

## **Item 1**

Form ADV Part 2A

Firm Brochure

Callan Capital

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La Jolla, CA 92037

**[WWW.CALLANCAPITAL.COM](http://WWW.CALLANCAPITAL.COM)**

**March 17, 2022**

Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Callan Capital, LLC. If you have any questions about the contents of this brochure, please contact us at: 858-551-3800, or by email at: [admin@callancapital.com](mailto:admin@callancapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), or by any state securities authority.

Callan Capital, LLC is a registered investment adviser with the SEC; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Callan is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**Item 2 Material Changes**

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**Update**

This Brochure is being revised to reflect the following change(s) from Callan Capital, LLC's last Brochure:

- Item 4 – Advisory Business – updated to reflect assets under management as of December 31, 2021.

Callan Capital, LLC encourages each client and prospective client to read this Brochure in its entirety and to call us with any questions you have. The previous brochure is dated March 26, 2021.

Pursuant to rules adopted by the SEC, Callan Capital, LLC will ensure that clients receive, within 120 days of the close of Callan Capital, LLC's fiscal year, either an updated Brochure that includes a summary of material changes or a summary of material changes that includes an offer to provide a copy of the updated Brochure and information on how to obtain the Brochure. Additionally, Callan Capital, LLC's Brochure is available upon request and can be requested by contacting us by phone at (858)551-3800 and/or by email at [admin@callancapital.com](mailto:admin@callancapital.com).

For more information about the firm, please visit [www.callancapital.com](http://www.callancapital.com).

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### Item 4 Advisory Business

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#### Firm Description

Callan Capital, LLC hereinafter (“Callan”, “Adviser” or “Firm”) was founded in 2007 and is an SEC registered investment adviser. Callan Capital, LLC provides financial planning, consulting, and investment management services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities. Callan, depending upon the engagement, offers its services on a fee basis which can include fixed fees as well as fees based upon assets under management. Prior to engaging Callan to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with Callan setting forth the terms and conditions under which Callan shall render its services (collectively the “Agreement”).

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#### Principal Owners

Trevor Callan is a 60% stockholder. Tim Callan is a 26% stockholder. Ryan Callan is a 14% stockholder.

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#### Types of Advisory Services and Engagements

As part of its investment management service offerings, Adviser provides its clientele with a variety of options, including asset management and financial planning and consultation services which can include tax optimization, portfolio analysis, retirement planning and/or estate planning.

##### Asset Management

In the event the client determines to engage Callan to provide investment management services, Callan can do so on a discretionary basis pursuant to the terms of an Advisory Service Agreement (the “Agreement”) executed by the client prior to the start of the relationship. The Agreement sets forth the services to be provided and the fees for those services. The Agreement can be terminated by either party in writing at any time.

As part of the asset management service, many aspects of the client’s financial affairs are reviewed, including those of their children if applicable. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis. Callan periodically reviews a client’s financial situation and portfolio through regular contact with the client which often includes an annual meeting with the client.

Callan intends to primarily allocate its client’s investment management assets, on a discretionary basis among mutual funds, corporate debt securities, municipal securities and exchange traded funds (“ETFs”) in accordance with the investment objectives of the client. Investments can also include: equities (stocks), warrants, commercial paper, certificates of deposit, U.S. government securities, options contracts, futures contracts, and interests in partnerships.

While Callan does not currently recommend that clients invest in private placement securities, which can include debt, equity, and/or pooled investment vehicles, Callan has recommended these types of investments in the past and certain clients still own these private placements in accounts that Callan charges an asset management fee. Callan shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance and asset allocation, for which Callan shall receive an advisory fee, as described more fully below.

Callan routinely provides investment advice on interests in certain limited partnerships or other privately offered investment vehicles such as hedge funds and/or funds that invest in hedge funds, private equity funds, and other private investment partnerships (collectively “Private Funds”).

Advisor from time to time recommends that certain clients, who are accredited investors, invest a portion of their assets in Private Funds managed by independent investment managers (“Independent Managers”) based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the Independent Manager(s) can be set forth in a separate written agreement directly with the Independent Manager(s) selected, in addition to the advisory agreement signed with Callan. Callan shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which Callan shall receive an annual advisory fee, as described more fully below. Callan will retain discretionary authority to hire and terminate Independent Managers and to reallocate the client’s assets to other Independent Managers, where such action is deemed to be in the best interest of the client.

### Financial Planning

Callan Capital adheres to the Financial Planning Process as put forth by the CFP Board. Callan's financial planning services range from a comprehensive evaluation of a client's current and future financial state, to more focused consultations, depending on the needs of each client. Based on information provided by the client, the Adviser will make recommendations designed to help achieve the client's overall goals and objectives.

Callan will gather information from the client through in-depth personal interviews and collection of relevant documents from the client and client's advisers such as their CPA or attorney. After adviser carefully reviews the information supplied by the client, a written report providing a detailed financial plan designed to assist the client in achieving his or her financial goals and objectives will be delivered to the client.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review financial statements, income, employee benefits, business interests, personal liability, budgeting, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's current and future tax picture and present possible opportunities for the Client to discuss with their legal or tax professionals. We help the client visualize their estimated tax liabilities based off data provided by the client, however Callan does not provide specific tax advice, clients should consult their own tax advisors.
- **PHILANTHROPIC PLANNING:** We will analyze and discuss the client's philanthropic endeavors and help the client determine how best to implement a philanthropic plan.
- **INVESTMENTS:** Where appropriate, we can analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We can review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile. We can recommend replacement, termination or the addition of insurance where appropriate.
- **RETIREMENT:** We identify retirement goals, analyze strategies including Social Security, Medicare, employee compensation plans, stock options and and spending goals to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** When necessary, we evaluate survivorship scenarios, income needs of surviving dependents, distribution of estate planning and disability income.
- **ESTATE:** We assist the client in assessing long-term strategies, including as appropriate, trusts, wills, review estate tax, powers of attorney, and asset protection plans. Callan reviews such legal documents from time to time as they relate to the client's financial plan, however, Callan does not provide legal advice or prepare legal documents such as a living trust, clients should consult their own legal advisors before making legal decisions.

Clients have the option of utilizing Callan to implement certain investment recommendations but are under no obligation to do so. Advice and recommendations can also be given on non-securities matters and any implementation of Adviser's recommendations is entirely at the client's discretion. Should the client choose to implement these recommendations, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Clients are always free to accept or reject any or all recommendations made by Adviser and clients retain the authority and discretion on whether or not to implement any recommendations.

Clients should understand that a potential conflict of interest exists if Callan recommends its own investment management services to implement the financial plan. Financial planning recommendations are based on the client's financial situation at the time the recommendations are provided and are based on the information provided by the client. In addition, certain assumptions can be made with respect to interest and inflation rates, use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance and Adviser cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As a client's financial situation, goals, objectives, or needs change, the client is strongly urged to promptly notify Adviser. For more information on the risks associated with investing, please refer to Item 8 below.

Callan typically engages unaffiliated third parties to assist with the technical expertise, preparation and delivery of our financial planning services. Clients who engage Callan to prepare a financial plan will be required to enter into a separate financial planning agreement (“Financial Planning Agreement”). All necessary confidentiality precautions are taken when sharing personal information. Clients should carefully read our Financial Planning Agreement and our privacy policy for additional details about how we limit the personal information that we share in connection with these and other services.

Typically, the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker dealer or insurance company however if a financial planning client does not have an advisor who can transact upon a certain aspect of the plan, Callan can refer the client to an advisor who is able to transact such as a CPA or Attorney. All recommendations are of a generic nature. Callan is not a law firm or an accounting firm and does not offer legal or tax advice.

### **Insurance Services**

Callan Capital, LLC also serves as an insurance broker registered with the State of California under the d/b/a of Callan Capital Insurance Services, LLC (License#: 0F89858). Through Callan Capital Insurance Services, the Firm can provide life, accident and health and long-term care insurance products, and certain representatives of the Firm, who are also licensed as insurance brokers, will receive normal and typical commissions for the sale of such products. This can present a conflict of interest if Adviser recommends its own insurance services and products as part of a financial plan because compensation will be received. Should a client decide to purchase any insurance products recommended as part of their financial plan, the client can, but is under no obligation to, utilize the Firm to purchase such products.

### **Trustee Services**

Callan from time to time provides trustee or successor trustee services to clients when an Advisor at Callan Capital is asked by the client to perform functions of a trustee for their trust. Trustee services may include but are not limited to; distributing assets according to trust documents, funding sub-trusts, communicating with beneficiaries/charities, issuing statements to beneficiaries, creating and distributing final accountings to beneficiaries, using discretionary power to make distributions to beneficiaries, closing accounts, diversifying trust assets and verifying/paying all trust final bills and taxes.

### **Consulting Services**

Callan from time to time provides Consulting Services to clients when an Advisor at Callan Capital is asked by the client to perform functions outside of the scope of the services discussed above. Consulting Services can be helping a client shop for a mortgage or business loan or other work that requires significant time and expertise

### **Family Office Services**

Callan offers integration, guidance and coordination for Family Office Services. These services include but are not limited to Family Financial Accounting, Personalized Concierge Services, Loan Advisory, Tax Planning, Estate and Trust Planning and Identity Theft Protection. Callan helps coordinate and works closely with our clients existing team of advisors or Callan can recommend additional advisors as appropriate. Family Financial Accounting, Personalized Concierge Services, Loan Advisory, Tax Planning, Estate and Trust Planning and Identity Theft Protection are outsourced to third parties who directly provide our clients with these services and are not affiliated with Callan. Additional fees can apply and any fees for Family Office Services would be charged directly by the outsourced third party. Callan does not collect or charge fees for these services nor does it share in the fees collected by third parties for these services.

### **Executive Benefit Planning**

Callan offers financial planning services to C-Suite executives of companies. Executive Benefit Planning is designed to assist clients in developing comprehensive financial plans designed to maximize the benefits of employers' compensation and benefit programs, preserve clients' assets, manage income on a long-term basis, and integrate tax, retirement, and estate plans. In order to develop a comprehensive financial plan, Callan analyzes a number of factors, including, as can be applicable, counseled client's financial status, sources of income, assets, personal obligations and

debts, objectives, commitments, cash flow, family responsibilities and the effect of the existing income and estate tax structure on client's sources of income and accumulation of wealth.

Callan does not provide tax or legal services so all tax and legal services are outsourced to either the clients' existing tax and/or legal advisors our Callan will recommend tax and legal advisors.

The Executive Benefit Planning Services to be provided by CALLAN can include, but are not limited to, the following:

1. **Investments:** Based upon the Executive's objectives, risk tolerance, and current investment portfolio, Callan assesses his or her current investment strategy and provides feedback on any possible needs that can exist within the Executive's current portfolio. Callan will also provide a customized written "asset allocation recommendation" aimed at balancing risk and reward by apportioning the Executive's portfolio assets according to his or her needs. The Executive shall be responsible for determining whether or not to implement such recommendations.
2. **Retirement:** Based upon information provided by the Executive, Callan will quantify the amount of retirement assets needed to retire without further income. Callan will also develop a "retirement savings plan" designed to help the Executive meet his or her retirement goals and make suggestions about possible alternative retirement plan distribution strategies.
3. **Risk and Insurance:** Callan will assess the Executive's risk exposures, review current insurance policies, and identify any gaps and/or excess coverage that can exist.
4. **Education Funding:** Quantify the amounts required to fund educational costs for children or grandchildren, and provide advice on the many alternative ways to save, accumulate and invest such funds.
5. **Stock Options:** If deemed appropriate, Callan can develop a stock option exercise strategy that based upon the Executive's financial goals, and desired exposure to company stock.
6. **Executive Compensation:** Callan can counsel the Executive about decisions related to deferred compensation elections and other compensation and employee benefits issues.
7. **Debt Management:** If applicable, Callan can also assess the Executive's current use of debt and evaluate the appropriate level and types of debt that should be employed by the Executive in accordance with his or her financial goals and risk profile.
8. **Cash Management:** Callan also assesses the current cash management system employed by the Executive and provides recommendations to better align the Executive's cash management system with cash flow sources and uses.
9. **Income Tax Planning and Preparation:** Callan does not provide tax preparation services. However, when applicable, Callan outsources tax preparation services to a qualified Certified Public Accountant. Income tax preparation services that are included in the Executive Benefit Plan include preparation of the executive's personal or joint tax return and one annual tax planning consultation. Income tax preparation as a part of this Service does not include multiple tax return preparation of other more complex tax services; however, those services are available outside of the scope of this Service and are billed directly by the accountant.
10. **Estate Planning Services:** Callan does not provide legal advice and therefore does not offer legal services. However, if applicable, Callan outsources legal services to a qualified estate planning attorney. Legal services that are included in the Executive Benefit Plan include a review of the executive's current estate planning documents, a written memo with recommendations and a meeting with the estate planning attorney. Legal Services included as a part of the Service do not include preparation of legal documents or other legal services, however, those services are available outside of the scope of the Executive Benefit Plan and are billed directly by the estate planning attorney.

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### Assets Under Management

The Firm manages client assets on a discretionary and non-discretionary basis. As of December 31st, 2021, the total assets under the Firm's management was:

Discretionary Assets	\$1,473,127,957
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Non-Discretionary Assets \$0

Total Assets \$1,473,127,957,

## Item 5 Fees and Compensation

Callan bases its fees on a percentage of assets under management and/or fixed fees (not including subscription fees) depending on the particular types of advisory services to be provided. The specific fees charged by Adviser for its advisory services will be set forth in each client's written Agreement(s) with Adviser. Although Adviser believes its advisory fees are competitive, clients should be aware that lower fees for comparable services can be available from other sources.

### Asset Management

Adviser generally charges an annual fee for its asset management services based upon a percentage of the market value of the assets being managed by Callan. The annual fee shall be prorated and charged quarterly, in arrears, based upon the average daily balance of the client's assets as valued by the custodian for the prior quarter. If a client leaves Callan Capital or otherwise terminates the asset management engagement agreement mid-quarter the termination fee would be prorated for the portion of the quarter for which assets were being managed by Callan. Clients who maintain a margin balance will be billed on the gross margin balance of the account. For example, if the account value is \$2 Million and the account borrows money from the custodian on margin to purchase additional \$1 Million in securities, Advisor will bill the account on the Gross account value of \$3 Million.

The asset management fee shall be on a tiered system based upon the following:

<b>Annualized Investment Management Fees</b>		
<b>Account Value From</b>	<b>Account Value To</b>	<b>Annual Percentage Fee</b>
\$0	\$2,000,000	1.00%
\$2,000,001	\$ 5,000,000	.75%
\$5,000,001	\$10,000,000	.50%
\$10,000,001	\$20,000,000	.30%
\$20,000,001	\$50,000,000	.20%
Over \$50,000,000		<i>Negotiable</i>

### Minimum fee of \$15,000 per year

For example, if the account(s) being managed for the household totaled \$3 Million dollars in account value, the first \$2 Million would have an annual percentage fee of 1%, while the remaining \$1 Million would have an annual percentage fee of 0.75%. It should be noted that Callan can have clients who were engaged prior to the incorporation of the fee schedule disclosed herein. These clients are considered "legacy" clients and can pay a fee that is higher or lower depending on the time at which the client engaged Callan to render investment management services

Callan, in its sole discretion, can negotiate to charge a lesser management fee, and / or Callan can waive the annual minimum fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

The client can make additions to and withdrawals from the account at any time, subject to Callan's right to terminate an account. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable



calendar quarter. Clients can withdraw account assets on notice to Callan, subject to the usual and customary securities settlement procedures. However, Callan designs its portfolios as long-term investments and assets withdrawals can impair the achievement of a client's investment objectives.

For the initial quarter of investment management services, the first quarter's fees shall be calculated on a pro rata basis. The Agreement between Callan and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Callan's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Additions can be in cash or securities provided that Callan reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. Callan can consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

Payment for Callan's investment management fees will be deducted from each client's account on a quarterly basis by their custodian and paid directly to Callan upon written authorization by the client. The consent for deduction of fees is generally contained in the Agreement signed by the client. Clients' custodians will deliver a periodic (at least quarterly) account statement directly to clients, which will include all transactions that took place in the account during the period covered and reflect any fees deducted and paid to Adviser. Clients can also choose to be billed for their quarterly fees.

Clients can incur certain charges imposed by third parties such as fees charged by Independent Managers (as defined in Item 14 below), custodial fees, charges imposed directly by a mutual fund or exchange traded funds in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients can incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Callan's fee. However, Callan shall not receive any portion of these commissions, fees, and costs.

As further discussed in Item 10, the Partners of Callan Capital formed an entity called Trical, LLC. Within Trical, LLC, 4% non-voting shares of Versus Capital Group, LLC and 1% non-voting shares of Versus Capital Advisors, LLC is owned. A substantial conflict of interest arises if Callan Capital recommends a mutual fund managed by Versus Capital Advisors, LLC is owned. as part of a client's portfolio because Callan Capital would receive both Investment Advisory fees for managing the client's portfolio and a portion of the fund's management fees due to the Partners' equity in Versus Capital Advisors, LLC. Clients who invest in a Versus Mutual Fund are reimbursed the proportion of income the Partners receive from Versus Funds related to the client investments.

### Financial Planning

Callan can provide its clients with a broad range of comprehensive financial planning and consulting services (which can include non-investment related matters). Callan will charge a fixed fee for these services. Callan's financial planning and consulting fees are negotiable, but generally range from \$500 to \$15,000 on a fixed fee basis depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages Callan for additional investment advisory services, Callan can offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Callan typically requires one-half of the financial planning / consulting fee payable upon entering the Financial Planning Agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. Either party can terminate the agreement by written notice to the other. In the event the client terminates Callan's financial planning and/or consulting services, the balance of Callan's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services, the client shall be entitled to a full refund. In order to implement tax and legal aspects of the financial plan, the client will need to work with their own tax or legal advisors or if the client does not have their own advisors, Callan can refer the client to advisors that Callan deems fit to implement the tax and/or legal aspects of the plan. The tax and/or legal advisors can charge the client additional fees for these services, Callan does not share in additional fees charged by third parties but certain conflicts of interest do exist for Callan to recommend a CPA or Attorney over another due to goodwill that this referral can incur and the possibility of a referral back to Callan for a client in need of services offered by Callan.

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### Insurance Services

Callan Capital, LLC also serves as an insurance broker registered with the State of California under the d/b/a of Callan Capital Insurance Services, LLC (License#: 0F89858). Through Callan Capital Insurance Services, the Firm can provide life, accident and health and long-term care insurance products, and certain representatives of the Firm, who are also licensed as insurance brokers, will receive normal and typical commissions for the sale of such products.

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### Consulting Services

Consulting Services fees vary depending on the work involved but typically range between \$500 to \$10,000. A separate Consulting Services agreement would be presented which would include the services being offered and the fees being charged to the client in writing and signed off by all parties.

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### Family Office Services

Callan offers integration, guidance and coordination for Family Office Services. Callan does not collect or charge fees for these services nor does it share in the fees collected by third parties for these services.

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### Executive Benefit Planning

*Employer-Sponsored Programs.* Callan typically charges a consulting fee for each individual participating in an Executive Benefit Planning program. Consulting fees can be adjusted in subsequent years to account for cost of living increases. Fees and fee adjustments are negotiable and can vary significantly based on service variations. In addition, Callan reserves the right to make exceptions on a case by case basis, to current fee ranges.

Executive Benefit planning is offered at an annual consulting fee that generally ranges between \$5,000 and \$15,000. It is typical for the company for which the executive is employed to pay for all or a portion of this benefit as part of their corporate benefits package.

Certain Tax Planning and legal services are included in the fee discussed above.

*Income Tax Planning and Preparation:* CALLAN does not provide tax preparation services. However, when applicable, CALLAN outsources tax preparation services to a qualified Certified Public Accountant. Income tax preparation services that are included in the Executive Benefit Plan include preparation of the executive's personal or joint tax return and one annual tax planning consultation. Income tax preparation as a part of this Plan does not include multiple tax return preparation of other more complex tax services; however, those services are available outside of the scope of this Agreement and are billed directly by the accountant.

*Estate Planning Services:* CALLAN does not provide legal advice and therefore does not offer legal services. However, if applicable, CALLAN outsources legal services to a qualified estate planning attorney. Legal services that are included in the Executive Benefit Plan include a review of the executive's current estate planning documents, a written memo with recommendations and a meeting with the estate planning attorney. Legal Services included as a part of this Agreement do not include preparation of legal documents or other legal services, however, those services are available outside of the scope of this Agreement and are billed directly by the estate planning attorney.

Callan will negotiate with the tax planner and legal service provider directly for their services. The tax planner and legal service provider will bill Callan for their services directly and the fees paid to the tax planner or legal service provider are included in the annual consulting fee discussed above.

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### Item 6 Performance Based fees

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**As of the date of this Brochure, the Firm does not charge performance-based fees.**

### Item 7 Types of Clients

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#### Description

Callan generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, and corporations or business entities. Client relationships vary in scope and length of service.

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#### Conditions for Managing Accounts

Callan can assess a minimum annual fee of \$15,000 to accounts receiving ongoing asset management services. However, the Advisor has discretion to waive the minimum annual fee or negotiate to charge a lesser minimum annual fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

There can be times when certain restrictions are placed by a client which prevents Callan from accepting or continuing to manage the account. Callan reserves the right to not accept and/or terminate management of a client's account if it feels that the client-imposed restrictions would limit or prevent it from meeting and/or maintaining its investment strategies.

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

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#### Methods of Analysis

Callan's methods of analysis include cyclical analysis and fundamental analysis.

Cyclical Analysis involves the process of making investment decisions based on the different stages of a business cycle during a given point in time.

Asset Allocation – Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon among various asset classes. The asset classes typically include equities, fixed-income, alternative investments and cash or cash equivalents such as money market instruments. Each asset class has different levels of risk and return, so each will behave differently over time.

Fundamental analysis is a method of evaluating a security or fund and attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, financial news media, including televised and web-based, and company press releases.

The Firm can use other investment strategies when handling special situations for clients in order to diversify concentrated positions or reduce tax implications. Because these investment strategies involve certain degrees of risk, they will be recommended when consistent with the client's stated tolerance for risk. Each client is advised that investing in securities involves risk of loss that the should be prepared to bear.

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#### Investment Strategies

Callan employs 5 model portfolios. After consulting with the client and determining suitability, time horizon and risk tolerance we match the client with the model portfolio which we determine to be suitable. Some clients prefer to invest in strategies which we deem as socially responsible, environmentally responsible and/or sustainable in nature. Callan will tailor portfolios to our client's objectives by investing in stocks, bonds, mutual funds or exchange traded funds which target the client's objective. We will still maintain and adhere to the methods of analysis stated above to create the model portfolios.

Strategies can include long-term purchases, short-term purchases, margin transactions, and option writing. Callan strives to ensure portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client can change these objectives at any time.

### Market, Security and Regulatory Risks

Any investment involves significant risk, including a complete loss of capital and conflicts of interest. All investment programs have certain risks that are borne by the investor which are described below. In addition, any and all clients who have invested in the Fund should review the Fund's Private Placement Memorandum for specific risks related to alternative investment.

#### Market Risks:

- **Competition:** The securities industry and the varied strategies and techniques to be engaged in by Callan are extremely competitive and each involves a degree of risk. Callan will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.
- **Market Volatility:** The profitability of Callan substantially depends upon it correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. Callan cannot guarantee that it will be successful in accurately predicting price and interest rate movements.
- **Callan Capital, LLC's Investment Activities:** Callan's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by Callan. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that can affect investments in general or specific industries or companies. The securities markets can be volatile, which can adversely affect the ability of Callan to realize profits. Additionally, specific investments under Callan's strategy can require significant time to realize the expected return and can experience a pricing correction in a faster-than-expected time, subjecting Callan to reinvestment risk. Likewise, the investment strategy of Callan is partially dependent on its ability to correctly identify and assess technology's impact on a company's business. As a result of the nature of Callan's investing activities, it is possible that its financial performance can fluctuate substantially over time and from period to period.
- **Material Non-Public Information:** By reason of their responsibilities in connection with other activities of Callan and/or its affiliates, certain principals or employees of Callan and/or its affiliates can acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. Callan will not be free to act upon any such information. Due to these restrictions, Callan will not be able to initiate a transaction that it otherwise might have initiated and will not be able to sell an investment that it otherwise might have sold.
- **Accuracy of Public Information:** Callan selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to Callan by the issuers or through sources other than the issuers. Although Callan evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, Callan is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. It is possible that investments will not perform as expected if information is inaccurate.
- **Investments in Undervalued Securities:** Callan intends to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from Callan's investments do not adequately compensate for the business and financial risks assumed. Callan can make certain speculative investments in securities which it believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, Callan can be forced to hold such investments for a substantial period of time before realizing their anticipated value. During

this period, a portion of Callan's funds would be committed to the investments made, thus possibly preventing Callan from investing in other opportunities.

- **Small Companies:** Callan can invest a portion of its assets in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they can lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading can be substantially less than is typical of larger companies. As a result, the securities of smaller companies can be subject to wider price fluctuations. When making large sales, Callan can have to sell portfolio holdings at discounts from quoted prices or can have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.
- **Volatility of Currency Prices:** The profitability of Callan's portfolios depends, in part, upon Callan correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. Callan cannot guarantee that it will be successful in accurately predicting currency price and interest rate movements.
- **Leverage:** When deemed appropriate by Callan and subject to applicable regulations, Callan can incur leverage in its investment program, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which can be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent Callan purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds can be borrowed in particular, could affect the operating results of Callan. If the interest expense on this leverage were to exceed the net return on the investments made with borrowed funds, Callan's use of leverage would result in a lower rate of return than if Callan were not leveraged.

If the amount of borrowings which Callan can have outstanding at any one time is large in relation to its capital, fluctuations in the market value of Callan's portfolios will have disproportionately large effects in relation to Callan's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of Callan to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to Callan, the net asset value of Callan will generally decline faster than would otherwise be the case.

Certain of Callan's trading and investment activities can be subject to Federal Reserve Board ("**FRB**") margin requirements, which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position can be closed out. In the event of a precipitous drop in the value of the assets managed by Callan, Callan might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to Callan's trading activities, Callan, and not the Limited Partners personally, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

- **Options and Other Derivative Instruments:** Callan can invest, from time to time, in options and other



derivative instruments, including, but not limited to, the buying and selling of puts and calls on some of the securities held by Callan. The prices of many derivative instruments, including many options and swaps, are highly volatile. The values of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Callan is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets can be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument or asset at the exercise price.

If a put or call option purchased by Callan were permitted to expire without being sold or exercised, Callan would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to Callan at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by Callan at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option can be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by Callan of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

- **Interval Funds:** Callan can offer interval funds through advisory accounts. Interval funds are closed-end funds that allow investors to diversify their portfolios and to invest in alternative products that would normally have limited availability to retail investors. Interval funds are illiquid and repurchase offers are made only on a periodic basis, such as quarterly. During the liquidation event, an investor can be able to redeem only a small portion, or none, of the shares they own. Risks for interval funds can be greater and different than for other investment products. You should carefully read the prospectus for information about the material risks with these funds and other disclosures before making a decision to invest. The fund prospectus will be available either through Callan or through the sponsor. Management fees will be charged in your advisory account based on the value of these investments. Because redemptions and repurchases are limited to specific liquidation periods, you will be able to implement any advice only during the liquidation period. This creates a conflict of interest as Callan can receive fees for this advice before it can be implemented. Callan monitors and addresses this conflict of interest through ongoing account monitoring.
- **Hedging Transactions:** Investments in financial instruments such as forward contracts, options, commodities and interest rate swaps, caps and floors, other derivatives, and other investment techniques are commonly utilized by

investment funds to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates, interest rates and/or the equity markets or sectors thereof. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it is not always possible for Callan to hedge against a fluctuation at a price sufficient to protect Callan's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying instruments or assets. Accordingly, options on highly volatile instruments or assets can be more expensive than options on other instruments or assets and of limited utility in hedging against fluctuations in their prices.

Callan is not obligated to establish hedges for portfolio positions and will not do so. To the extent that hedges are implemented, their success is somewhat dependent on Callan's ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

- **Market or Interest Rate Risk:** The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. If Callan holds a fixed income security to maturity, the change in its price before maturity can have little impact on Callan's performance; however, if Callan has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to Callan.
- **Fixed Income Call Option Risk:** Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, Callan is exposed to reinvestment rate risk – Callan will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond can not rise much above the price at which the issuer can call the bond.
- **Maturity Risk:** In certain situations, Callan can purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, Callan will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.
- **Inflation Risk:** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if Callan purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, Callan is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.
- **Investments in Non-U.S. Investments:** From time to time, Callan can invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks can include:
  - Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
  - Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.

- Foreign securities and other assets often trade in currencies other than the U.S. dollar, and Callan can directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect Callan's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies can cause the value of Callan's investments to decline. Some foreign currencies are particularly volatile. Foreign governments can intervene in the currency markets, causing a decline in value or liquidity of Callan's foreign currency holdings. If Callan enters into forward foreign currency exchange contracts for hedging purposes, it can lose the benefits of advantageous changes in exchange rates. On the other hand, if Callan enters forward contracts for the purpose of increasing return, it can sustain losses.
- Non-U.S. securities, commodities and other markets can be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there can be less public information about the operations of issuers in such markets.
- **Risk of Default or Bankruptcy of Third Parties:** Callan can engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, Callan could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid. In addition, Callan could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which Callan does business, or to which securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if Callan's prime broker and custodian were to become insolvent or file for bankruptcy, Callan could suffer significant losses with respect to any securities held by such firm.
- **ETF and Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.

### Regulatory Risks:

- **Strategy Restrictions:** Certain institutions can be restricted from directly utilizing investment strategies of the type in which Callan can engage. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel and accountants to determine what restrictions can apply and whether an investment in Callan is appropriate.
- **Trading Limitations:** For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject Callan to loss. Also, such a suspension could render it impossible for Callan to liquidate positions and thereby expose Callan to potential losses.
- **Tax Risk:** The tax aspects of an investment in Callan are complicated and each investor should have them reviewed by professional advisers familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles as applicable.
- **Conflicts of Interest:** In the administration of client accounts, portfolios and financial reporting, Callan faces inherent conflicts of interest which are described in this brochure. Generally, Callan mitigates these conflicts through its Code of Ethics which provides that the client's interest is always held above that of the Firm and its associated persons.
- **Supervision of Trading Operations:** Callan, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the portfolio accounts to ensure compliance with firm and client objectives. Despite Callan's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity can occur in portfolio accounts.



Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

### Security Specific Risks:

- **Liquidity:** Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not have a ready market or are thinly traded are less liquid and can face material discounts in price level in a liquidation situation.
- **Currency:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Limited Liquidity of Interests:** An investment in a partnership usually involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for these interests and no market should be expected to develop. Additionally, transfers are usually subject to the consent of the general partner at the general partner's sole discretion.
- **Lack of Registration:** Funds or LP interests have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions.
- **Withdrawal of Capital:** The ability to withdraw funds from the funds or LP interests is usually restricted in accordance with the withdrawal provisions contained in an Offering Memorandum. In addition, substantial withdrawals by investors within a short period of time could require a fund to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the fund's assets and/or disrupting the fund's investment strategy.

## Item 9 Disciplinary Information

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### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Item 10 Other Financial Industry Activities and Affiliations

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### Affiliations

Callan does not render real estate, mortgage or lending services to its clients. However, Callan can act as consultant and recommend certain of its clients to various licensed mortgage lenders or bankers. These mortgage brokers or lenders shall render these services independently of Callan.

Additionally, as described in Item 4 above, Callan Capital, LLC also serves as an insurance broker registered with the State of California under the d/b/a of Callan Capital Insurance Services, LLC and can provide life, accident and health and long-term care insurance products.

Certain representatives of Callan are, in their individual capacities, licensed as insurance brokers. In this capacity, and pursuant to client instruction, these individuals can recommend that clients purchase various insurance products and will receive separate and typical commissions or fees for doing so. A conflict of interest exists to the extent that a representative of Adviser recommends the purchase of insurance products where the representative receives commissions or other additional compensation. The Firm's financial plans can include recommendations for clients to purchase various insurance products which can be purchased from Adviser or its associated persons. Adviser makes no assurance that the products are offered at the lowest available cost. Clients are under no obligation to implement recommended transactions through any particular insurance company, and are not obligated to purchase any such products or services from Adviser or its associated persons.

### Mutual Fund Ownership

In conjunction with previously provided marketing and consulting services performed by Callan Capital, LLC to Versus Capital Advisors, LLC, a warrant was issued by Versus which gave the Partners of Callan Capital the right to exercise an option to acquire Class B LLC Units in Versus Capital Advisors, LLC (Versus). The Partners of Callan Capital created a new entity, Trical LLC, to implement this purchase. The Class B Units are a non-voting share class which represent a 4% cash flow interest in Versus Capital Group, LLC and 1% cash flow interest in Versus Capital Advisors, LLC.

This arrangement creates a conflict of interest if Callan Capital recommends a mutual fund managed by Versus Capital Advisors, LLC as part of a client's portfolio, in that Callan Capital and Trical would receive both Investment Advisory fees (Callan) for managing the client's portfolio and a portion of the fund's management fees (Trical) due to Trical's equity in Versus Capital Advisors, LLC.

Callan Capital will mitigate these risks by continuing to recommend investments to clients which match their risk tolerance and offer portfolio diversification. We endeavor at all times to put the interests of our clients first as part of our fiduciary duty as a registered investment adviser. We address these conflicts of interest by disclosing all material conflicts of interests to clients and have adopted policies and procedures to mitigate all such conflicts between Callan and its advisory clients. Additionally, for Callan Capital client's whose portfolio contains a Versus Fund, Asset Management Fees will be reduced in the following manner:

- For those Callan Capital clients who invest in a Versus Mutual Fund ("Versus Funds"), Trical will reimburse the proportion of income received from Versus Funds related to our client investments by using Callan Capital as an intermediary. For example, if our client assets make up 2% of the Versus Fund, Trical will reimburse 2% of the income it receives from Versus to client accounts in a pro-rata manner based upon the number of shares of a Versus Capital Fund that each client account owns. This billing practice is done in an effort to prevent Callan Capital from receiving fees both via the Firm's Asset Management Fees, and due to the Callan Capital's Partners ownership interest in the Versus Funds on the same client assets.

Even by refunding the client the total amount of fees incurred by the Versus Funds, this relationship presents a conflict of interest such that the Firm has an interest in seeing the Versus Funds succeed, and as such, are incentivized to recommend the Versus Funds over other funds that can have a similar investment style/profile. Additionally, there are incidental benefits received by the Versus Funds due to Firm client investments in the Versus Funds such as research and trading software. These conflicts of interest affect the ability of Callan Capital to provide clients with unbiased, objective investment advice concerning the selection of certain investments for client accounts. This could mean that other investments, whose sponsors do not make such payments or in whom Callan Capital does not have an interest, can be more appropriate for an investment advisory client than an investment in a Versus Fund. THEREFORE, A SUBSTANTIAL CONFLICT OF INTEREST EXISTS IN THE SELECTION OF INVESTMENTS FOR CALLAN CAPITAL CLIENTS. Accordingly, each prospective investor in a Versus Fund, prior to making an investment decision to purchase interests, is encouraged to consider all factors they deem relevant to an investment in the fund, including the conflicts of interest noted above and elsewhere in the fund's Prospectus.

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

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#### **Code of Ethics**

Callan has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. Callan and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code covers a range of topics that can include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. Callan will provide a copy of the Code to any client or prospective client upon request.

The Code also requires that certain of Callan's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited

offerings. Callan also maintains a restricted securities list (RSL). Securities are placed on the RSL if Callan is engaged in any way with a Section 16 insider of a publicly traded corporation. Access persons of Callan are restricted from purchasing securities on the RSL until such time as Callan's Chief Compliance Officer removes the restriction.

When Callan is purchasing or considering for purchase any security on behalf of a client, no Access Person can affect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Callan is selling or considering the sale of any security on behalf of a client, no Access Person can affect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds; (v) Exchange Traded Funds.

### Participation or Interest in Client Transactions

Under Callan's Code of Ethics, Callan and its managers, members, officers and employees can invest personally in securities of the same classes as are purchased for clients and can own securities of the issuers whose securities are subsequently purchased for clients. If an issue is purchased or sold for clients and any managers, members, officers and employees on the same day purchase or sell the same security, either the clients and Callan, managers, members, officers or employees shall receive or pay the same price or the clients shall receive a more favorable price with the exceptions noted in the previous paragraph.

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### Personal Trading

The Chief Compliance Officer or another principal, employee or officer of Callan reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## Item 12 Brokerage Practices

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### Brokerage Practices

Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Adviser typically recommends that clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian, to maintain custody of client assets and to effect trades for client accounts however clients can choose another broker-dealer other than Schwab. Adviser is independently owned and operated and not affiliated with Schwab. Schwab will hold our clients' assets in a brokerage account and buy and sell securities when Adviser instructs them to. While Adviser recommends that clients use Schwab as custodian/broker, clients will decide whether to do so when they open an account with Schwab by entering into an account agreement directly with them.

As further described below, factors considered by Adviser in recommending Schwab include but are not limited to, the reasonableness of their commissions, their financial strength, product availability, research and other services available to both the client and Callan.

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### Selection Criteria

Callan seeks to select and recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. Callan considers a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.);

- availability of investment research and tools that assist us in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- the custodian/broker's prior service to us and our other clients; and
- availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from Schwab").

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### Custody and Brokerage Costs

Schwab generally does not charge Callan client accounts separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account or through margin interest charged by Schwab if a client account holds a margin balance. Schwab's commission and margin rates applicable to Callan client accounts were negotiated based on our commitment to maintain Callan client assets in accounts at Schwab. This commitment benefits you because the overall commission rates or margin rate you pay are lower than they would be if Callan had not made the commitment. In addition to commissions and margin interest, Schwab charges a flat dollar amount as a "trade away" fee for each trade that Callan executes by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer.

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### Products and Services Available to Us from Schwab

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like Callan. They provide Callan and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (*i.e.*, Adviser does not have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. Below is a detailed description of Schwab's support services:

*Schwab Services that Benefit You.* Schwab's institutional 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 Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

*Schwab Services that Do Not Directly Benefit You.* Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist Adviser in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. Callan can use this research to service all, some or a substantial number of our clients' accounts. In addition to investment research, Schwab 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 and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

*Schwab Services that Generally Benefit Only Us.* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, 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.

Schwab can provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also can discount or waive its fees for some of these services or pay all or a part of a third party's fees. In addition, Schwab can provide Adviser with other benefits such as occasional business entertainment of our personnel.

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### **Adviser's Beneficial Interest in Schwab's Services**

The availability of these services from Schwab benefits us because Callan does not have to produce or purchase them. Callan does not have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum can give Callan an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

Callan believes, however, that our selection of Schwab as custodian/broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see "How We Select Custodians/Brokers") and not Schwab's services that benefit only us.

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### **Best Execution**

It is the policy and practice of Adviser to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, Adviser will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although Adviser will strive to achieve the best execution possible for client securities transactions, this does not require it to solicit competitive bids and Adviser does not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Adviser will seek competitive rates, it will not necessarily be able to obtain the lowest possible commission rates for client transactions. Adviser is not required to negotiate "execution only" commission rates, thus the client can be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker which are included in the commission rate.

To ensure that brokerage firms recommended by Adviser are conducting overall best qualitative execution, Adviser will periodically (and no less often than annually) evaluate the trading process and brokers utilized. Adviser's evaluation will consider the full range of brokerage services offered by the brokers, which can include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

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### **Research and Other Soft Dollar Benefits**

Callan's general policy is to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") when entering into soft dollar arrangements. Section 28(e) recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to Callan in making investment decisions for its clients. "Brokerage" services and products are those used to effect securities transactions for Callan's clients or to assist in effecting those transactions.

Research and other products and services purchased with soft dollars will generally be used to service all of Adviser's clients, but brokerage commissions paid by one client can be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there can be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Brokerage services obtained with soft dollars can include, for example, quotation and communication equipment and services, other order management systems that provide trading software or provide connectivity to such software, trade

analysis software, on-line pricing services, communication services relating to execution, clearing and settlement and message services used to transmit orders.

Research and related services furnished by brokers can include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; and discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Research received by Adviser under such soft dollar arrangements can include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

There can be cases when Adviser can receive both non-research (e.g., administrative, accounting or technology services, etc.) and research benefits from the services provided by broker-dealers. If and when this happens, Adviser will make a good faith allocation between the non-research and research portion of the services received, and will pay "hard dollars" (i.e., Adviser will pay from their own monies) for the non-research portion. In making a good faith allocation between research services and non-research services, a conflict of interest can exist by reason of Adviser's allocation of the costs of such services and benefits between those that primarily benefit Adviser and those that primarily benefit clients. Adviser strives to always put the client's interests first.

As stated above, Adviser can recommend that clients establish brokerage accounts with Schwab to maintain custody of clients' assets and to effect trades for their accounts. Schwab is a SEC-registered broker-dealers and members FINRA/SIPC. While there is no direct link between the investment advice given to clients and Adviser's recommendation to use the custodial or brokerage services of Schwab, certain benefits are received by Adviser due to this arrangement.

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### **Directed Brokerage**

Clients can direct Callan in writing to use a particular broker-dealer to execute some or all transactions for the Client. In that case, the Client will negotiate terms and arrangements for the account with that broker-dealer, and Callan will not seek better execution services or prices from other broker-dealers or be able to "batch" Client transactions for execution through other broker-dealers with orders for other accounts managed by Callan. As a result, the Client can pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Adviser can decline a Client's request to direct brokerage if, in Callan's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

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### **Trade Aggregation and Allocation**

Transactions for each client will be affected independently, unless Adviser decides to purchase or sell the same securities for several clients at approximately the same time. Adviser performs investment management services for various clients, some of which can have similar investment objectives. Adviser can aggregate sale and purchase orders with other client accounts and proprietary (employee) accounts that have similar orders being made at the same time, if in Adviser's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits can include better transaction prices and lower trade execution costs. Adviser can (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Adviser's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, Adviser can allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.



### Item 13 Review of Accounts

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#### Periodic Reviews

For those clients to whom Callan provides asset management services, Callan monitors those portfolios as part of an ongoing process. For those clients to whom Callan provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of Callan’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Callan and to keep Callan informed of any changes thereto. Callan shall contact ongoing investment advisory clients to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

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#### Review Triggers

Accounts are reviewed quarterly or more frequently when market conditions dictate. Other conditions that can trigger a review are changes in the tax laws, new investment information, and changes in a client’s financial or personal situation.

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#### Regular Reports

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Callan provides investment advisory services will also receive a report from Callan that can include such relevant account and/or market-related information such as an inventory of account holdings and account performance from time to time.

Those clients to whom Callan provides financial planning and/or consulting services can receive reports from Callan summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Callan.

### Item 14 Client Referrals and Other Compensation

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#### Solicitors who refer advisory clients

Callan can, from time to time, enter into agreements with individuals and organizations, some of whom can be affiliated or unaffiliated with Callan, that refer clients to Callan. All such agreements will be in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to Callan by a solicitor, Callan can pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of Advisers Act and any corresponding state securities law requirements. Under such an arrangement, Callan has full discretionary authority over the account and directs the selection of an independent custodian and the placement of all brokerage transactions. While the specific terms of each agreement can differ, generally, the compensation will be based upon Adviser’s engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to Callan by such clients until the account is closed by written authorization from the client. Any such fee shall be paid solely from Callan’s investment management fee and shall not result in any additional charge to the client.

Each prospective client who is referred to Callan under such an arrangement will receive a copy of Callan’s firm brochure and a separate written disclosure document disclosing the nature of the relationship between the third party solicitor and Callan and the amount of compensation that will be paid by Callan to the third party. The solicitor is required to obtain the client’s signature acknowledging receipt of Callan’s disclosure brochure and the solicitor’s written disclosure statement.

#### Client Referral Relationship with Charles Schwab & Co., Inc.

Callan receives client referrals from Schwab through Callan’s participation in Schwab Advisor Network® (“the Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Adviser. Schwab does not supervise Callan and has no responsibility for Callan’s management of clients’ portfolios or Callan’s other advice or services. Callan pays Schwab fees to receive client referrals through the Service. Callan’s participation in the Service can raise potential conflicts of interest described below.

Callan pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation

Fee paid by Callan is a percentage of the fees the client owes to Callan or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Callan pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Callan quarterly and can increase, decrease or waived by Schwab from time to time. **The Participation Fee is paid by Callan and not by the client. Callan has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Callan charges clients with similar portfolios who were not referred through the Service.**

Callan generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Callan generally would pay in a single year. Thus, Callan will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Callan's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Callan will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Callan's fees directly from the accounts.

For accounts of Callan's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Callan's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Callan can have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Callan nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab can be executed through a different broker-dealer than trades for Callan's other clients. Thus, trades for accounts custodied at Schwab can be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

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### Other Compensation

#### Compensation from Insurance Services

As described in Item 4 above, Callan Capital, LLC also serves as an insurance broker registered with the State of California under the d/b/a of Callan Capital Insurance Services, LLC and can provide life, accident and health and long-term care insurance products. This can present a conflict of interest if Adviser recommends its own insurance services and products as part of a financial plan due to certain licensed representatives of Adviser receiving an economic benefit. Should a client decide to purchase any insurance products recommended as part of their financial plan, the client can, but is under no obligation to, utilize the Firm to purchase such products.

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### Compensation from Trustee Services

From time to time, clients can request that Callan perform services such as the firm serving as trustee or successor trustee on their trusts. These are not considered typical requests and are evaluated on a case by case basis. If Callan Capital chooses to accept the role of trustee or successor trustee, custody of assets is not obtained until power is invoked and compensation for services will vary.

## Item 15 Custody

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### Custody Policy

Under Rule 206(4)-2 (the "Custody Rule"), Callan is deemed to have custody of client assets due to being the Trustee of the Callan Capital Employee 401k Plan and Callan Capital Pension Plan. The Trustees of the Callan 401k and Pension Plans are Trevor Callan, Ryan Callan and Tim Callan. Callan does not provide Advisory Services to the Plans and the Partners of Callan provide only administrative trusteeship. Callan is also deemed to have custody due to certain client accounts containing Standing Letters of Authorization (SLOA's) that are on file with the custodians which give Callan



discretion over the timing, frequency and the amount of the disbursements to third parties. Callan is also deemed to have custody of client assets because clients give us authority to withdraw assets from client accounts for the amount of Callan's asset management, financial planning and consulting fees. Custody of account assets will be maintained with an independent qualified custodian, except for certain privately offered securities (such as interests in a limited partnership or other pooled investment vehicle subject to annual audit), in which case ownership thereof is recorded only on the books of the issuer. In the case of assets invested with an Independent Manager, the designated Independent Manager can select the custodian. In addition, in most cases, a client's broker-dealer also can act as the custodian of the clients assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Under the Custody Rule, advisers with custody generally are required to undergo an independent verification of the assets for which Callan has custody through an annual surprise examination by an independent certified public accountant. However, advisers deemed to have custody solely as a consequence of the authority to debit fees directly from client accounts are not required to obtain an independent verification of those client funds and securities maintained by a qualified custodian. Callan has a surprise examination performed annually for the 401k and Pension. Although Callan Capital is deemed to have custody due to certain client accounts that have SLOAs, the firm is exempt from the requirement to have a surprise exam of SLOA accounts. This exemption is based on the SEC interpretive guidance that states that an exemption is appropriate if the following 7 conditions exist:

1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Because Callan Capital maintains that all the above 7 conditions exist, the firm is exempt from surprise examination of SLOA accounts.

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### Callan Account Statements

All assets are held at qualified custodians. The custodians provide account statements not less than quarterly to clients at their address of record. Clients should carefully review such statements for any discrepancies or inaccuracies.

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### Performance Reports

Callan provides its clients with performance reports at least annually. Callan urges clients to compare the information set forth in their performance report from Callan with the statements received directly from the custodian to ensure accuracy of all account transactions.

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### Constructive Custody

In addition to the above and pursuant to the Investment Advisers Act of 1940, Callan is deemed to have "constructive custody" of client funds because the Firm has the authority and ability to debit its fees directly from the accounts of those clients receiving Callan's Investment Advisory Services. Additionally, certain clients have, and can in the future, sign a

Standing Letter of Authorization (SLOA) that gives Callan the authority to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give the Firm custody. Custody is defined as any legal or actual ability by the Firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.

However, the rules governing the direct debit of client fees and SLOAs exempts Callan from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. When debiting fees from client accounts, Callan must receive written authorization from clients permitting advisory fees to be deducted from the client's account.
2. In the case of SLOAs, Callan must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to the Firm, and (iii) ensure that certain requirements are being performed by the qualified custodian.

Callan has a surprise examination performed annually for the 401k and Pension. If client funds or securities are inadvertently received by our firm, they will be returned to the sender immediately, or as soon as practical

Schwab maintains actual custody of your assets. Clients will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client provided to Schwab. Clients should carefully review those statements promptly when received. Please contact Callan with any questions.

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### **Trustee or Successor Trustee Services**

From time to time, clients can request that Callan perform services such as the firm serving as trustee or successor trustee on their trusts. These are not considered typical requests and are evaluated on a case by case basis. If Callan Capital chooses to accept the role of trustee or successor trustee, custody of asset is not obtained until power is invoked. Services such as these are performed under a separate contract with the client that is entered into at the time of appointment.

## **Item 16 Investment Discretion**

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### **Discretionary Authority for Trading**

Clients, pursuant to a signed Agreement, authorize Adviser to exercise full discretionary authority with respect to all investment transactions involving the client's account(s). Pursuant to such Agreement, Adviser is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes Adviser to give instructions to third parties in furtherance of such authority. Callan has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Such discretion is to be exercised in a manner consistent with each client's stated investment objectives, risk tolerance, and time horizon. The firm's discretionary authority regarding investments can however be subject to certain limitations imposed by the client. These limitations are recognized as the restrictions and prohibitions placed by the client on transactions in certain types of business or industries. All such restrictions are to be agreed upon in writing at the account's inception.

The client further authorizes Callan to have discretion to select the custodian to be used and the commission rates paid without specific client consent. Callan does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

### Item 17 Voting Client Securities

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#### Proxy Votes

Callan will not vote nor advise clients how to vote proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Callan does not give any advice or take any action with respect to the voting of these proxies. For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. Callan promptly passes along any proxy voting information to the clients or their representatives.

### Item 18 Financial Information

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#### Financial Condition

Registered investment advisers are required in this section to provide you with certain financial information or disclosures about their financial condition.

Callan has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding at any time during the past ten years.

In addition, we do not require or solicit pre-payment of advisory fees for more than \$1,200 per client, six months or more in advance.