

Part 2A of Form ADV: Firm *Brochure*

Item 1 Cover Page

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This brochure provides information about the qualifications and business practices of Clune & Associates, Ltd. If you have any questions about the contents of this brochure, please contact us at (312) 644-5040 and / or [info@clune.biz](mailto:info@clune.biz). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Clune & Associates, Ltd. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## *Item 2 Material Changes*

In this Item, Clune & Associates, Ltd. is required to identify and discuss material changes since its last annual amendment. Since filing its last annual amendment on March 24, 2022, Clune & Associates, Ltd. has had no material changes to report.

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#### *Item 4 Advisory Business*

Part A. Clune & Associates was founded in 1987, and since its inception we have been actively engaged in the financial planning and private wealth management business. We have offices in Chicago, Illinois, Vail Valley, Colorado, and Vero Beach, Florida; however, we service clients throughout the United States and Canada. The firm is principally owned by Randolph (“Randy”) Hardy.

Part B. At Clune & Associates, our clients have come to rely on us for more than just investment management services. We look at our clients' complete wealth picture and provide coordinated strategies on all aspects of their lives that impact their financial well being. Depending on their unique needs, our comprehensive wealth plan can offer strategies and guidance in a wide range of areas including Investment and Portfolio Management, Financial and Retirement Planning, Risk Management / Insurance Planning, Tax Planning, Estate Planning and Charitable Gifting.

Part C. Prior to working with a potential client, we conduct a discovery meeting to determine if there is a mutual fit and whether there is a possibility of working together. From there, we assess a client's goals (i.e. retirement, income etc.), objectives (i.e. rate of return expectations) and constraints (i.e. risk tolerance, time horizon and income requirements). An investment policy statement (IPS) and a recommended asset mix is developed based on these goals, objectives and constraints. While there are a limited number of portfolio asset mixes, clients can impose restrictions on investing in certain asset classes or mutual funds, however not specific securities.

Part D. We have contracted with BAM Advisor Services, LLC for 401(k) services, including access to model investment portfolios and administrative and marketing support services. BAM receives a portion of the fees paid by participating 401(k) plans. In no instance shall the revenue split between BAM and Clune & Associates fall below 70% of revenue to the Advisor, except if minimum fees are invoked.

We do not participate in any wrap fee programs.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act (“ERISA”) and/or the Internal Revenue Code (the “Code”), as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

Part E. As of December 31, 2022, we have the following assets under management:

Discretionary: \$260,658,106

Non-Discretionary: \$173,045,911

Total: \$433,704,017

## Item 5 Fees and Compensation

Part A. The following is a list of possible fees paid by clients:

1. Investment advisory fees are charged on assets under supervision. The schedule of these fees is as follows:

<u>Percentage Billable</u>	<u>Dollar Value of Assets Under Supervision</u>
1.0%	On the 1st \$1,000,000
0.8%	On the next \$1,000,000
0.6%	On the next \$3,000,000
0.4%	On \$5,000,001 and over

This fee will be determined quarterly depending upon the value of the assets under supervision. The client will receive a quarterly invoice from Clune & Associates which is due upon receipt. This fee is charged in arrears and can either be paid by check or taken from the client's investment account(s).

Assets under supervision will be identified in advance. In certain rare circumstances (i.e. institutional clients, corporate retirement plans etc.), the supervisory fees listed above are negotiable.

Any advisory fees paid to Clune & Associates by Third-Party Asset Management Platforms (i.e. Buckingham Strategic Partners, LLC ("BSP")) will be used to offset the supervisory fee listed above.

2. Internal Expenses. Each mutual fund and ETF in a client's portfolio charges an internal expense ratio. These fees are retained by the mutual fund company / investment manager and range from 0.02% - 2% annually. We do not share in any internal expense revenue.
3. Transaction fees. Most brokerage accounts charge a transaction fee each time certain securities, mutual funds and ETFs are traded. If charged, these fees range from less than \$1 (exchange processing fee on ETFs and stocks) to \$20 depending on the investment product and the amount invested. In certain circumstances, Charles Schwab can charge clients a percentage of the dollar amount of assets in the account in lieu of transaction fees. See Item 12 for more details on brokerage practices.
4. Custodial costs. Certain brokerage, retirement and mutual fund accounts charge an annual account fee, which can range from \$10 - \$200 / year. There can be additional costs to transfer funds and / or close the account.

5. Commissions. Effective January 1, 2014, we are not licensed to sell any front-end load mutual fund or other commissionable investment products (i.e. Commission based annuities, limited partnerships or private placements).
6. Hourly Fee or Flat Fee. If a client requests any additional financial analysis beyond that encompassed by the financial planning process, the client shall pay the additional fee ("Consulting Fee") at the following hourly rate. The client will be invoiced upon the completion of such additional financial analysis.

Randy Hardy, CFA, CFP	\$300.00 per hour
Eileen Clune, CFP, MBA	\$300.00 per hour
John Burns, CRPC	\$200.00 per hour
Ryan Robertson	\$150.00 per hour
Sarah Poe	\$100.00 per hour

Clients that hire us to complete an initial retirement plan are charged a flat fee rather than the hourly fees listed above. Depending on the complexity of the plan, the flat fee ranges from \$1,000 - \$5,000. Follow up meetings and questions are included in this fee.

Part B. See Item 5. Part A.1 above.

Part C. See Item 5. Part A above.

Part D. See Item 5. Part A above.

Part E. 1. We don't receive any other compensation, besides the supervisory fee, for the sale of any other investment products.

2. Clients have the option to purchase our recommended investment choices through other non-affiliated brokers, agents or financial planners.

3. Less than 1% of our 2020 estimated total revenue will come from commissionable products (existing private placements and limited partnerships, insurance commissions etc.), so most of our revenue is not dependent on commissions.

4. We do not receive commissions or 12b-1 fees from any investment products.

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

Not Applicable. We do not charge performance-based fees.



*Item 7      Types of Clients*

Our clients are high net worth individuals, individuals other than high net worth individuals, pension and profit sharing plans, corporate retirement plans, charitable organizations and other corporations who are looking for a strategic partner to help them preserve and grow their wealth over time, and properly transfer the balance to the next generation. Our client base is comprised of physicians, lawyers, corporate executives, business owners, sports and entertainment professionals, retirees, pension plans, retirement plans and foundations. They value a comprehensive approach to wealth management and our commitment to client service.

Our minimum portfolio size is \$1,000,000. In certain circumstances portfolios with less than \$1,000,000 are accepted. These exceptions, which include client family members or clients that should meet our minimum in a couple years, are approved by the two principals.

Part A. We believe investing should involve a long-term view and a systematic focus on sources of expected returns, not on stock picking or market timing. In constructing an investment portfolio, we focus on broad, global diversification customized to a client's goals, objectives and constraints. We then place priority on managing client emotions, efficiently managing portfolio turnover and keeping investment management and trading costs low. All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for all potential investors. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular instruments you intend to invest in.

Part B. Our investment philosophy involves the following risks:

*Market Risk:* Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer specific events will cause the value of portfolios to rise and fall. The value of a client's investment portfolio will fluctuate, and there is the risk that you will lose money.

*Foreign Securities and Currencies Risk:* Foreign securities prices may decline or fluctuate because of economic or political actions of foreign governments, less regulated or liquid securities markets, and foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

*Derivatives:* Derivatives are securities, such as futures contracts, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will work. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. The use of derivatives for non-hedging purposes may be considered more speculative than other types of investments. Derivative securities are subject to a number of risks including liquidity, interest rate, market, credit and management risks, and the risk of improper valuation.

*Interest Rate Risk:* Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

*Credit Risk:* Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact a portfolio's performance. Credit risk is greater for fixed income securities with ratings below investment grade (BB or below by Standard & Poor's Rating Group or Ba or below by Moody's Investors Service, Inc.). Fixed income securities that are below investment grade involve high credit risk and are considered speculative.

*Securities Lending:* Certain mutual funds utilize securities lending. Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, these funds may lose money and there may be a delay in recovering the loaned securities. A portfolio could also lose

money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending may have potential adverse tax consequences.

Part C. Not applicable.

*Item 9      Disciplinary Information*

Part A. Not Applicable. Our firm and our management have no reportable disciplinary events to disclose.

Part B. Not Applicable. Our firm and our management have no reportable disciplinary events to disclose.

Part C. Not Applicable. Our firm and our management have no reportable disciplinary events to disclose.

*Item 10 Other Financial Industry Activities and Affiliations*

Part A. Not applicable. We are not licensed as, or with, a broker-dealer.

Part B. Not Applicable. We are not licensed as, or with, a futures commission merchant.

Part C. 1. Not Applicable.

2. Certain investment firms invite us to educational seminars and provide speakers to client events. Such educational seminars provide us with access to information and ideas regarding practice development, client servicing, investment strategy, relationship management and financial planning. Attendance expenses associated with such educational seminars are sometimes paid or reimbursed, either in whole or in part, by the investment firms. This could incentivize us to recommend an investment firm to clients solely so that we get invited to special events. Given that we are fiduciaries, and always put our client interests ahead of our own, we don't consider this a valid conflict.

Occasionally we retain an independent third-party account administrator (Buckingham Strategic Partners, LLC ("BSP")) that performs certain services such as account administration, portfolio allocation analysis, asset-class investment strategy, back-office fulfillment, report and statement production, and fee debiting. Such services are paid directly through advisory fees billed to the client or are indirectly paid by us. BSP is an investment adviser registered with the Securities and Exchange Commission. We believe however, that our selection of BSP as account administrator is worth the additional expense and is in the best interests of our clients.

3. We have entered into written agreements with certain broker dealer firms, Registered Investment Advisors and other US and non-US entities to compensate such firms for having referred clients to us. Each firm with whom an agreement exists is compensated in cash, which is based upon the assets under supervision of the referred clients. Generally, the clients referred pay a fee that is no higher as a result of this arrangement than our regular fee schedule described under Item 5 hereof. In all cases, Clune & Associates, and the referring firm, will notify the client in writing of the solicitation agreement, and will obtain a signed disclosure statement outlining the referral terms. As of 12/31/2021 we have zero clients that have been secured under these solicitation agreements.

4. Not Applicable.

5. Not Applicable.

6. Not Applicable.

7. Not Applicable.

8. Eileen Clune is insurance licensed in Illinois and Colorado. Depending on the type of policy, and the insurance company, we will either place the business directly with the insurance company or through a brokerage firm (i.e. Ash Brokerage, Crump Life Insurance Services or Key Financial Group).

Given that Eileen is paid a commission on insurance sales, there could be a conflict of interest that would incentivize Eileen to recommend a policy with higher premiums (and therefore commissions). We

mitigate this conflict by looking at the clients overall financial situation, and only sell insurance on a needs only basis.

9. Not Applicable.

10. Not Applicable.

11. Not Applicable.

Part D. Not Applicable.

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

Part A. All employees, independent contractors, interns and principals of Clune & Associates shall at all times be in compliance with all laws, rules and regulations as outlined in our compliance manual. Our Code of Ethics statement, which each employee reviews and signs off annually, addresses the following sections:

1. General Ethical Principles
2. Compliance with Laws and Regulations
3. Conflicts of Interest
4. Personal Security Transactions
5. Gifts and Entertainment
6. Political and Charitable Contributions
7. Service on Board of Directors
8. Other Outside Activities
9. Mandatory Reporting of All Code of Ethics Violations
10. Annual Review of Code of Ethics

A copy of the Clune & Associates Code of Ethics statement is available to all clients and prospective clients on request.

Part B. Not applicable. We do not recommend or trade securities in which we have a material financial interest.

Part C. Most of our client recommendations, and employee personal investments, are mutual funds and ETFs. Given that mutual funds are bought and sold at closing NAV, and management of these investment decisions are made by non-related individuals / firms, the main potential conflict of interest with mutual fund investments relates to share class options and 12b-1 fees. Given that we do not accept 12b-1 fees, there is no financial incentive for us to use higher cost A-class mutual fund shares. Most client investment recommendations are for lower cost, institutional class shares, however in situations where the trade amount is less than \$5,000 we may use higher cost, non-transaction fee funds (i.e. A Class shares) so that a mutual fund transaction fee is not paid by the client. Although ETFs are traded intraday, the management of these investment decisions are made by non-related individuals / firms. Therefore, we feel there is no conflict of interest with ETF investments. In the case of individual securities or option trades, these transactions must be pre-approved by the Chief Compliance Officer (or the President for any trades made by the CCO). Prior to approval, the Chief Compliance Officer will run a cross trade blotter to see if any trades are pending in client accounts. If there is a client trade pending, the employee will not be able to trade the security until the client trade is executed. Eileen Clune will pre-approve trades for the CCO. Employee participation in direct IPO's is prohibited.

Part D. Prior to approval of employee non-mutual fund / non-ETF transactions, the Chief Compliance Officer (or Eileen in the case of the CCO) will run a cross trade blotter to see if any trades are pending in client accounts. If there is a client trade pending, the employee will not be able to trade the security until the client trade is executed.

Part A. 1.

*The Custodian and Brokers We Use*

We do not maintain custody of your assets on which we advise; although we could be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

In some instances (i.e. IRA’s that contain limited partnerships, 529 accounts etc.), we will open the account at another custodian or directly with a mutual fund or annuity company.

*How We Select Brokers/Custodians*

We seek to 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. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody).
- Capability to execute, clear, and settle trades (buy and sell securities for your account).
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.).
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [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 the prices.
- Reputation, financial strength, and stability.
- Prior service to us and our other clients.
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us From Schwab*”).

*Your Brokerage and Custody Costs*

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you 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. In certain circumstances, Schwab can charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab’s commission rates and asset-based fees applicable to our client accounts were negotiated based on the condition that our firm continues to maintain its current level of activity with Schwab. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be otherwise. In addition to commissions and asset-based fees, Schwab charges you a flat dollar amount as a “prime



broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

#### *Products and Services Available to Us From Schwab*

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us 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 (we don’t have to request them) and at no charge to us as long as we maintain our current level of firm activity and assets at Schwab. If our client assets fall below our current level of production, Schwab can charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab’s support services:

*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.

*Services That Do Not Directly Benefit You.* Schwab also makes available to us other products and services that benefit us but does not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, which includes Schwab’s own research, and that of third parties. We use this research to service all, or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. 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.
- Assist with back-office functions, recordkeeping, and client reporting.

*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.
- Consulting on technology, compliance, legal, and business needs.
- Publications and conferences on practice management and business succession.
- Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab can also discount or waive its fees for some of these services or pay all

or a part of a third party's fees. Schwab can also provide us with other benefits, such as occasional business entertainment for our staff.

#### *Our Interest in Schwab's Services*

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our firm maintains our current level of activity at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The Schwab clause stating that we must maintain our current level of activity could give us 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. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. We currently have in excess of \$300 million in client assets under management at Schwab, and we do not believe that maintaining active status at Schwab, given the level of service and support they provide to clients and our firm, presents a material conflict of interest.

2. We don't receive client referrals from broker-dealers and do not participate in the Charles Schwab referral program.

3. Even though most accounts are maintained at Schwab, we can still use other brokers to execute trades for your account. In the case where we utilize a different broker-dealer for trades, a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

Part B. We don't aggregate trades across client accounts.

Part A. If we are engaged to perform quarterly portfolio management and supervisory services, one of the two principals (Randy Hardy or Eileen Clune) will review the clients' investment portfolio on a continuous basis. A comprehensive report will be mailed, uploaded or e-mailed quarterly, and quarterly reviews (either in person meetings or conference calls) are offered to all quarterly clients.

In certain circumstances, we are engaged to perform annual portfolio management and supervisory services. A comprehensive report will be mailed annually and a year-end review is offered to annual clients.

John Burns, Ryan Robertson, and Sarah Poe are responsible for the production of the reports utilized in the quarterly and annual meetings.

We recommend that financial plan reviews (if requested by the client) be conducted on a periodic basis, normally every three to five years.

Part B. Client accounts are reviewed quarterly (in certain circumstances they are only reviewed annually), and more frequently as other issues arise (i.e. tax trades, additions / withdrawals to the portfolio etc.), or should the client call with questions.

Part C. The comprehensive reports that are sent to clients (either quarterly or annually), include the following:

- Portfolio Summary. This report details the starting portfolio value, additions, withdrawals, ending portfolio value, net rate of return and portfolio gain / (loss). For certain clients, we also compare the portfolio return to various benchmark returns.
- Portfolio & Account Performance Reports. These reports list the performance of the portfolio at the position level, asset class level and account level. The data in these reports is reconciled daily by our portfolio management software vendor to ensure accuracy to the custodial / mutual fund company statements.
- Asset Mix / Model. This report compares the current asset allocation to the recommended asset allocation. Any variance between the two is reported in percentage and dollar differences.
- Net Worth Statement. This report is updated on a best efforts basis. This report includes a complete list of assets, liabilities and net worth.
- Invoice. The invoice lists the supervisory fees earned for the previous quarter. Clients have the option to write a check or have the fees deducted from their investment accounts.

*Item 14 Client Referrals and Other Compensation*

Part A. Not applicable. We do not accept solicitation revenue from outside firms.

Part B. We have entered into written agreements with certain broker dealer firms, Registered Investment Advisors and other US and non-US entities to compensate such firms for having referred clients to us. Each firm with whom an agreement exists is compensated in cash, based upon the assets under supervision of the referred clients. Generally, the clients referred pay a fee that is no higher as a result of this arrangement than our regular fee schedule described under Item 5 hereof. In all cases, Clune & Associates, and the referring firm, will notify the client and will obtain a signed disclosure statement outlining the referral terms.

*Item 15 Custody*

Clune & Associates, because it is authorized to deduct fees or other expenses from clients' accounts, is deemed to have custody of client assets by the SEC. However, we do not hold client assets. Also, because we often have standing letters of authorization to move money from client accounts to third party accounts we are deemed to have custody by the SEC. In order to avoid having an annual surprise examination we follow these seven rules / representations:

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.

Therefore, Clune & Associates does not have custody for any other rules and therefore is not required to undergo an annual surprise examination by an accountant.

Clune & Associates only utilizes qualified custodians for client assets. A qualified custodian is defined as a firm (bank, broker/dealer or mutual fund) that sends, at minimum, quarterly statements directly to clients. Charles Schwab is the largest custodian we use for our client accounts, and they maintain actual custody of your client accounts. Clients should carefully review these custodial statements, and should compare these statements to our portfolio performance reports for accuracy. These portfolio performance reports were outlined in more detail in Item 13, Part C.

*Item 16 Investment Discretion*

Clune & Associates accepts discretionary authority to manage securities accounts on behalf of clients only pursuant to the mutual written agreement of Adviser and the client through a power-of-attorney, which is typically contained in the advisory agreement signed by Adviser and the client. This includes the authority to buy, sell, and otherwise transact in securities and other investment products in client's account(s) without necessarily consulting with clients in advance. Clients may place reasonable limitations on this discretionary authority so long as it is contained in a written agreement and/or power-of-attorney.

*Item 17      Voting Client Securities*

Part A. Clune & Associates does not make voting decisions on issuer-related communications (proxies, tender offers, proposed mergers, rights and warrants offerings etc.). We are sent informational copies of any issuer related communication, however clients make all voting decisions. Clients will receive the issuer communication directly from the custodian or transfer agent.

Part B. If a client has a question about a particular offer, they can contact us at any time. We will refer them to the company's Investor Relations department for more detailed inquiries.

*Item 18 Financial Information*

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

We have not been the subject of a bankruptcy petition at any time during the past ten years.



*Item 19 Requirements for State-Registered Advisers*

Not applicable. Clune & Associates is registered with the SEC.