portfolio assets as subadviser. The Chief Financial Officer and Chief Compliance Officer of the Advisor serve in the same positions for SSB.

Our parent company is the owner of Trust Advisors, LLC ("TA"), an SEC registered investment advisory. The Chief Investment Officer, Chief Financial Officer and Chief Compliance Officer of Advisor serve in the same positions for TA.

Our parent company will benefit economically from advisory fees earned by AG, DP, PP, SSB and TA from client assets managed by them. This benefit provides an incentive for Advisor to invest in the AG, DP or PP mutual funds, or allocate assets to IP, TA and SSB, based on the economic benefits our parent company will receive rather than the investment needs of the client.

Finally, for clients who receive Financial Planning Services, we may recommend that they engage our firm to provide investment management services. This creates a potential conflict of interest because the recommendation of our services may be influenced by the potential economic revenue from fees earned from client's business rather than on the investment needs of the client.

Clients should consider these potential conflicts of interest carefully when deciding whether to participate in these programs. Advisor has adopted the following steps to address these potential conflicts:

- we disclose the existence of these conflicts in this Brochure and we endeavor to act consistent with our fiduciary duty;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we request clients to provide the Suitability Information for the account that will be managed by us, and we require that we have a reasonable basis for the investment decisions we make with respect to accounts; and
- we educate our Portfolio Consultants regarding the responsibilities of a fiduciary, including the need for having a reasonable basis for the investment advice provided to clients.

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

## **A. Code of Ethics**

Advisor has adopted a Code of Ethics expressing its commitment to ethical conduct. The Code of Ethics describes Advisor's fiduciary responsibilities to its clients, and its procedures in supervising the personal securities transactions of its supervised persons who have access to information regarding client recommendations or transactions ("access persons").

A copy of the Code of Ethics is available to clients and prospective clients. You may request the Code of Ethics by email at [audreyk@sheaffbrock.com](mailto:audreyk@sheaffbrock.com) or by calling Advisor at (317) 705-5700.

Advisor owes a duty of loyalty, fairness, and good faith towards clients and an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

Advisor owes a duty of loyalty, fairness, and good faith towards clients and an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

The Code of Ethics includes policies and procedures for the review of access persons' quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by access persons. Among other things, the Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. The Code also provides for oversight, enforcement, and recordkeeping provisions.

The Code of Ethics prohibits the misuse of material non-public information. While Advisor does not believe that it has any particular access to material non-public information regarding publicly traded companies that would be subject to misuse, all employees are reminded that any such information may not be used in a personal or professional capacity.

Advisor and its officers, and employees may act as investment adviser for others, may manage funds or capital for others, may have, make and maintain investments in its or their own names, or may serve as an officer, director, consultant, partner or stockholder of one or more investment partnerships or other businesses, subject to compliance with the Code of Ethics. In doing so, Advisor or such persons may give advice, take action, and refrain from taking action, any of which may differ from advice given, action taken or not, or the timing of any action, for any particular client.

Neither Advisor nor any Portfolio Consultant has any obligation to purchase or sell, or to recommend for purchase or sale, any security which Advisor or any principal, officer, or employee purchases or sells for his own account or for the accounts of other clients, unless such conduct is a fiduciary obligation.

## **B. Recommendations Involving Our Financial Interests**

Advisor is required to disclose in Item 11 if it recommends that clients invest in securities in which Advisor or a related person has a material financial interest. This includes acting as an investment adviser to an investment company that Advisor recommends to clients.

As disclosed in Item 10, Advisor recommends clients invest in shares of the AG, DP and PP mutual funds whose investment adviser is owned, in part, by Advisor's parent corporation. Refer to the discussion in Item 10 for how we address the potential conflicts that arise from such recommendations.

## **C. Investments in Securities Recommended to Clients**

Individuals associated with Advisor may buy or sell securities for their personal accounts identical to or different from those recommended to clients. It is the policy of Advisor that no person employed by it

shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of clients. Subject to the Code of Ethics, Advisor and its employees are permitted to trade for their own accounts side-by-side and in block transactions with Advisor's clients in the same securities, and at the same time. We have adopted the procedures described in Item 11.D to address the actual and potential conflicts of interest raised by our policies.

#### **D. Investments around Time of Client Transactions**

Subject to the procedures in this section 11.D, Advisor and its employees are permitted to trade for their own accounts side-by-side with clients in the same securities at or around the same time as clients on the same trading day, and are permitted to aggregate trades for their proprietary accounts with trades for client accounts. Advisor and its employees may buy or sell securities for their personal accounts identical to the securities recommended to clients. We have adopted the procedures described below to address the potential conflicts of interest arising from our policies described in Items 11.C and 11.D:

- employees may not purchase or sell securities (other than mutual funds or other securities that are not treated as "reportable securities") immediately prior to client transactions, in order to prevent employees from benefitting from transactions placed on behalf of advisory accounts;
- no director, officer, or employee shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry;
- no director, officer, or employee shall knowingly prefer his or her own interest to that of an advisory client;
- Advisor maintains records of securities held by it and its access persons;
- Advisor emphasizes the unrestricted right of the client to decline to implement any advice Advisor has rendered;
- Advisor requires all employees to act in accordance with all applicable Federal and State laws and regulations governing registered investment advisory practices; and
- any employee not in observance of the above may be subject to discipline, including termination.

## **Item 12 Brokerage Practices**

### **RECOMMENDING CUSTODIANS AND BROKERS**

Advisor generally recommends that clients utilize the brokerage and clearing services of TD Ameritrade Institutional, a division of TD Ameritrade Inc., ("TD Ameritrade") or E\*TRADE Advisor Services (E\*TRADE) for IPM Services or MPM Services, although other broker-dealers/custodians may also be used by the Advisor. TD Ameritrade and E\*TRADE Advisor Services are an independent broker-dealer/custodian not affiliated with Advisor. TD Ameritrade or E\*TRADE herein and after may be referred to as Custodian. Client will select the Custodian by entering into an account agreement directly with the Custodian to open the account.

### **Best Execution**

#### *How Advisor Selects Brokers/Custodians.*

Advisor seeks custodians which are brokers and who will hold client assets. Advisor generally has full discretion to place trades with or through any brokers it deems appropriate in order to obtain best execution. The Advisor's general policy is to place client trades with Custodian and the Advisor will continue to do so as long as it believes that Custodian is providing the best overall execution for the client and they remain competitive in relation to executions and the cost of each transaction. The exception to this policy is when trades are placed under the prime brokerage arrangement described below. Advisor strives to achieve the best execution possible for client securities transactions, but this does not require the Advisor to solicit competitive bids or seek the lowest available commission cost. Advisor considers 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 for client's account;
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of available investment products (stocks, bonds, mutual funds, exchange traded funds, etc.);
- availability of investment research and tools that assist Advisor in making investment decisions;
- quality of services;
- competitiveness of the prices for the services (commission rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability;
- prior service history with Advisor and its clients; and
- availability of other products and services that benefit Advisor, as discussed below (see "Products and Services Available from Custodian").

#### *Prime Brokerage Arrangements*

Advisor can recommend that clients enter into a prime brokerage arrangement with Custodian. This arrangement allows Advisor to place a trade for a client's account with a different broker for execution and then the securities bought or the funds from the securities sold are deposited (settled) into the client's Custodian account. Advisor mainly does this when trading preferred and fixed income securities, and only when Advisor believes it will result in best execution. Under these arrangements, Custodian usually charges a flat dollar amount for its services as custodian and "prime broker". These fees are in addition to the commissions or other compensation a client will pay the executing broker-dealer.

#### **Products and Services Available from Custodian.**

Advisor participates in the institutional advisor program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. Advisor also participates in the E\*TRADE Advisor Services custodian and referral program. TD Ameritrade and E\*TRADE Advisor Services offers services to independent investment advisers, services which include custody of securities, trade execution, clearance, and settlement of transactions. We receive some benefits from TD Ameritrade and E\*TRADE through our participation in the programs. Advisor may recommend TD Ameritrade or E\*TRADE Advisor Services to our clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the programs that are typically not available to retail investors at TD Ameritrade and E\*TRADE Advisor Services.

These benefits can include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisors by third party vendors. TD Ameritrade and/or E\*TRADE Advisor Services may also pay for business consulting and professional services received by Advisor's related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Advisor's personnel to attend conferences or meetings relating to the program's or Advisor's custody and brokerage services generally.

Some of the products and services made available by TD Ameritrade and E\*TRADE Advisor Services through their respective programs may benefit Advisor but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at their custodian. Other services made available by TD Ameritrade and E\*TRADE Advisor Services are intended to help us manage and further develop our business enterprise. The benefits received by Advisor or our personnel through participation in the programs do not depend on the amount of brokerage transactions directed to TD Ameritrade or E\*TRADE Advisor Services. Clients should be aware, however, that the receipt of economic benefits by Advisor or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice OR recommendation of TD Ameritrade or E\*TRADE Advisor Services for custody and brokerage services.

See Item 14 Client Referrals and Other Compensation for additional details.

### **Services that Benefit Clients**

Custodian's brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the Custodian include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment, and access to mutual funds with no transaction fees and to certain institutional money managers which may result in lower client expenses. These services generally benefit clients and their accounts.

### **Services that May Not Directly Benefit Clients.**

Some of the useful benefits and services made available by the Custodian through their program may benefit Advisor but may not benefit all or any client accounts. When Advisor selects or recommends Custodian, Advisor will take into consideration whether the Custodian provides Advisor with such benefits and services. Clients can pay the Custodian trading fees to execute transactions. These products and services assist Advisor in managing and administering client accounts. They include investment research-related products and tools, in some case the Custodian's own and those of third parties. Advisor may use this research to service all or some substantial number of clients' accounts, including accounts not maintained at the Custodian. In addition to investment research, the Custodian also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution, including access to a trading desk serving Advisor's clients;
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the aggregated trade orders to multiple client accounts);
- provide pricing and other market data;
- facilitate deduction of Advisory Fees directly from clients' accounts;
- access to an electronic communications network for client order entry and account information;
- assist with back-office functions, recordkeeping and client reporting.

### **Services that Generally Benefit Only Advisor.**

Custodian also offer other services intended to help Advisor manage and further develop its business enterprise. These services include:

- educational conferences and events;
- technology, compliance, marketing, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Custodian may provide some of these services directly, or in other cases, will arrange for third-party vendors to provide the services to Advisor. They may also discount or waive fees for some of these services or pay all or a part of a third party's fees. Custodian may also provide Advisor with other



benefits such as occasional business entertainment of Advisor personnel.

**Brokerage Services Do Not Benefit Specific Accounts.**

Advisor does not attempt to put a dollar value on the useful benefits and services each account receives from its Custodian, nor does it attempt to allocate or use the economic benefits and services received from Custodian for the benefit of the accounts maintained with Custodian, or attempt to use any particular item to service all accounts. Some of the products and services made available by Custodian may benefit Advisor but may not benefit all or any of Advisor's client accounts. The benefits and services Advisor receives from Custodian are used to help Advisor to fulfill its overall Client obligations.

**Advisor Interest in the Custodian's Services.**

The availability of these services from Custodian is a benefit to Advisor because Advisor does not have to produce or purchase them. These services are not contingent upon Advisor committing any specific amount of business to the Custodian in trading commissions or assets in custody. However, if Advisor did not recommend the Custodian's services, it is unlikely that Advisor would continue to receive these services. Advisor's interest in continuing to receive the Custodian's services gives it an incentive to recommend clients maintain accounts with the Custodian, based on its interest in receiving the Custodian's services that benefit Advisor's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. Advisor believes, however, that its selection of Custodian as custodian and broker is in the best interests of its clients. The selection and recommendation of Custodian is primarily supported by the scope, quality, and price of all of the Custodian's services (see above, "How Advisor Selects Brokers/Custodians") and not solely by the Custodian's services that benefit only Advisor.

**Lower Costs Available for Similar Services**

We offer no assurance that the commissions or investment expenses clients will incur by using TD Ameritrade or E\*TRADE Advisor Services as their custodian and broker will be as low as the commissions or investment expenses charged by other firms for similar services. It is likely that lower costs may be available for similar services from other advisers, brokers or custodians, and by paying lower costs, clients could significantly improve their long-term performance.

**SOFT DOLLAR**

Advisor does not participate in soft dollar arrangements.

**DIRECTED BROKERAGE ARRANGEMENTS**

Advisor may, in its sole discretion, agree to accept client direction to use a broker-dealer other than TD Ameritrade or E\*TRADE to purchase the recommended investments. In such cases, Advisor will direct the client's transactions through the designated broker-dealer. The client's custodian may charge additional fees to execute and settle these transactions at another broker or custodian.

When a client directs the use of a particular broker-dealer, orders for these accounts will not be placed until after orders are placed for accounts that have not directed the use of a particular broker. Also, Advisor will not have discretion to place trade orders with other brokers. Consequently, as a result of directing brokerage, the client will not receive the benefit of reduced transaction costs or better prices that may result if Advisor had discretion to negotiate the terms of the orders, such as commissions, volume discounts, or seek price improvement from other broker-dealers. The client may incur higher transaction costs, delays in execution, and less favorable prices than the transactions effected for accounts that do not direct brokerage.

This practice may cost the client more money than if Advisor had discretion to select the broker-dealer. A disparity may arise such that clients who direct brokerage may pay higher overall transaction costs

and receive less favorable prices than clients who do not direct brokerage.

## **ORDER AGGREGATION**

Advisor may aggregate orders for managed client accounts at the same Custodian for the purchase or sale of securities. The ability for clients to have their orders aggregated into a “block order” with other clients can offer economic benefits, including the potential for volume discounts on their orders, timelier execution, a reduction of adverse market effects that can occur from separate, competing orders, and mutual sharing of transaction costs. Accounts of our supervised persons (employees) may participate in block orders on the same basis as clients.

Block orders are typically placed through an “average price account” or similar account such that transactions for accounts participating in the order are averaged as to price (which will be NAV for all mutual fund securities), and the securities purchased or net proceeds received are allocated pro rata among the accounts in proportion to their respective orders placed that trading day. For mutual fund orders, if no economic benefit is received from the use of block orders, they will not be used.

Typically, partial fills will be allocated among accounts in proportion to the total orders participating in the block, unless we determine that another method of allocation is equitable (such as an alphabetical rotation, rotation based on the clients of a particular Portfolio Consultant, or other method). Exceptions may be granted or allowed due to varying cash availability, divergent investment objectives, existing concentrations, tax considerations, performance relative to a benchmark, performance relative to other accounts in the same portfolio, or a desire to avoid “odd lots” (an amount of a security that is less than the normal unit of trading for that security).

Advisor can employ an alternate trade rotation process where one group of clients has a transaction effected before or after another group of our clients. Additionally, Advisor can employ an alternate trade rotation process where the Advisor has a transaction effected before or after an affiliated advisor. Our alternate rotation practice could at times result in a trade being affected for your account within the rotation. In this event, your trade orders will bear the market price impact, if any, of those trades executed earlier or later in the rotation, and, as a result, you could receive a less favorable net price for the trade. However, our alternate trade rotation procedures are generally designed to treat clients equitably and fairly over time. Depending on the security being traded, market liquidity, and trading discretion on the platform, the trades could go simultaneously or in a rotation, or at the end of the rotation.

## **TRADE ERRORS**

It is Advisor’s policy for clients to be made whole following a trade error. If a trade error results in a loss, Advisor will make the client whole and absorb the loss. If a trade error results in a gain, the custodian will donate the money to charity. The Custodians may have a policy where an adviser is not required to reimburse trade errors resulting in a loss below a de minimis amount (e.g., \$100). In such circumstances, the Custodian will absorb the loss and there is no financial impact to the client. Likewise, if a trade error results in a gain less than a de minimis amount (e.g., \$100), the Custodian will keep the gain or donate it to charity. In all other circumstances, trade errors will be corrected as described above.

## **Item 13 Review of Accounts**

### **ACCOUNT REVIEWS**

For accounts participating in the IPM Services, the Portfolio Consultant continuously monitors the securities in the accounts he or she manages, and performs quarterly reviews of account holdings for consistency with the Suitability Information and guidelines established with the client. More frequent

reviews may be triggered by changes in the Suitability Information, as well as by economic, macroeconomic, political, or market activity or events.

For accounts participating in the MPM Services, the Portfolio Consultant continuously monitors the securities in the accounts he or she manages for and performs quarterly reviews of account holdings for consistency with the Suitability Information and guidelines established with the client. The Advisor's Investment Committee typically performs weekly reviews of Model Portfolio holdings for consistency with the target allocations, investment objective, and other characteristics of the Model Portfolio. More frequent reviews may be triggered by changes in the Suitability Information, as well as by economic, macroeconomic, political, or market activity or events.

Generally, Consulting Services do not include reviews, unless specifically included in the client's Advisory Agreement.

## **CLIENT REPORTS**

Clients participating in the IPM Services or MPM Services will receive monthly or quarterly account statements and confirmations from their Custodian, and appropriate periodic account reports from Advisor. Financial Planning clients will receive a written financial plan, as provided in their Advisory Agreement; provided, Advisor will not provide updates of such plan, unless specifically agreed in the Advisory Agreement.

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

### **REFERRAL ARRANGEMENTS WITH THIRD PARTIES**

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

### **TD Ameritrade AdvisorDirect**

Advisor has received client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect, but is currently not doing so. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from

any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form. Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Please refer to Item 12 for additional description of the useful benefits and services that TD Ameritrade provides to Advisor.

### **E\*TRADE Advisor Network**

Advisor receives client referrals from E\*TRADE Securities LLC ("E\*TRADE") as a participant in the E\*TRADE Advisor Network ("Network"). The Network refers E\*TRADE clients who desire certain services from independent investment advisors such as the Advisor. In order to participate in the Network, Advisor must satisfy certain minimum eligibility criteria and be selected by E\*TRADE. Advisor must also have a contractual relationship with E\*TRADE Savings Bank (a/k/a E\*TRADE Advisor Services) ("E\*TRADE Advisor Services") for custodial and other services. E\*TRADE Advisor Services and E\*TRADE are unaffiliated with, and independent of, Advisor. None of E\*TRADE Advisor Services, E\*TRADE or any of their affiliates supervises Advisor and none has any responsibility for Advisor or its management of client portfolios, advice, or any other services provided by Advisor or third parties engaged by Advisor.

E\*TRADE clients referred to Advisor that engage Advisor establish a custodial relationship with E\*TRADE Advisor Services. Advisor pays E\*TRADE a solicitation fee for each successful client referral ("Solicitation Fee"). The Solicitation Fee is generally a percentage of the value of the assets in all accounts of client custodied with E\*TRADE Advisor Services, subject to certain minimums, and for so long as Advisor is retained to provide services to the referred client. Advisor also pays the Solicitation Fee for accounts of referred client's family members, including a spouse, child, or any other immediate family member who resides with the referred client and hires Advisor. Advisor has agreed to not charge clients referred through its participation in the Network any fees or costs greater than those charged to clients with similar portfolios who were not referred through the Network.

Advisor clients who custody with E\*TRADE Advisor Services are charged certain custodial and/or transaction related fees by E\*TRADE Advisor Services. E\*TRADE Advisor Services also earns interest revenue on cash maintained in the account and compensation from the purchase of certain mutual funds and/or exchange traded-funds. Please contact your Advisor representative with any questions about revenue earned by E\*TRADE Advisor Services from its relationship with Advisor and services provided to your account.

Advisor's participation in the Network raises potential conflicts of interest and may incentivize Advisor to encourage maintenance of custodial accounts with E\*TRADE Advisor Services or its affiliates. Please refer to Item 12 for additional description of the useful benefits and services that E\*TRADE

Advisor Services provides to Advisor.

### **PARTICIPATION IN LEAD PROGRAM**

Advisor has entered into an agreement to receive client leads for a flat fee. Potential leads can complete a brief online survey providing self-reported information about themselves, including financial goals, financial health, current savings, geographic location and contact information. Based on criteria and data supplied by the advisors and the lead, a lead-matching process is conducted to match prospective client to advisors in terms of parameters such as (but not limited to) geography, minimum asset requirements, and types of services offered and desired. Advisor pays a flat fee to participate in the online matching program regardless of whether the prospect becomes a client. The program provides a name and contact information of the lead to the multiple advisory firms as potential leads. The program also provides information about investment advisory firms to the matched leads. The lead program does not solicit clients on behalf of any advisor and does not promote or endorse any advisor or their investment strategies.

### **OTHER COMPENSATION**

Our firm and/or our officers and representatives may be eligible to receive incentive awards (such as trips/conferences) for certain types of investment products that we recommend although any such award has been a rare occurrence, ancillary to our business, and minor in nature. While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a potential conflict of interest, and may affect the judgment of these individuals when making recommendations.

### **OTHER COMPENSATION – Investment Advisor Representatives**

Certain investment adviser representatives of the Advisor are also investment adviser representatives of IP and registered representatives of ACC, an unaffiliated broker-dealer. As a registered representative, he or she sells the DP and PP mutual funds. The registered representative is compensated by ACC for the sale of the DP and PP in the form of usual and ordinary commissions. These relationships create a potential conflict of interest in that investment advisor representative is advising IP and SBIA clients as an investment advisor representative and compensated for selling DP and PP as a registered representative.

## **Item 15 Custody**

Advisor is deemed to have custody of client assets as result of Advisor's ability to deduct fees from the client's custodial account, as authorized by the client's Advisory Agreement. Assets will be held in the name of the client by the Custodian. However, the Adviser is not required to comply with all the elements of the SEC Custody Rule so long the Custodian sends account statements to the client at least quarterly. The Adviser urges its clients to compare the custodial statements for completeness and accuracy. Adviser also has custody by its authority under certain standing letters of authorization with clients which allow the Adviser to move money on client's behalf. The standing letters of authorization meet the requirements of the SEC's Feb 21 2017 No Action Letter on Custody. Therefore, the assets are not subject to an annual surprise examination.

## **Item 16 Investment Discretion**

The client accounts are managed on a discretionary basis. The client executes the Advisory Agreement wherein the client grants Advisor full authority and discretion to manage the assets according to the terms of the Advisory Agreement, guided by the Suitability Information, other documents, and information provided to Advisor regarding the account or assets, and any restrictions which client wishes to impose, from time to time.

## **Item 17 Voting Client Securities**

Advisor requires all clients to retain responsibility for voting account securities. Advisor will not vote proxies, exercise rights, make elections, or take other such actions with respect to securities held for accounts. Clients are responsible for instructing each custodian of the assets, to forward to the client all proxy solicitations or similar matters relating to the client's investment accounts. Clients may obtain proxy materials by written request to the account's custodian. Advisor does not provide advice about the issues raised by proxy solicitations or other requests for corporate actions.

Periodically a class action suit is filed on behalf of shareholders against a company our client may have or had a position in. Advisor employs Chicago Clearing, to recover any damages for our clients to ensure the client receives compensation, and to make the recovery of such damages easier to obtain. Chicago Clearing charges a percentage of funds recovered as a fee. Because each recovery is often small, the fee is generally a small dollar amount.

## **Item 18 Financial Information**

### **Prepayment of Fees Six Months or More in Advance**

Advisers who solicit or accept fees of more than \$1,200 per client, six months or more in advance are required to provide their clients an audited balance sheet. Because we do not accept pre-paid fees exceeding \$1,200 per client, six months or more in advance, we have not provided a balance sheet.

### **Disclosure of Certain Financial Conditions**

As a result of the Coronavirus crisis and ensuing economic shut down the U.S Small Business Administration (SBA) made available to small businesses the Paycheck Protection Program to encourage small business across America to retain their employees. On April 14, 2020 Sheaff Brock Investment Advisors obtained a Paycheck Protection Program loan from SBA. The loan payments will start on October 14, 2020. The loan matures on October 14, 2022 and has an interest rate of 1%. However, the SBA will forgive the loan if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest or utilities. It is SBIA's intent that all employees will be maintained, and all loan proceeds be used for qualifying expenses.

Advisers who have custody or discretion over client funds or securities, or who require prepayment of fees exceeding \$1,200 six months or more in advance must disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients.

There is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our client.

### **Bankruptcy within Past Ten Years**

Advisers who have been the subject of a bankruptcy petition during the past ten years must disclose certain information about the matter.

We have never been the subject of a bankruptcy petition.