

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

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

## PORTFOLIO Design Services

SEC File #: 801-80561

Firm IARD/CRD #: 131506

Portfolio Design Services, LLC

REGISTERED INVESTMENT ADVISOR

### **BRANCH OFFICES**

By Appointment Only

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This Disclosure Brochure provides information about the qualifications and business practices of Portfolio Design Services, LLC, which should be considered before becoming a client. You are welcome to contact us should you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Portfolio Design Services, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Portfolio Design Services, LLC has attained a certain level of skill or training.

BROCHURE  
DATED

**1  
JANUARY  
2021**



## MATERIAL CHANGES

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ITEM 2

There are no material changes to report. This Disclosure Brochure has been reviewed and is current as of the date indicated on the cover.





## TABLE OF CONTENTS

ITEM 3

<b>ITEM 4</b>	<b>Advisory Business</b>	<b>4</b>
	Who We Are	4
	Our Mission	4
	Services We Offer	4
<b>ITEM 5</b>	<b>Fees &amp; Compensation</b>	<b>9</b>
	Portfolio Management	9
	Investment Consulting	12
	Financial Planning	12
	Retirement Planning	14
<b>ITEM 6</b>	<b>Performance-Based Fees &amp; Side-By-Side Management</b>	<b>16</b>
<b>ITEM 7</b>	<b>Types of Clients</b>	<b>16</b>
<b>ITEM 8</b>	<b>Methods of Analysis, Investment Strategies &amp; Risk of Loss</b>	<b>17</b>
	Portfolio Management - Methods of Analysis, Investment Strategies & Managing Risk	17
	Retirement Planning - Methods of Analysis, Investment Strategies & Managing Risk	20
<b>ITEM 9</b>	<b>Disciplinary Information</b>	<b>20</b>
<b>ITEM 10</b>	<b>Other Financial Industry Activities &amp; Affiliations</b>	<b>20</b>
<b>ITEM 11</b>	<b>Code of Ethics, Participation or Interest in Client Transactions &amp; Personal Trading</b>	<b>21</b>
	Code of Ethics	21
	Client Transactions	21
	Personal Trading	21
<b>ITEM 12</b>	<b>Brokerage Practices</b>	<b>22</b>
	Custodial Services	22
	Aggregating Trade Orders	23
<b>ITEM 13</b>	<b>Review of Accounts</b>	<b>24</b>
	Portfolio Management Reviews	24
	Financial Planning Reviews	24
	Retirement Planning Reviews	24
<b>ITEM 14</b>	<b>Client Referrals &amp; Other Compensation</b>	<b>25</b>
	Referral Compensation	25
	Other Compensation (Indirect Benefit)	26
	Financial Planning Compensation	26
	Retirement Rollover Compensation	27
<b>ITEM 15</b>	<b>Custody</b>	<b>27</b>
	Management Fee Deduction	27
	Standing Letters of Authorization	28
<b>ITEM 16</b>	<b>Investment Discretion</b>	<b>28</b>
	Securities & Amount Bought or Sold - Portfolio Management	28
	Securities & Amount Bought or Sold - 3(38) Advisor	28
<b>ITEM 17</b>	<b>Voting Client Securities</b>	<b>28</b>
<b>ITEM 18</b>	<b>Financial Information</b>	<b>29</b>

## BROCHURE SUPPLEMENTS





## ADVISORY BUSINESS

### Who We Are

Portfolio Design Services, LLC (hereinafter referred to as “the Company”, “we”, “us” and “our”) is a full-service registered investment advisor<sup>1</sup> organized in June of 2004. We offer a wide range of financial management services<sup>2</sup> designed to assist you, our client<sup>3</sup>, in achieving your financial goals.

#### Owners

The following person controls the Company:

Name	Title	CRD#
Bruce D. Swanson	Managing Member & Chief Compliance Officer	1113446

#### Assets Under Management

As of January 1, 2021, our assets under management totaled:

Client Discretionary Managed Accounts ..... \$118,334,088

We do not offer non-discretionary investment management services.

### Our Mission

Our mission is to provide personal, caring, and knowledgeable advice to help you clarify goals and realize dreams. We will come along side to **guide** you through the maze of financial alternatives and provide **clear objective advice** designed to maximize wealth, maintain investment expectations, and minimize investment risk relative to your financial goals.

### Services We Offer

We offer financial solutions that stress fiscal responsibility and shrewd planning that is not always about the accumulation of assets, which we believe has little to do with real happiness, but what is best for your personal health and well-being. Some of the best advice we could ever offer you is that success, achievement, and contentment in life have little to do with personal wealth but are instead related to lifestyle choices. These **lifestyle choices are your unique values, life goals, and plans**. Therefore the economic solutions we develop, whether portfolio management and/or financial/retirement planning, reflect how *you* define true wealth not us. Our services include:

<sup>1</sup> The term “registered investment advisor” is not intended to imply that Portfolio Design Services, LLC has attained a certain level of skill or training. It is used strictly to reference the fact that we are “registered” as a licensed “investment advisor” with the United States Securities & Exchange Commission - and “Notice Filed” with State Regulatory Agencies that have limited regulatory jurisdiction over our business practices.

<sup>2</sup> Portfolio Design Services, LLC is a **fiduciary**, as defined within the meaning of the Employee Retirement Income Security Act of 1974 (“ERISA”) and/or as defined under the Internal Revenue Code of 1986 (the “Code”) for any financial management services provided to a client who is: (i) a plan participant or beneficiary of a retirement plan subject to ERISA or as described under the Code; or, (ii) the beneficial owner of an Individual Retirement Account (“IRA”).

<sup>3</sup> A client could be an individual and their family members, a family office, a foundation or endowment, a corporation and/or small business, a trust, a guardianship, an estate, a retirement plan, or any other type of entity to which we choose to give investment advice.



## Investment Management

Our Investment Management Services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We offer two Investment Management Service options based on your financial needs and or our management limitations. These services include: (1) Portfolio Management; and, (2) Investment Consulting.

### PORTFOLIO MANAGEMENT

Our portfolio management strategies focus on managing diversified portfolios of primarily equity (“stock”) positions, fixed income (“bond”) instruments, Exchange Traded Funds (“ETFs”), and some investment company (“mutual fund”) products to achieve the best return on your investment capital relative to your investment parameters. Investment parameters are defined as your personal benchmarks and tolerance to risk.

You will find more information about our management fees under “Portfolio Management” in Item 5, “**Fees & Compensation**” below and further description of our investment strategies under Item 8, “**Methods of Analysis, Investment Strategies & Risk of Loss.**”

### INVESTMENT CONSULTING

Investment consulting services are independent of any and all of our advisory services. Under this arrangement, we do not provide any on-going portfolio management, financial planning, or retirement planning of your account. Such consulting may include, but are not limited to:

- ❖ General and/or specific advice on investment selection
- ❖ Construction of an Investment Policy Statement
- ❖ Development of an asset allocation guideline
- ❖ Retirement analysis

You can find more information about our consulting services fees under “Investment Consulting” below in Item 5, “**Fees & Compensation**”.

## Financial Planning

Financial planning is one of the most important tools that successful people use to create an extraordinary personal life and business career. However it requires a lifetime commitment, not only from us, the Financial Planner, but from you as well.

### WHAT IS A FINANCIAL PLAN?

Financial planning is an evaluation of the investment and financial options available to you based upon your defined lifestyle choices. Planning includes: (i) attempting to make optimal decisions; (ii) projecting the consequences of these decisions for you in the form of a financial plan - a **working blueprint**; and, (iii) implementing the protocols to achieve the objectives of the plan. Once complete the financial plan, or working blueprint, becomes the plumb-line to compare a future financial performance to be sure you are achieving your economic goals and objectives.

### FINANCIAL PLANNING COMPOSITION

A financial plan can be **coordinated** - a mutually defined review of your personal financial life needs; or, **targeted** - a review, analysis and evaluation of a core area of financial need. In general, our financial planning may encompass one or more of the following areas of financial need as communicated by you:

- ❖ **Personal** - Family records, budgeting, personal liability, estate information and financial goals.
- ❖ **Education** - Education IRAs, financial aid, and state savings plans including 529 plans, grants and general assistance in preparing to meet dependents continuing educational needs through development of an education plan.
- ❖ **Taxes & Cash Flow** - Understanding the impact of various investments on your current income tax and future tax liability.
- ❖ **Death & Disability** - Cash needs at death, income needs of surviving dependents, estate planning and income analysis.
- ❖ **Estate** - Reviewing estate planning documents, including wills and trusts, to determine if you should seek the assistance of an estate planning attorney. Reviewing powers of attorney, nursing home and assisted living agreements, living trusts, and Medicare/Medicaid benefits.
- ❖ **Retirement** - Analysis of current strategies and investment plans to help you achieve your retirement goals.
- ❖ **Investments** - Analysis of investment alternatives and their effect on your investment portfolio(s), including a risk and return analysis. Assessment of your risk tolerance profile.
- ❖ **Insurance** - Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

## PREPARING THE FINANCIAL PLAN

In the development of your financial plan we will follow the Financial Planning Practice Standards process established by the Certified Financial Planner Board of Standards, Inc. Your financial plan will be prepared in four (4) stages. These stages are defined as follows:

### Stage I: *Evaluate*

Through the detailed evaluation process, we learn about you and what you want to achieve. This is accomplished through personal interviews and profile questionnaires<sup>4</sup>, which are designed to address all of the financial planning disciplines discussed above. You will have the opportunity to prioritize your objectives and to remove from the process any areas that are not applicable to your circumstances. **The time we invest in this evaluation process to listen and cater to your desires is critical for developing a strong financial planning foundation.** Such time helps to:

- ❖ Define and narrow objectives and investment options;
- ❖ Stimulate creative thinking;
- ❖ Identify areas of greatest concern;
- ❖ Cultivate piece of mind;
- ❖ Create a unique picture of your overall financial personality; and,
- ❖ Provide an effective and efficient way for us to address your unique financial needs and objectives.

After the interview process, we will prepare an agenda and conduct a meeting with you to begin formally documenting your goals and objectives. From this meeting, we will draft a report documenting the financial planning process disciplines that you wish to address, detailing the specific objectives under each discipline. Redrafting and meetings can be repeated until you are completely satisfied with the report. Depending upon the engagement, different levels of financial reporting will be undertaken. At a minimum, a

<sup>4</sup> The profile questionnaire we use is an important tool in gathering information about your investment methodology, risk tolerance, income/tax bracket, liquidity, time horizons, etc. If you elect not to answer the questionnaire or choose to respond with limited input, it is possible that we could operate in a handicapped capacity contrary to your investment needs. Therefore, if you desire the most effective and accurate recommendations regarding your managed account(s), you should make every effort to provide us with your detailed personal needs and objectives, along with detailed financial and tax information.

statement of financial position, designed for financial planning use only, will be prepared.

### Stage II: *Integrate*

We define the financial plan as a road map (a series of blueprints) designed to take you from where you currently are financially, to where you want to be at some point in the future. This is the **creative portion** of the process. There are usually many different ways to accomplish a given goal. The objective, however, is to formulate a plan that you will be comfortable executing. In some cases, the drafting of the plan reveals the need for us to help you reconcile the gap between your expectations and your financial realities. Once a viable plan has been drafted, it is presented to you and reviewed. The draft and review process may be repeated until you are satisfied with the financial plan.

### Stage III: *Formulate*

A financial plan is of limited value if it is not put into action. Accordingly, we place a premium on implementing<sup>5</sup> and monitoring the plan. The implementation schedule provides you with a list of tasks and deadlines designed to ensure that **you put your plan into action**. The following are some examples of implementation:

- ❖ Drafting of appropriate estate documents (performed by an estate attorney).
- ❖ Purchase of various insurance policies (provided by an independent licensed insurance agent of your choice).
- ❖ Investment advisory services, including preparation of a Investment Policy Statement and Client Profile and asset allocation strategy (performed by us, or another investment advisor/broker-dealer of your choice).
- ❖ Adopting and monitoring of a personal budget.
- ❖ Ongoing income tax planning (prepared by an independent Certified Public Accountant or tax accountant of your choice).

### Stage IV: *Delegate*

Once the plan has been built and the recommendations have been implemented it is critical that these recommendations be monitored on a continuing basis to ensure that they remain consistent with your investment objectives. **This process requires periodic rebalancing of the portfolio to ensure your original objectives are maintained.** Continued monitoring of established personal budgets and the continued effects of taxation on the plan are assessed regularly at your option per the Annual Review.

You will find more information about our financial planning fees under “Financial Planning” below in Item 5, “Fees & Compensation”.

## Retirement Planning

We assist employer-sponsored retirement and savings plans in the design of the fiduciary governance structure and in the development and execution of an investment management program. Depending on the desire of the employer-sponsored plan we can provide the following services under ERISA:

- ❖ **Limited-Scope 3(21) Fiduciary** - As a Limited-Scope 3(21) advisor, we acknowledge we have a fiduciary role but do not take discretion. We provide investment advice

<sup>5</sup> Implementing the recommendations made in a financial plan often requires consultation or coordination with one or more outside professionals (e.g.: attorneys, CPAs, insurance and securities representatives). All information provided by and received from you will be kept entirely confidential, not only by us, but by the outside professionals as well. Such information will be disclosed to third parties only with mutual consent or as may be permitted or required by law.

to the plan sponsors and/or Named Fiduciary who are ultimately responsible to make the investment decisions.

- ❖ **3(38) Advisor** - As a 3(38) advisor, we have full discretion for investment selection, monitoring, and replacing investment options with authority to buy and sell securities. Under this arrangement, the Full-Scope ERISA 3(21) advisor is outsourcing all investment management decisions to us.
- ❖ **Full-Scope 3(21) Fiduciary** - As a Full-Scope 3(21) Fiduciary, we will be the plan sponsor or other Named Fiduciary. A Full-Scope 3(21) Fiduciary is a fiduciary that has complete discretion authority to make all investment management decisions, full responsibility to manage operations of the plan, and to hire/fire other Limited-Scope 3(21) advisors and/or 3(38) Advisors.

## DESIGNING A RETIREMENT PLAN

In working with plan sponsors and fiduciaries that have already created, or with the committee looking to create, an employer-sponsored retirement plan, we will adhere to the standards of care required by ERISA professional practice standards in advising on the existing retirement plan or in the creation of a new retirement savings plans. Our services generally follow these five steps:

### Step 1: *Review Current Investment Architecture*

If the employer has an existing retirement plan, we will conduct a fiduciary review of the retirement plan's current investment activities. This includes reviewing existing trust documents and the plan's current Investment Policy Statement. Money Managers and/or mutual fund structures and fees (including transaction costs) will be scrutinized. We will also examine recordkeeping and administration expenses, and will confirm bonding requirements are currently being satisfied. In addition, we will review and evaluate strategic investment strategies and policies, and all existing contracts.

As a Limited-Scope 3(21) Fiduciary, this step is intended to help the sponsor and/or the plan's Named Fiduciaries (Full-Scope 3(21) Fiduciaries) identify, confirm, and measure objectives, concerns, and performance in managing the plan. We will take steps to educate fiduciaries about their responsibilities and duties. Moreover, we will use this education process as a convenient forum for eliciting feedback and input from existing plan fiduciaries so that the findings in this first step will also reflect the knowledge and experience and insights of the existing fiduciary team.

### Step 2: *Design the Optimum Portfolio/Menu*

Identify diversification and optimization approaches for the plan to effectively control individual asset allocation decisions. The asset classes and various asset class combinations that will be made available to the plan need to be identified. The identification of the asset classes to be made available requires a consideration of anticipated returns and risk measures, as well as the historical correlation coefficients between asset classes. This work will result in setting the foundation for the management approach to appropriately diversify and optimize the investments that will be included in the investment menu and reflected in the investment policy.

### Step 3: *Formalize the Investment Policy*

We will draft, or amend, a written investment policy that will address specific plan and investment objectives, the various asset classes and alternative asset class combination funds to be included, as well as the investment guidelines and procedures for selecting and monitoring Money Managers.



#### Step 4: *Implement Investment Policy*

We will propose a number of alternative third-party Money Managers for the fiduciary or trustee consideration. The proposal will include a review of active and passive alternatives. We will consider the individual management styles and disciplines that each fund or manager is expected to bring to the total portfolio.

If we have been appointed as a Limited-Scope 3(21) Fiduciary, the Company is willing to take on the role of an “investment manager” as defined in ERISA 3(38). In this capacity, we will have discretion over constructing the investment menu, and will select and monitor Portfolio Managers and mutual funds. With us serving in this role, the plan’s named fiduciaries will be able to actively participate in reviewing the professional recommendations of their investment manager while avoiding what too often turns out to be a dysfunctional bifurcation of authority and expertise.

#### Step 5: *Monitor the Investment Program*

Most importantly, we will provide ongoing supervision of the investment program, and will submit and present quarterly performance reports comparing the returns of each investment in the portfolio/menu against stated investment objectives, and the policy benchmarks.

On a regular basis, we will assess the qualitative and organizational structures affecting each of the plan’s investments. Generally, we will keep the fiduciaries/trustees apprised of the overall costs of the plan, and material changes in any investments that are being utilized. Evolving economic, financial and competitive developments will be included as part of the Company’s ongoing monitoring. We will also monitor the revenue paid to any provider of the plan.

You can find more information about our retirement planning fees below under “Retirement Planning” in Item 5, “**Fees & Compensation**” below and further description of our retirement planning strategies under Item 8, “**Methods of Analysis, Investment Strategies & Risk of Loss.**”

## FEES & COMPENSATION

ITEM 5

### Portfolio Management

Portfolio management is provided on an asset-based fee arrangement. Management fees are calculated based on the aggregate market value of your account on the last business day of the previous calendar quarter multiplied by the corresponding annual percentage rate **for each portion of your portfolio assets that fall within each tier** (see “Billing” below under “Protocols for Portfolio Management” for more information on how the fee is calculated).

We retain discretion to negotiate the management fee within each tier on a client-by-client basis depending on the size and complexity of the portfolio managed. In addition, a fee break will occur as assets in your portfolio increase past the following tier:



Account Balance	Annual Fee Rates Not to Exceed
First \$1,000,000 .....	2.00%
Next \$1,000,000 .....	1.25%
Next \$3,000,000 .....	1.00%
Over \$5,000,000 .....	0.75%

We have the option to require a **minimum initial investment of \$100,000** to open any managed account. We also have a **\$240 minimum annual fee** requirement (\$60 billed quarterly), which **may be waived or reduced** if we feel circumstances are warranted. Accounts with **portfolio values that fall below \$12,000 will be subject to this minimum annual fee**, which can cause our fee to exceed our highest published 2.00% Annual Fee Rate (e.g., a managed account of \$10,000 with a minimum annual fee charge of \$240, will translate into an annual fee rate of 2.40%). Keep in mind, the further your portfolio value drops below \$12,000 the higher the annual fee rate.

### Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawals in/from your account(s); (iv) other fees charged to your account(s); and, (iv) termination.

### DISCRETION

We will establish discretionary trading authority on all management accounts to execute securities transactions at anytime without your prior consent or advice.

At anytime however, you may impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.)

### BILLING

Your account will be billed a blended fee quarterly **in advance** based on the fair market value for the portion of your portfolio that fall within each tier of our above fee schedule. For example:

The Blended Fee for a Portfolio Management Account

Assets within Each Tier Aggregate Account Value: \$4,200,000	Annual Fee % (Per Tier)	Annual Fee (Billed per Tier)
\$1,000,000	2.00%	\$20,000
\$1,000,000	1.25%	\$12,500
\$2,200,000	1.00%	\$22,000
Total Annual Fee:		\$54,500
Blended Annual Fee %	<b>1.298%</b>	

For **new managed** accounts opened in mid-quarter, our fee will be based upon a pro-rated calculation of your assets to be managed for the current quarterly period. Advisory fees



will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

### ACCOUNT SET-UP FEE

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New management accounts **may be assessed a one-time set-up fee** for: (i) the time expensed in preparation of internal records for portfolio management and data preparation based on your Investment Policy Statement and Profile; (ii) the administrative services involved in the transfer of your asset management accounts to our custodian; and, (iii) general telephone consultations and research to finalize the account set-up process. The **set-up fee is based on our \$250 hourly rate and is non-refundable** should you wish to terminate the Investment Advisory Agreement due to time we expensed to create the management accounts.

The exact amount of the set-up fee you will be charged will be fully disclosed in the Investment Advisory Agreement.

### DEPOSITS AND WITHDRAWALS

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Assets you deposit into your management accounts between billing cycles **may** result in additional management fees being billed to your account. Such deposits, in most cases, will require modifications and adjustments to your investment allocation. Therefore, a pro-rata fee based upon the number of days remaining in the current quarterly period may be assessed for deposits.

For assets you may withdraw during the quarter, we **do not make partial refunds** of our portfolio management fee. Just as with deposits, withdrawals may require modifications and adjustments to be made in the portfolio to correct the allocation of assets.

### FEE EXCLUSIONS

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The above fees for all of our management services are exclusive of any charges imposed by the custodial firm including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, including, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: redemption fees, account fees, and purchase fees may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

### Termination of Portfolio Management Services

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To terminate our investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received **at least 30 days prior** to the date of termination (i.e.; To terminate services on October 1<sup>st</sup>, a request for termination should be

received in our office by September 1<sup>st</sup>.). Such notification should include the date the termination will go into affect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the last/first day of a calendar quarter, you shall be entitled to a pro-rated refund of the prepaid quarterly management fee based upon the number of days remaining in the quarter after the termination notice goes into affect. Once the termination of investment advisory services has been implemented, **neither party has any obligation to the other** - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

## Investment Consulting

Our Investment Consulting fee **will not exceed \$250 per hour** for our advice. Investment consulting services are independent of our Portfolio Management, Financial Planning and/or Retirement Planning services. **Under this arrangement, we do not provide any on-going management of your account or give continuous investment advice. We will perform the desired task but you are responsible for implementing any of the advice.**

However in the case of us preparing an asset allocation model from an Investment Policy Statement we prepared for you, you can contact us to schedule a quarterly review of your portfolio allocation to determine how the account is performing. We will review the account and make any recommendation, if necessary, for you to rebalance the account.

### Billing

At minimum, **we require four (4) hours of initial consultation<sup>6</sup>** to conduct an adequate interview to determine your investment needs, goals, and objectives to adequately provide the service you desire.

All consulting fees will be completely itemized in a billing statement or consulting agreement. For the initial consultation, the fee will be due at the end of the session. Thereafter we will bill you at the agreed upon hourly rate, should we be contacted by you for future reviews and advice on any re-balancing.

### Termination

Investment consulting services can be terminated at any time.

## Financial Planning

How we charge to develop a financial plan depends on the size, complexity, and nature of your personal and financial situation and the amount of time it will take to analyze and summarize the plan and perform the services you desire.

<sup>6</sup> If you were to pay \$1,000 (4 hours @ \$250 per hour) for the initial consultation and then contacted us for hour-long quarterly follow-up reviews, this fee could be the equivalent of what you would pay if you were to have us manage your investments based on a percentage of assets under management. For example, to develop a tailored asset allocation mix for an investment portfolio of \$90,000, our initial fee of \$1,000, along with hour-long quarterly reviews at \$250 to make rebalancing recommendations on your account, would be approximately \$1,750 for the first year if such consultations were started in the first quarter of the year. Yet if you approached us to manage your investments for an annual fee of 2.00%, the same \$90,000 would generate an annual fee of \$1,800.00, and it would include continuous investment advice and the monitoring of your account to be sure it was meeting your investment needs and objectives.

## Planning Fees

### COORDINATED PLANNING

All coordinated financial planning services are offered on a **fixed fee basis not to exceed \$20,000** for the initial engagement. Coordinated planning fees are **significantly reduced if we are providing you additional services**, such as Portfolio Management services.

The coordinated planning fee will be fully disclosed up-front in a Financial Planning Agreement, which will include the cost<sup>7</sup> to review your financial information and prepare the comprehensive financial plan. We have the option to:

1. Require full payment up-front<sup>8</sup>;
2. Require one-half the fee be paid at the time the Agreement is signed, with the remaining balance due upon completion of the financial plan; or,
3. Require one-half the fee be paid at the time the Agreement is signed, with the remaining balance billed monthly on a progress basis as the work is completed.

### TARGETED

If you desire only targeted planning - review, analysis and evaluation of a core area of financial need - the fee will be billed at our **hourly rate not to exceed \$250<sup>9</sup>**. All fees will be completely itemized in a billing statement to you, or as otherwise predetermined in a proposal, engagement letter and/or by retainer.

## Annual Review

It is important to note that any planning is kinetic (always in motion) and alive. A financial plan is a roadmap that is only as good as how well it reflects your current economic position to then guide you on a clear path to a future financial destination. However you can veer off course, intentionally or unintentionally, as circumstances in your life take you down another path. An annual financial plan review is designed to systematically address these unexpected diversions and continually keep you on the right road headed to your future financial destination.

### ANNUAL REVIEW

Once the initial financial planning services have been completed, we will establish future "Annual Review" dates. The Annual Review dates generally begin after the first anniversary and will be to review and make adjustments, if necessary, to the financial plan. Together we will set the calendar dates for your future reviews; inasmuch, an Annual Review may consist of up to three (3) visits during the calendar year.

### ANNUAL REVIEW FEE

**We reserve the option to waive our annual review fee if we are currently managing your investments.** If we are **not managing** your investment portfolio and you want us to review your financial plan, we will notify you of the cost to perform the desired work before commencing. Such retainer fee **will generally range from 25% to 40% of the first**

<sup>7</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.

<sup>8</sup> The recommendations made in a financial plan are generally completed within 30 to 45 days from you signing the Agreement. However, implementing the plan using outside professionals (i.e., attorneys, CPAs, etc...) may require additional time that is out of our control. Therefore when we refer to the completion of the financial plan, we are referring to us (you and us) finalizing your financial benchmarks/objectives before approaching any outside professional.

<sup>9</sup> For a Targeted Financial Plan, we require a minimum of four hours consultation to address any personal and financial needs you may have.



year planning fee depending on the length of time since our last review and on the services you request (i.e., If the first year planning fee was \$5,000, the annual review fee would be from \$1,250 to \$2,000.). However, if you have experienced significant change in your life circumstances since the date of your previously prepared plan, the fee could be exceedingly higher.

## Termination

### COORDINATED OR TARGETED PLANNING TERMINATION

You can terminate the Financial Planning Agreement at any time prior to the presentation of any final planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed to in the Agreement. If you have prepaid any fees, such un-earned fees will be returned on a pro-rata basis. After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.

### ANNUAL REVIEW TERMINATION

Annual Review services can be terminated at any time. We will bill you for any services rendered from the date of the last bill up to the date of termination at the fee rate that was agreed to in the proposal, engagement letter and/or retainer agreement.

## Retirement Planning

Retirement planning services are provided on an asset-based fee arrangement. Management fees are calculated based on the aggregate market value of the assets in the plan on the last business day of the previous calendar quarter multiplied by the corresponding annual percentage rate for each portion of your portfolio assets that fall within each tier (see “Billing” above under “Protocols for Portfolio Management” for more information on how the blended fee is calculated). We retain discretion to negotiate the management fee within each tier on a client-by-client basis depending on the size, complexity, and type of retirement planning desired. In addition, fee breaks will occur as assets in the retirement plan increase past the following tiers:

Pension Plan Account Balance	Annual Fee Rates for...		
	ERISA 3(21) Limited-Scope Advisor	ERISA 3(38) Advisor	ERISA 3(21) Full-Scope Advisor
First \$2,500,000 .....	1.00%	1.20%	1.40%
Next \$2,500,000 (Up to and including \$5,000,000) .....	0.80%	1.00%	1.20%
Next \$2,000,000 (Up to and including \$7,000,000) .....	0.70%	0.90%	1.10%
Next \$3,000,000 (Up to and including \$10,000,000) ....	0.60%	0.80%	1.00%
Over \$10,000,000 .....	0.50%	0.70%	0.90%

### Protocols for Retirement Planning Services

The following protocols establish how we handle our retirement and savings planning accounts and what the plan fiduciaries and trustees should expect when it comes to: (i) managing the retirement plan; (ii) our bill for retirement planning services; and, (iii) other fees charged to the retirement plan.



## MANAGING THE RETIREMENT PROGRAM

The investment allocation models we put together for the retirement plan are based on the investment disciplines that most closely resemble the retirement plan's investment objectives and risk tolerance as outlined in the Investment Policy Statement. We will offer:

- ❖ Customized mutual fund allocation models with each model consisting of varying target asset allocations.
- ❖ Customized open architecture platform of leading third-party portfolio managers ("Portfolio Manager").
- ❖ Construction tools to implement effective investment portfolios.
- ❖ Provide plan sponsors and Named Fiduciaries - if we are not the Full-Scope 3(21) Fiduciary - with online reporting and account access.

Once the retirement plan account has been established, depending on the level of engagement we will perform one of the following (These are summary descriptions of service - full description will be made in the Investment Advisory and Management Agreement.):

### Limited-Scope 3(21) Fiduciary: *Non-Discretionary Monitoring Services*

As a Limited-Scope 3(21) Fiduciary, we are a fiduciary but **do not** have discretion of the retirement plan. We will continuously monitor the performance of each allocation model and/or Portfolio Manager to be sure the investment objectives are being met and notify the plan sponsor and/or Named Fiduciaries of our recommendations on rebalancing and whether the Portfolio Manager(s) is meeting the investment objectives as outlined in the Investment Policy Statement.

### 3(38) Advisor: *Discretion*

As a 3(38) Advisory, the Full-Scope 3(21) Advisory has outsourced all investment management decisions to us. We will establish discretionary trading authority on the retirement plan to select, monitor, and rebalance each mutual fund allocation model when necessary, including adding or removing various mutual funds or mutual fund families. In addition, where applicable, we will review the performance of the Portfolio Manager(s), and hire/fire Portfolio Manager(s) based on the investment objectives as outlined in the Investment Policy Statement.

### Full-Scope 3(21) Fiduciary: *Discretionary Monitoring Services*

As a Full-Scope 3(21) Fiduciary, we will provide operational oversight of the day-to-day activities of the plan. We will establish discretionary trading authority on the retirement plan to select, monitor, and rebalance each mutual fund allocation model when necessary, including adding or removing various mutual funds or mutual fund families. In addition, where applicable, we will review the performance of the Portfolio Manager(s), and hire/fire Portfolio Manager(s) based on the investment objectives as outlined in the Investment Policy Statement.

## BILLING

The retirement plan will be billed a **blended fee quarterly in arrears** based on the fair market value for the portion of the retirement plan that fall within each tier of our above fee schedule. For **new retirement accounts** opened in mid-quarter, our fee will be based upon a pro-rated calculation of the retirement plan assets managed for the current quarterly period.





### FEE EXCLUSIONS

The above fees for our retirement planning services are exclusive of any fees paid by the plan fiduciaries and trustees for the services of the retirement planning platform. In addition the fees we collect are exclusive of any charges plan participants may pay that are imposed by a custodial firm, if any, including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, including, postage/handling fees, electronic fund and wire transfer fees, certain odd-lot differentials, and mutual fund short-term redemption fees; and, (iv) brokerage and execution costs associated with securities held in the retirement account. There can also be other fees charged to the retirement plan that are unaffiliated with our management services.

Furthermore, all fees paid to us for retirement planning services are separate from any fees and expenses charged on mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: 12b-1 fees. Redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

### Termination of Retirement Planning Services

To terminate retirement planning services, either party (the plan sponsor or Named Fiduciaries or us) by written notification to the other party, may terminate the retirement plan Investment Advisory and Management Agreement at any time, provided such written notification is received at least 60 days prior to the date of termination. Such notification should include the date the termination will go into affect along with any final instructions on the plan service.

In the event termination does not fall on the last/first day of a calendar quarter, we will be entitled to bill the retirement plan a pro-rated quarterly management fee based upon the number of days in the quarter that the retirement plan was managed before the termination notice went into affect. Once the termination of retirement planning services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and the plan sponsor and Named Fiduciaries become responsible for making investment decisions.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

## TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under "Who We Are" in the Item 4, the "Advisory Business" section. Our minimum account size and/or minimum fee for portfolio management is disclosed above under "Portfolio Management" in Item 5 above in the, "Fees & Compensation" section of this Brochure.





## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

### Portfolio Management - Methods of Analysis, Investment Strategies & Managing Risk

Our portfolio management approach incorporates your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using equities (“stocks”) and fixed income/debt (“bond”) instruments, and a mix of investment company products (“mutual funds”) and Exchange Traded Funds (“ETFs”), and other assets to design your unique investment strategy.

In addition, depending on your risk tolerance, we may also recommend using the following investment vehicles to achieve your desired investment objective: leveraged index funds, closed-end funds, REITs, hedge funds, derivatives (i.e., options, commodities, etc.), and other publicly/privately traded securities. However, these investment vehicles bring on a different risk dynamic. If we recommend investment in one of these securities, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

#### Methods of Analysis

In analyzing stocks, bonds, mutual funds, and ETFs to develop an efficient asset allocation portfolio, we will use a combination of analysis techniques to gathering information and to guide us in our management decisions.

##### FUNDAMENTAL ANALYSIS

Fundamental analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

##### TECHNICAL ANALYSIS

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

##### CYCLICAL ANALYSIS

Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit timing strategies. Coupling cyclical analysis with technical analysis helps to ensure the most favorable buy/sell signal.

Fundamental analysis provides us with a broad long-term view of a security that begins with determining a company’s value and the strength of its financials while technical analysis is short-term focusing on the statistics generated by market activity. Cyclical analysis provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

## Investment Strategy

We are not bound to a specific investment strategy or ideology for the management of your investment portfolio. We understand markets and **money made** from increased stock values has greater risk (volatility) than **money earned** from dividends (secure and stable) in income-oriented securities. Our goal is to balance making and earning money by maintaining a disciplined management approach, regardless of the strategy, so as to not sacrifice long-term goals for short term gains. However, our investment strategies generally incorporate these methodologies:

### MODERN PORTFOLIO THEORY

Modern Portfolio Theory (“MPT”)<sup>10</sup> is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk then construct a portfolio that maximizes your expected return for that given level of risk. Our investment methodology follows five (5) basic premises, each of which is derived from MPT.

1. You, as with all clients, are inherently risk-averse.
2. The markets are basically efficient.
3. The focus of attention is shifted away from individual securities analysis to consideration of portfolios as a whole, predicated on explicit risk-reward parameters.
4. For any level of risk that you are willing to accept, there is a rate of return that should be targeted.
5. Portfolio diversification is not so much a function of how many issues are involved, but more a function of the relationships and proportions of each asset to its correlating asset.

### ASSET ALLOCATION

Asset allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive asset allocation derivatives that we may use.

We have developed five model portfolio structures that are used as asset allocation guideline models in designing investment portfolios. Each model consists of a different “target” asset allocation comprised of different asset classes<sup>11</sup> - spreading money among a variety of investments as opposed to investing in just one - creating a more prudent approach to managing risk.

The investment mix is uniquely designed to achieve the desired investment return. The selected stocks, bonds, and other investment vehicles in your investment portfolio are diversified to reflect their risk profile.

<sup>10</sup> Modern Portfolio Theory was developed and introduced by Harry M. Markowitz in his paper “Portfolio Selection” published in 1952 by the *Journal of Finance*.

<sup>11</sup> The different asset classes are: Large-Cap U.S. Value Stocks; Large-Cap U.S. Growth Stocks; Mid-Cap U.S. Value Stocks; Mid-Cap U.S. Growth Stocks; Small-Cap U.S. Value Stocks; Small-Cap U.S. Growth Stocks; International Stocks; Commodity Funds; Fixed Income, Partnerships, REITS, and Cash.

Typical composition mix classifications:

Asset Allocation Model	Percentage of		
	Stocks	Bonds	Cash
Aggressive	90% - 100%	0%	0%
Growth	70% - 80%	10% - 20%	0% - 10%
Balanced	40% - 60%	20% - 40%	0% - 10%
Conservative	30% - 50%	20% - 40%	10% - 20%
Income	10% - 30%	30% - 50%	10% - 20%

Such allocation guidelines are a representation of a typical account composition but should not be construed as absolute. Ultimately, the exact composition makeup and allocation of securities are determined by the client's investment parameters, which can compose a more detailed and/or complex structure.

### DOLLAR-COST AVERAGING

Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.

### Managing Risk

The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk** factor, also known as variability or volatility risk. Other important risk factors:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in internationally securities can be affected by changes in exchange rates.
- ❖ **Inflation Risk** - The reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list, but are the most common risks your portfolio will encounter. Other risks that we haven't defined could be political, over-concentration, and liquidity to name a few. However notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear**; and furthermore, **past market performance is no guarantee that you will see equal or better future returns on your investment**.

## Retirement Planning - Methods of Analysis, Investment Strategies & Managing Risk

Our methods of analysis, investment strategies and managing risk will, for the most part, follow what we have disclosed for portfolio management; except that, we are bound to the investment objectives as outlined in the retirement plan's Investment Policy Statement and to the type of investments to include on the plan platform. Investments are limited to: independent third-party Money Managers, mutual funds, and ETFs.

Focus of our selecting, monitoring, and replacing investments on the plan platform is to **balance investment return and risk, with the emphasis on spreading risk among asset classes**. We will perform a due-diligence evaluation and review of current/prospective investments to determine which investments to include and/or to leave on the plan platform as well as when to replace existing investments. The due-diligence reviews include, but are not limited to, the following criteria:

- ❖ **Regulatory Oversight:** Show proper licensure as: (a) a bank/trust company, (b) an insurance company, (c) a registered investment company, or (d) a registered investment advisor. In addition, a clear track record of compliance and understanding of their fiduciary duties.
- ❖ **Track Record:** The Money Manager should have at least three years of history so that performance statistics can be properly calculated.
- ❖ **Performance:** The Money Manager's investment performance should show a competitive advantage relative to their peer group in both up and down markets. This reflects an investment knowledge and understanding of the inner-workings of the securities markets.
- ❖ **Stability:** The same management team should be in place for at least two years. This reflects team unity and balance.
- ❖ **Assets Under Management:** Preference will be given to Money Managers and investment products that have at least \$100 million under management (across all share classes).
- ❖ **Composition:** At least 80% of the Money Manager's underlying securities investments should be consistent with the broad asset class.
- ❖ **Style Consistency:** The investment product must be highly correlated to the asset class of the investment option.
- ❖ **Expense Ratios/Fees:** The investment product's fees should **not** be above the median of the peer group.
- ❖ **Risk-Adjusted Performance:** Preference is given to investment products whose risk-adjusted performance is above the peer group median manager's risk-adjusted performance.

## DISCIPLINARY INFORMATION

ITEM 9

We have no legal or disciplinary events to report.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

We are a fee-only registered investment advisor; none of our supervised persons are licensed, or are related to, another financial industry participant and therefore no disclosure is necessary for this item.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

#### Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Mr. Bruce D. Swanson, and such investment is not in violation of any SEC and/or State rules and regulations.

#### Class Action Policy

The Company, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

### Personal Trading

Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be

made in an employee's account. In these situations we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative (RA), or who has discretion over your account, 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 employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Mr. Swanson reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Trading Allocation" above) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Mr. Swanson to ensure that such activities do not impact upon your security or create conflicts of interest.

## BROKERAGE PRACTICES

ITEM 12

### Custodial Services

The Company has established custodial relationships with the following financial institutions:

- ❖ **Charles Schwab & Company, Inc.** - Schwab is a licensed broker/dealer (member FINRA/SIPC). Custodial arrangements are provided through Schwab Advisor Services to financial advisors.
- ❖ **TD AMERITRADE, Inc.** - TDA is a licensed broker/dealer (member FINRA/SIPC). Custodial arrangements are provided through TD AMERITRADE Institutional for investment advisors.
- ❖ **E\*TRADE Advisor Services** - E\*TRADE Advisor Services is the d/b/a name of E\*TRADE Savings Bank, a commercial bank regulated by the Colorado State Banking Commission (member FDIC). E\*TRADE Savings Bank is a subsidiary of E\*TRADE Financial Group

Our recommendation for you to custody your assets with one of these financial institutions has no direct correlation to the services we receive and the investment advice we offer you, although we do receive economic benefits through our relationship with from these institutions that are typically not available to retail clients.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a dedicated trading desk; access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts); the ability to have advisory fees deducted directly from accounts; access to an electronic communications network for order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers.

We are not a subsidiary of, or an affiliated entity of, Schwab, TDA, or E\*TRADE. We are solely responsible for investment advice rendered, and advisory services are provided separately and independently of these financial institutions.

### Direction of Transactions & Commission Rates (Best Execution)

**We have a fiduciary duty to put your interests before our own.** The advisory support services we received from Schwab, TDA, and E\*TRADE create an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with one of these institutions may have been influenced by these arrangements/services. This is not the case; we have selected these institutions as our custodians of choice based on:

1. Their competitive transaction charges, trading platforms, and on-line services for account administration and operational support.
2. Their general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience working with Schwab staff.

Since we do not recommend, suggest, or make available a selection of custodians other than Schwab, TDA, and E\*TRADE, and we have not verified whether their transaction fees are competitive with other custodian, **best execution may not always be achieved.** Therefore, **you do not have to accept our recommendation to use these financial institutions as your custodian.** However if you elect to use another custodian, **we may not be able to provide you complete institutional services.**

### Aggregating Trade Orders

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

If you would like additional information on our trading allocation policies, a copy is available for review upon request.



## REVIEW OF ACCOUNTS

### Portfolio Management Reviews

Each account is reviewed on an ongoing basis by the advisor over your account to ensure that your needs and objectives are being met. All accounts are reviewed in the context of your stated investment objectives and guidelines. Cash needs will be adjusted as necessary.

You will receive, at least quarterly, statements from the custodian where your account is custodied and a written performance report from us detailing your account holdings. You are encouraged to review each statement which summarizes the specific investments held, the value of your portfolio and account transactions.

You are also encouraged to review with us investment strategies and account performance on an annual basis. Material changes in your personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, **it is your responsibility to communicate these changes to us so that the appropriate adjustments can be made.**

### Financial Planning Reviews

The financial planner who has designed your financial plan will work closely with you to be sure the action points identified in the financial plan have been or are being properly executed. Once the action points have been completed, the financial plan should be reviewed at least annually. Material changes in your lifestyle choices, personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, **it is your responsibility to communicate these changes to us** so that the appropriate adjustments can be made. If a substantial section of the financial plan has been modified, we may provide you with a revised written financial plan.

### Retirement Planning Reviews

#### Performance Reports

On a periodic basis, we will provide the plan sponsor and Named Fiduciary with a written performance evaluation of the investment(s) (herein called the Performance Report). The Performance Report reviews the performance of the retirement plan expressed by various modern portfolio statistics that compare the performance of the investment funds to the guidelines called for by the Investment Policy Statement. The Performance Report provides historical and comparative information, and may not be relied upon as predictive of future performance.

#### Portfolio Manager Reports

We will review fund data for all the Portfolio Managers on at least an annual basis, with respect to their overall performance in achieving the desired objectives of the plan sponsor's Investment Policy Statement.

The written review is directed to whether the Portfolio Managers' performance and discipline is consistent with the intent and objectives of the Investment Policy Statement. We will provide information to facilitate comparisons of the Portfolio Managers' overall performance benchmarks described in the Plan's Investment Policy Statement.



The Named fiduciary is responsible for reviewing and understanding the information and analysis we provide and assessing the adequacy of any particular Portfolio Managers' overall performance. We will assist the fiduciary in fulfilling this responsibility.

## CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

### Referral Compensation

We do not receive any economic benefit from an independent party for managing any of our clients' accounts. However, we may directly compensate persons for client referrals, provided that those persons are qualified and have entered a solicitation or sub-advisory agreement

#### Solicitor Arrangements

Pursuant to Rule 206(4)-3 of the Investment Adviser Act of 1940, as amended, if you were referred to us by a solicitor, the solicitor will provide you complete information on our relationship - the relationship between the solicitor and us - and the compensation the solicitor will receive should you choose to open an account. This compensation will be paid solely from our fee and will not result in any additional charge to you.

The solicitor is required to provide each prospective client with our Disclosure Brochure prior to, or at the time of, signing of our Investment Advisory Agreement and acknowledge receipt of such documents. You, if referred to us under this arrangement, may rescind your Investment Advisory Agreement **within five business days of its execution without incurring advisory fees**, custodial fees, or account closure costs. However, any investment activity and related market fluctuation in your account prior to receipt of the rescission notice will be at your sole risk.

Under this arrangement, the solicitor is not licensed to give you any investment advice and therefore can not advise you on the management of your account. A solicitor, simply introduces a prospective client to us and steps away. He/she is compensated only if the prospective client opens a management account with us.

#### Sub-Advisor Arrangements

If you were referred to us by another independently registered investment advisor ("sub-advisor") to manage your investment portfolio, the sub-advisor will perform any qualifying analysis and independent consultations with you prior to the referral. In addition, the sub-advisor agrees to: (i) use their best efforts to determine if your investment objectives have changed - this should be done quarterly, and (ii) be available during business hours for consultation with you or us regarding your financial condition and the continuing suitability of our investment management services.

You are welcome to consult with us at any time; however, the sub-advisor will perform all professional, administrative and clerical duties prior to opening your managed account. We will have little to no direct contact with you under this arrangement, relying instead on the pre-qualifications performed by the sub-advisor. In addition, the sub-advisors are not involved in the management of any of our portfolio management services. The sub-advisors' responsibilities lie in monitoring and advising you as to the performance of your managed account(s).

Just as with the solicitor, the sub-advisor is required to provide each prospective client with our Disclosure Brochure prior to, or at the time of, signing of our Investment Advisory Agreement and acknowledge receipt of such documents. You, if referred to us under this arrangement, may rescind your Investment Advisory Agreement within five business days of its execution without incurring advisory fees, custodial fees, or account closure costs. However, any investment activity and related market fluctuation in your account prior to receipt of the rescission notice will be at your sole risk.

#### SUB-ADVISOR CONCESSIONS

Portfolio management services for sub-advisor clients have been discounted from our fee schedule listed under “Portfolio Management” in Item 5 above in the, “Fees & Compensation” section of this Brochure. Therefore because our management fees have been discounted, **those clients referred to us by a sub-advisor may be paying higher or lower fees based on the sub-advisor agreements we have entered into with the sub-advisors.** Regardless, the client will be provided full disclosure of the compensation paid to both parties and whether such arrangements will result in higher management fees as compared with like managed portfolios independent of the sub-advisor relationship.

#### Other Compensation (Indirect Benefit)

The Company receives an indirect economic benefit from the custodians listed above under “Custodial Services” in Item 12, “**Brokerage Practices.**”

#### Financial Planning Compensation

There are also potential conflicts of interest when an Investment Advisor Representative (“RA”) suggests the need for outside consultations and professional services (i.e., attorneys, accountants, insurance agents, stockbrokers, etc.) to implement certain aspects of an estate or financial plan. Even though we do not share in any fees earned by the outside professionals when implementing an estate or financial plan, or receive any commission in recommending insurance products or brokerage services, it does create an incentive on our part to refer your business to only those professionals that in turn refer potential clients to us. This can eliminate the possibility for you to be referred to someone who may provide equivalent professional services, and possibly at a lower cost.

Therefore, to ensure you understand the full relationship of our RAs to any related persons and outside parties that they may refer business, as well as the choices and risks you have in receiving investment and financial planning services, the following disclosures are provided:

- ❖ You are under no obligation to have any related parties that we recommend prepare planning documents (i.e.; financial, estate, tax, etc...). **You are free to choose those outside professionals to implement the recommendations made in the financial or estate plan.**
- ❖ Certain aspects of a financial plan require the assistance of a Registered Representative of a broker-dealer to execute securities transaction and licensed agents to purchase insurance products. In this situation regardless of who performs the transaction(s), **such person will be entitled to earn a commission.**
- ❖ The Company does not receive any economic benefit form referring you to another professional with out first notifying you of such possibilities.

Notwithstanding such potential conflicts of interest, our RAs strive to serve your best interest; as well as, ensuring such disclosure is being properly made to you in compliance with the Investment Adviser Act of 1940, Rule 275.206.

## Retirement Rollover Compensation

Earning a management fee from recommending the rollover of retirement plan assets to an IRA we manage is considered “self-dealing” and prohibited unless we comply with a Best Interest Contract (“BIC”) Exemption available under the Department of Labor’s (“DOL”) Fiduciary Rule. The DOL considers earning a management fee “self-dealing” because it increases our compensation and profits while potentially disregarding the underlying costs paid by, and the services provided under, the retirement plan that might be more beneficial to you should your retirement assets remain with the plan. Therefore, when it comes to your retirement assets, there are typically four options you should consider when leaving an employer:

- ❖ Leave the account assets in the former employer’s plan, if permitted;
- ❖ Rollover the assets to the new employer’s plan, if one is available and rollovers are permitted;
- ❖ Rollover the assets to an Individual Retirement Account (an “IRA”); or,
- ❖ Cash out the retirement account assets (There may be tax consequences and/or IRS penalties depending on your age.).

Should you choose to rollover your retirement account assets to an individual IRA account, **you understand you are under no obligation to engage us to manage these assets... that you are free to take your IRA account anywhere to be managed.**

## CUSTODY

ITEM 15

### Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities, but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities shall be maintained with one of the custodians listed above in Item 12, “**Brokerage Practices.**”

We are however defined as having custody since you have authorized us to deduct our advisory fees directly from your account. Therefore, to comply with the United States Securities and Exchange Commission’s Custody Rule (1940 Act Rule 206(4)-2) requirements, and to protect you as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ Your funds and securities will be maintained with a qualified custodian in a separate account in your name.
- ❖ Authorization to withdrawal our management fees directly from your account will be approved by you prior to engaging in any portfolio management services.

The custodian where your account will be custodied is required by law to send you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to compare the financial data contained in our report and/or itemized fee notice with the financial information disclosed in your account statement from the custodian to verify the accuracy and correctness of our reporting.**

## Standing Letters of Authorization

We will allow you to maintain a Standing Letter of Authorization (“SLOA”) with our firm. However, SLOAs with asset transfer **instructions to a third-party** (e.g., any person/entity/joint account other than just you alone) define us as having custody under the Custody Rule (1940 Act Rule 206(4)-2). Therefore, to comply with the No-Action Letter issued by the SEC, relating to SLOAs and the Custody Rule, we have implemented the following regulatory safeguards and will only accept SLOAs under these conditions:

- ❖ The person and place of delivery must always be identified in the SLOA instructions. We will not approve any SLOAs where we are authorized to modify the instructions relating to the person and/or place of delivery.
- ❖ We will not accept SLOA instructions for delivery to a person affiliated with our firm and/or located at our place of business.
- ❖ The timing and amount of assets to transfer can be open-ended per the instructions of the SLOA.
- ❖ All SLOA instructions must be in writing and confirmed with your signature. We will not accept verbal changes to any SLOAs.

The SEC SLOA No-Action Letter identifies seven (7) steps to follow as part of the safekeeping requirements. The first two bullet-points above are our responsibility under the No-action Letter, the remaining five (5) are the responsibility of the qualified custodian (Schwab, TDA and/or E\*TRADE). If you would like a complete list of the safekeeping instructions, let us know and we will be glad to provide you a copy.

## INVESTMENT DISCRETION

ITEM 16

### Securities & Amount Bought or Sold - Portfolio Management

We have you complete our Investment Advisory Agreement which sets forth our authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

You may, at anytime, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

### Securities & Amount Bought or Sold - 3(38) Advisor

As a 3(38) Advisor as defined under the Employee Retirement Security Act of 1974, as amended (ERISA), we will have the plan sponsor or Named Fiduciary execute a retirement plan Investment Advisory and Management Agreement, which set forth our authority to select, construct, monitor and provide access to model portfolios comprised of asset-class specific open-end mutual funds and exchange-traded funds.

## VOTING CLIENT SECURITIES

ITEM 17

**We do not vote client proxies.** You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy



solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

However if you have specific questions regarding an action being solicited by the proxy that you do not understand or you want clarification, you may contact us and we will explain the particulars. Keep in mind we will not advise you in a direction to vote, that ultimate decision will be left to you.

## FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any current financial conditions that are likely to impair our ability to meet our contractual commitments to you. In addition, the Company has not, nor have any of our officers and directors, been the subject of a bankruptcy petition at any time during the past ten years.

**END OF DISCLOSURE BROCHURE**

