

## Howard Capital Management, Inc.

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<https://www.howardcmfunds.com/>  
<https://www.howardcmetfs.com/>  
<https://www.howardcm.com/>  
<https://www.401koptimizer.com/>  
<https://www.tspoptimizer.com/>  
<http://www.hcmuniversity.com>

March 22, 2021

### FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Howard Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 770.642.4902. 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 Howard Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Howard Capital Management, Inc. is 118070.

Howard Capital Management, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated March 19, 2020, we have amended certain disclosures in this brochure:

- At Items 4 and 5 to discuss our 401(k) Optimizer® Guided Retirement services, website address, and related fees
- At Items 4 and 5 to incorporate discussion of our Retirement Plan Consulting Services and related fees
- At Items 4, 6, 8, and 10 to incorporate discussion of our private fund investment management services, and related compensation arrangements, risks, conflicts of interest, and other information
- At Item 10 to revise disclosure language regarding a marketing arrangement with an associated marketing firm

Should you have any questions about any of these updates, you should contact our Chief Compliance Officer at 770.642.4902.

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## Item 4 Advisory Business

### Description of Services and Fees

Howard Capital Management, Inc. is a registered investment adviser based in Roswell, Georgia. We are organized as a corporation under the laws of the State of Delaware. We have been providing investment advisory services since 1999. The firm is wholly owned by Ronald Vance Howard. Currently, we offer the following investment advisory services:

- **Diversified Portfolio Development/Management/Ongoing Monitoring**
- **Mutual Fund Advisory Services**
- **Private Fund Investment Management**
- **Self-Directed Brokerage Window (SDBA)**
- **Sub-Advisory Services**
- **401(k) Optimizer®**
- **401(k) Optimizer® Guided Retirement**
- **Thrift Savings Plan Services (TSP Optimizer™)**
- **Private Wealth Services**
- **Planning Fees**
- **Retirement Plan Consulting**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Howard Capital Management, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term "Associated Person" throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Howard Capital Management, Inc. ("HCM") provides fee-only discretionary investment management services. HCM primarily manages accounts introduced to it by unaffiliated broker-dealers and investment adviser (the "primary investment professional"), pursuant to which HCM generally pays a portion of its management fee to the introducing broker-dealer or investment advisor in accordance with the parameters of SEC Rule 206(4)-3. The referring broker-dealers and investment advisers maintain both the initial and ongoing day-to-day relationship with the client, including initial and ongoing determination of client suitability for HCM's investment strategies. **Please Note:** HCM does not provide financial planning and/or related consulting services. HCM does not serve as an attorney, accountant, record keeper, pension administrator or insurance agent. Howard Capital Management, Inc. does not prepare estate planning documents or tax returns, nor does it sell insurance products.

### Diversified Portfolio Development/Management/Ongoing Monitoring

We will review, analyze, recommend, develop plan(s) concerning, and, as directed by you, supervise the purchase and sale of, your financial assets. You will authorize our firm to exercise discretion to determine the securities, and amount of securities, to be purchased or sold for your account, in accordance with the terms and conditions of the advisory agreement between you and our firm (hereinafter the "Advisory Agreement").

We may provide any number of services, including but not necessarily limited to: asset management, portfolio analysis and asset allocation services, in each case based on your investment objectives and financial circumstances. For these services, we will charge you an advisory fee.

Many clients are referred to our firm by an outside, unaffiliated person, such as registered representatives of broker-dealers, investment advisor representatives ("IARs") of registered investment advisors, financial planners and CPAs (each a "Referring Entity"), with whom the client has an established relationship. Please refer to the "Client Referrals and Other Compensation" section of this Brochure for information regarding such arrangements.

We ask clients to complete our Risk Tolerance Questionnaire at the beginning of our engagement; however, if you have been referred to our firm by a Referring Entity, the Referring Entity may have used a questionnaire separate from our Risk Tolerance Questionnaire and has determined suitability based on the information contained therein. In such instances, we rely upon the Referring Entity and you to determine the goals and objectives of the portfolio in question. In any case, it is the Referring Entity's and/or your responsibility to promptly notify our firm of any changes in your financial condition that would necessitate a change in your investment objectives.

In limited circumstances, we may offer non-continuous asset management services. Under these arrangements, while your accounts may be periodically monitored on a regular basis for performance and adherence to your stated objectives, our understanding of your stated objectives may be formed without consideration of your other assets, investments, insurance and other obligations.

### **Mutual Fund Advisory Services**

We provide investment advisory services to the HCM Dividend Sector Plus Fund, HCM Income Plus Fund, and the HCM Tactical Growth Fund, mutual funds registered under the Investment Company Act of 1940. We also provide investment advisory services to the HCM Defender 100 and HCM Defender 500 exchange-traded funds (collectively, the mutual funds and exchange-traded funds are referred to as the "Funds"). The Funds seek long-term capital appreciation through investments in (i) domestic equity securities of any market capitalization, (ii) investment companies (including mutual funds that use leverage), closed-end funds and exchange traded funds ("ETFs"), (including ETFs that use leverage), and (iii) cash and cash equivalents. We are entitled to an annual management fee equal to 1.25% (0.95% for HCM Income Plus Fund) of each of the Funds' average daily net assets paid on a monthly basis.

We may recommend investments in the Funds for other advisory client accounts, including accounts for owners, officers, and investment advisor representatives associated with our firm. If you have engaged us for discretionary management services, we may invest a percentage of your assets in the Funds, up to 100%, without further approval from you. Securities held in separate accounts, including accounts for owners, officers, and other individuals associated with our firm, may also be the same securities as those purchased by the Funds.

Expenses, such as administrative, management, and other fund charges, are associated with all mutual funds. Advisory fees you pay to us described in the **Diversified Portfolio Development/Management/Ongoing Monitoring** section below are separate and distinct from the fees and expenses charged by the Funds, which are explained in the Fund's prospectus available online at [howardcmfunds.com](http://howardcmfunds.com). You should refer to the prospectus for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Funds.

**Please Note: Material Conflict of Interest.** In discretionary advisory arrangements, we are authorized, without prior consultation with the client, to buy our affiliated mutual funds and exchange-traded funds, in which event we, in accounts other than accounts subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and/or Section 4975 of the Internal Revenue Code of 1986, as amended ("Code") ("ERISA Accounts"), shall receive both a management fee payable by the affiliated mutual funds and an advisory fee pursuant to paragraph 5 below. Because we receive compensation from the Funds, there is a material conflict

of interest, as we have a financial incentive to invest your assets in the Funds or to recommend that you invest in the Funds rather than other investments. When you use our advisory services, it is possible for us to receive two payments from your investment. One payment is from our services we provide to you as outlined in the Advisory Agreement. The second fee is from the payments we receive from the Funds themselves. However, we will only make such investments and/or recommendations where we believe it is consistent with our fiduciary duty and your investment objectives.

For ERISA accounts, the client will approve investment of assets in our affiliated mutual funds through the client's investment advisory agreement. This approval will also allow for the investment advisory and other fees paid by each such fund in relation to the fees paid by the client under such agreement. To the extent that such investments otherwise would constitute a prohibited transaction under ERISA, the client's primary investment professional, prior to investing client assets in one of our funds, will: (1) agree that he/she/it/they will take all actions necessary to assure that the conditions of U.S. Department of Labor Prohibited Transaction Exemption ("PTE") 77-4 are satisfied; (2) approve the investment advisory and other fees paid by each of such investment companies in relation to the fees paid by the client under such agreement; and (3) acknowledge receipt of the current prospectus issued by each of our funds and other disclosures required under PTE 77-4, and that it is on the basis of such information that the primary investment professional gives this approval.

We will make a good faith effort to determine if an investment in the Funds is in your best interest after considering such factors as your goals, time horizon, risk tolerance (items contained in the Risk Tolerance Questionnaire); and the strategies, fees and expenses of other comparable mutual funds. Aside from the Risk Tolerance Questionnaire, we provide no formal documentation of this analysis.

It is possible for you to purchase mutual funds and ETFs directly, without our advisory services. By doing so, you would be declining our advisory services designed to assist you in determining investments most suitable to your needs, objectives and risk tolerance. By using our advisory services and agreeing to the fee associated with these services, you are consenting to the aforementioned conflict of interest.

**Any questions pertaining to this conflict of interest or any other issues should be addressed with our Chief Compliance Officer.**

### **Private Fund Investment Management**

We are the investment manager to the HCM Institutional Equity private fund (referred to as the "Private Fund"). We, or investment adviser representatives associated with our firm, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the Private Fund. The terms and conditions for participation in the Private Fund, including management fees, conflicts of interest, and risk factors, are set forth in the Private Fund's offering documents. Our clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

#### 1. Private Investment Fund Risk Factors:

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement (or equivalent), pursuant to which the client shall establish that he/she is qualified for investment in the fund and acknowledges and accepts the

various risk factors that are associated with such an investment.

## 2. Conflict of Interest.

Because our firm earns compensation from the Private Fund, the recommendation that a client become an investor in the Private Fund presents a conflict of interest. We attempt to mitigate this conflict by negotiating for the receipt of a fixed fee for our investment management services to the fund, which means that our compensation does not vary based on the amount of assets placed in the Private Fund.

Clients are hereby also advised that the Private Fund's sponsor, Gomez Capital, Inc. (the "Sponsor") and our firm are affiliated through common control. The Sponsor receives an asset-based fee and is eligible to receive a performance-based fee in exchange for services provided to the Private Fund. Our or the Sponsor's recommendation that a client become a Private Fund investor, therefore, presents a conflict of interest, as the recommendation could be based on the compensation to be received by us or our affiliate. As a result, we and the Sponsor only recommend investments in the Private Fund when such recommendation is in the best interest of the client.

No client is under any obligation to become an investor in the Private Fund.

## 3. Private Investment Fund Valuation.

In the event that we reference the Private Fund on any supplemental account reports, the values for the Private Fund will generally reflect the most recent value. The current value of any Private Fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report. If the Private Fund has invested in a third-party fund, the investment manager of that fund is responsible for determining the value of interests in that fund. We will rely on values provided by the third-party fund's manager.

### **Self-Directed Brokerage Window**

For individuals who may have retirement assets managed through another firm, we offer investment services through a self-directed brokerage window. As opposed to being limited by a retirement plan's particular set of investment choices, your plan provider may offer you a self-directed brokerage account (SDBA) with the ability to select from a wide range of investments, including most listed stocks, mutual funds, and ETFs. This line up may include, or be limited exclusively to, the Funds - our affiliated mutual funds and exchange-traded funds.

**A conflict of interest exists if you invest in a self-directed brokerage window.** Because the sole compensation that we receive for this service comes from recommendations to invest in our proprietary Funds, we have a financial incentive to invest your assets in the Funds or to recommend that you invest in the Funds rather than other investments. In addition, the Investor Class Shares of the Funds pay shareholder services fees (12b-1 fees). Funds and/or fund share classes that pay 12b-1 or similar shareholder services fees generally carry a higher internal expense ratio than funds and/or fund share classes which do not pay such fees. Our recommendation that a client engage in a transaction which will result in the payment of 12b-1 or similar shareholder services fees, therefore, presents a further conflict of interest. Please see Item 10 below for further details.

When you engage us in a SDBA arrangement, you may grant us limited power of attorney - limited to the purchase and sale of securities, including the trading of options, if applicable. This trading authorization gives us the ability to buy and sell the same range of securities that you have access to as if you were to trade the account yourself. You authorize us discretion to trade your account without approval or directions from you, but in accordance with the Advisory Agreement. We do not have the authority to transfer, withdraw or disperse money or assets from your account.

## **Sub-Advisory Services**

We may also serve as a sub-adviser to unaffiliated registered investment advisers per the terms and conditions of a written Sub-Advisory Agreement. With respect to our sub-advisory services, the unaffiliated investment advisers that engage our sub-advisory services maintain both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for our designated investment strategies. If the custodian/broker-dealer is determined by the unaffiliated investment adviser, we will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, client may 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 through alternative clearing arrangements recommended by us. Higher transaction costs adversely impact account performance.

## **401(k) Optimizer®**

We offer assistance to plan participants who are seeking advice in choosing and allocating investments within their 401(k) or similar defined contribution plan through our 401(k) Optimizer® system. Based on the information submitted to our firm, 401(k) Optimizer® will provide a report of recommendations personally designed for your particular investment goals. The report includes advice on which investments to choose to properly diversify your portfolio, as well as an asset allocation strategy. The 401(k) Optimizer® tool continuously monitors your investments and will update your recommendations at least quarterly. In some cases, your recommendations may not change from the previous quarter, but this does not mean your investment options were not analyzed. The 401(k) Optimizer® tool may also make additional recommendations when indicated by the HCM-BuyLine®, a proprietary indicator that signals when and how much to invest in equities. All recommendations and correspondence will be communicated via e-mail and our 401(k) Optimizer® website.

## **401(k) Optimizer® Guided Retirement**

We offer personalized discretionary investment management services to retirement plan participants through 401(k) Optimizer® Guided Retirement, a web-based tool intended to help clients invest in their employer's 401(k) or similar defined contribution plan. Through this offering, the 401(k) Optimizer® Guided Retirement tool analyzes the plan participant's financial situation in light of current market conditions and the investment options available in the client's retirement plan and provides discretionary asset allocations amongst the investment options available. The 401(k) Optimizer® Guided Retirement tool then monitors and reallocates and/or rebalances the participant's plan assets on at least a quarterly basis. In providing these services, 401(k) Optimizer® Guided Retirement leverages HCM-BuyLine®, a proprietary indicator that signals when and how much to invest in equities.

## **TSP Optimizer™**

Through our TSP Optimizer™ tool, we offer services to federal employees in choosing and allocating investments of assets held in a Thrift Savings Plan. Similar to our 401(k) Optimizer®, TSP Optimizer™ will review your information, risk tolerance, investment horizon, and other relevant factors to properly allocate and diversify your portfolio.

## **Private Wealth Services**

Our private wealth services ("PWS") division assists advisors (solicitors) who have high net worth clients. PWS assists in identifying and implementing strategies to give them the best opportunity to achieve their comprehensive financial goals. The PWS team addresses the investment portfolio while introducing and assisting vendors in the areas of estate, business, and tax reduction strategies. HCM receives a management fee on the client's portfolio. HCM does not receive any compensation from any vendors who engage with the advisors or clients.



## **Planning Fees**

Although we do not offer financial planning, we may bill your account on behalf of a Referring Entity who offers you financial planning services. We do not receive any portion of this fee, but bill it for the Referring Entity as a courtesy. You acknowledge we are not responsible for any claims resulting from the planning services conducted by the Referring Entity.

## **Retirement Plan Consulting**

We also provide retirement plan consulting/management services, pursuant to which we assist sponsors of self-directed retirement plans organized under the Employee Retirement Security Act of 1974 ("ERISA"). The terms and conditions of the engagement shall be set forth in a Retirement Plan Services Agreement between HCM and the plan sponsor.

To the extent that the plan sponsor engages us in an ERISA Section 3(21) capacity, we will assist with the selection and/or monitoring of investment options (generally open-end mutual funds and exchange traded funds) from which plan participants may choose in self-directing the investments for their individual plan retirement accounts. If the plan sponsor chooses to engage us in an ERISA Section 3(38) capacity, we may provide the same services as described above, but may also: create specific asset allocation models that we manage on a discretionary basis, which plan participants may choose in managing their individual retirement account; and/or modify the investment options made available to plan participants on a discretionary basis.

## **Types of Investments**

We offer advice on equity securities, exchange traded fund shares, and mutual fund shares.

## **Assets Under Management**

As of 12/31/2020, we managed \$2,548,057,547 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **Diversified Portfolio Development/Management/Ongoing Monitoring**

Advisory fees are negotiable depending upon your individual facts and circumstances (i.e., size of account, length of time with our firm, etc.) and at our sole discretion.

Our fee is based on a percentage of your assets we manage, up to, but not to exceed 1.1% of assets under management. A separate asset-based fee is paid to the client's professional adviser. The highest advisory fee rate charged may be higher than the rates charged by other advisers for comparable services. However, fees shall vary depending upon various objective and subjective factors, including but not limited to: the amount of assets to be managed; account composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, and the services to be provided by us to any particular client could be available from other advisers at lower fees.

The advisory fee will be based upon the total asset value of the securities under management in the account. Fees will be charged according to the Advisory Agreement. Your annual advisory fee, which is billed monthly in advance, is calculated as a percent of the value of your account at the close of the last business day of the previous month. We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. It is

your responsibility to verify the accuracy of the fee calculation.

Advisory fees may be negotiable under certain circumstances, at our sole discretion. Depending on individual arrangements made, fees paid by one client may be higher or lower than fees paid by another client under similar circumstances.

There may be transaction charges involved with the purchasing or selling of securities which are separate and distinct from advisory fees paid to our firm.

### **Termination of Advisory Relationship**

You or our firm may terminate these services at any time and for any reason, upon thirty (30) days written notice to the other party. Upon notice of termination, we will await further instructions from you as to what steps you request to liquidate and/or transfer the portfolio and remit the proceeds. Upon instructions received, we will instruct brokers, dealers, mutual fund sponsors, and others to liquidate and/or transfer the portfolio and remit proceeds to you. We will promptly refund any unearned advisory or management fees (prorated through the date of termination) following a written request from you to do so. Additionally, you may terminate our services within five (5) business days of signing the Advisory Agreement without incurring any charges.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), we may maintain cash positions for defensive or other purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the client's advisory fee.

### **Self-Directed Brokerage Window**

Self-directed brokerage accounts we manage are not charged a direct advisory fee. The compensation we receive through this arrangement is from fees paid to us from the Funds. We pay, out of our own assets, compensation to broker-dealers, registered investment advisors, or other financial intermediaries in connection with the distribution of the fund's shares (otherwise known as "revenue sharing"). Please see Item 14 Client Referrals and Other Compensation for more information.

### **401(k) Optimizer®**

For individual clients, we charge an annual subscription fee of \$108, payable monthly in advance.

Associated Persons may also subscribe to the 401(k) Optimizer® through an Advisor Subscription. At the Associated Person's discretion, the Associated Person may grant you a complimentary subscription to the 401(k) Optimizer® as part of their financial planning process or marketing efforts. This service is subject to a negotiable monthly fee, which monthly fee shall vary based on

various objective and subjective factors and shall be payable by the Associated Person.

#### **401(k) Optimizer® Guided Retirement**

The annual fee for the 401(k) Optimizer® Guided Retirement Program is 0.88% of the plan participant's retirement plan assets, based upon the value of that participant's retirement plan assets as of the last day of the billing period. The fee shall be directly debited on a quarterly basis, in arrears, from the relevant participant's retirement plan account. Of the total fee, 0.15% is paid to the client's professional adviser and 0.02% to the retirement plan platform, and we retain the remaining portion.

#### **TSP Optimizer™**

For individual clients, we charge an annual subscription fee of \$108, payable monthly in advance.

Associated Persons may also subscribe to the TSP Optimizer™ through an Advisor Subscription. At the Associated Person's discretion, the Associated Person may grant you a complimentary subscription to the TSP Optimizer™ as part of their financial planning process or marketing efforts. This service is subject to a negotiable monthly fee, which monthly fee shall vary based on various objective and subjective factors and shall be payable by the Associated Person.

#### **Retirement Plan Consulting**

Fees for Retirement Plan Consulting services are generally negotiated on a client-by-client basis, based on a variety of factors including the size of the plan, the overall scope of services to be rendered, the representative assigned to the account, and other factors. The plan's fee is typically assessed on a monthly basis, in arrears, based on the market value of plan assets on the last day of the billing month. If the client terminates their engagement in the middle of a billing month, the final month's fee will be prorated based on the number of days in the billing month through the date of termination.

For the types of services described, if you were to independently to select them separately without the aid of our firm, you may find your costs to be more or less than if the services were received as a program through our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the "Advisory Business" section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Notwithstanding the above, certain products that may be recommended to our clients, including the Private Fund (see Item 4 above), may assess performance-based (incentive) fees. Clients are advised that, with respect to the Private Fund, performance-based fees involve a sharing of any Private Fund gains between the investor and the Sponsor. We do not receive performance-based fees for the investment management services we provide to the Private Fund. However, because we share personnel with the Sponsor, such performance-based fees create a conflict of interest, because we are incentivized to take additional risks in the management of the Private Fund that may be in conflict with the client's current investment objectives and risk tolerance. No performance-based fees will be assessed until the Private Fund, on a cumulative basis from

inception, is in a net gain position.

Performance-based fees collected by the Sponsor are in addition to the asset-based fees received by the Sponsor. Our investment management fee is a flat fee that does not vary with the amount of assets in the Private Fund or the Private Fund's performance. Clients are also advised that as a result of the standard asset-based fee and the performance-based fee, the Sponsor has an economic incentive to recommend a performance-based fee structure.

## Item 7 Types of Clients

We offer investment advisory services to individuals, high net worth, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require a minimum asset level of \$25,000 to open and maintain an advisory account and a minimum asset level of \$15,000 for our SDBA services. Certain investment allocation models that we utilize may also maintain minimum asset level requirements, including our Ultra Aggressive model, which requires a minimum asset level of \$500,000.

HCM, in its sole discretion, may reduce or waive its minimum account size requirements, and/or charge a lesser investment advisory 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, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Our Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding advisory fees.

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

### Our Methods of Analysis and Investment Strategies

We use a proprietary market indicator, the HCM-BuyLine®, in managing clients' accounts. Our investment strategies are designed to protect capital in market downturns while using our tactical approach to seek to outperform the major indices during market upswings. The HCM-BuyLine® tells us when and how much to invest in equities. Simply put, it gives us an objective indicator of the intermediate-term trend of the market. If the bulls are in control, our strategy is to invest capital in equities in order to take advantage of the gains a bull market can possibly bring. However, if the bears are in control, we typically move our clients' capital to the relative safety of money markets or short-term bonds.

Not every HCM-BuyLine® buy and sell will result in a profitable trade. However, there have been situations in the past in which HCM reduced clients' exposure to equities during market downturns by following an HCM-BuyLine® signal, thereby preserving capital. There can be no assurance that the HCM-BuyLine® indicator will protect a portfolio from loss of capital. An important goal of the HCM-BuyLine® is to outperform the market on a long-term basis. The reason is the mathematics of gains and losses. For example, a portfolio which suffers a 30% loss takes a 43% gain to return to the previous portfolio value.

The HCM-BuyLine® is a reactive indicator, not a proactive one. It will not catch the first 5-10% of a bull or bear move. Ideally, it will avoid most of the downtrends and catch the vast bulk of the uptrends.

There may be times when the use of the indicator will result in a loss when we re-enter the market. Other times, there may be a modest positive impact. When severe downtrends occur, however, such as in 2000-2002 and 2007-2008, it has the potential to make a significant difference in portfolio performance. Naturally, there can be no guarantee that the HCM-BuyLine® indicator will perform as anticipated. All investment approaches have the potential for loss as well as gain.

We may also use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

Our strategies and investments may have unique and significant tax implications. However, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

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

## **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Recommendation of Particular Types of Securities**

We primarily recommend equity securities, individual bonds, exchange traded fund shares, and mutual fund shares. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stocks"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange traded funds ("ETFs") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely.

Fixed income securities carry additional risks than those of equity securities. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

## **Private Fund Investment Risks**

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be

required to complete a Subscription Agreement (or equivalent), pursuant to which the client shall establish that he/she is qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment.

## **Item 9 Disciplinary Information**

Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

## **Item 10 Other Financial Industry Activities and Affiliations**

### **Arrangements with Affiliated Entities**

We advise some clients and prospective clients to invest in the HCM Tactical Growth Fund, the HCM Income Plus Fund, and the HCM Dividend Sector Plus Fund, each of which are registered investment companies which have contracted with our firm to be the investment adviser. We also advise clients and prospective clients to invest in the HCM Defender 100 and HCM Defender 500, which are exchange-traded funds for which we serve as the investment adviser (collectively, the mutual funds and exchange-traded funds are referred to as the "Funds"). The Funds are managed on a day to day basis by Vance Howard, CEO of our firm. Portfolio management clients of our firm may be invested in the Funds.

The arrangement between our firm and the Funds presents a conflict of interest because we have a financial incentive to recommend investments in the Funds. While we believe that compensation charged by the Funds is competitive, such compensation may be higher than fees charged by other Funds. You are under no obligation to invest in the Funds.

We are also affiliated with Blue Duck Insurance Network, Inc. ("BDIN") through common ownership and control. Certain of our representatives are licensed insurance agents through BDIN. From time to time, our representatives may offer to provide services through BDIN and/or may refer clients to BDIN for insurance services. The recommendation that a client utilize the services of BDIN presents a conflict of interest, as the recommendation may be made on the basis of compensation to be received either through commissionable insurance sales or on referral revenue. No client is under any obligation to purchase any commission products from BDIN or from any licensed insurance associated with us or our affiliates. Clients are reminded that they may purchase insurance products through other, non-affiliated insurance agents and/or companies.

### **Private Investment Fund**

We are the investment manager to the HCM Institutional Equity private fund (referred to as the "Private Fund"). We, or investment adviser representatives associated with our firm, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the Private Fund. The terms and conditions for participation in the Private Fund, including management fees, conflicts of interest, and risk factors, are set forth in the Private Fund's offering documents. Our clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Our firm earns compensation from the Private Fund in the form of an investment management fee. Therefore, the recommendation that a client become an investor in the Private Fund presents a conflict of interest. We attempt to mitigate this conflict by negotiating for the receipt of a fixed fee for our investment management services to the fund, which means that our compensation does not vary based on the amount of assets placed in the Private Fund.

Clients are hereby also advised that the Private Fund's sponsor, Gomez Capital, Inc. (the "Sponsor") and our firm are affiliated through common control. The Sponsor receives an asset-



based fee and is eligible to receive a performance-based fee in exchange for services provided to the Private Fund. Our or the Sponsor's recommendation that a client become a Private Fund investor, therefore, presents a conflict of interest, as the recommendation could be based on the compensation to be received by us or our affiliate. As a result, we and the Sponsor only recommend investments in the Private Fund when such recommendation is in the best interest of the client.

No client is under any obligation to become an investor in the Private Fund.

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

### **Description of our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

We are the investment adviser to the HCM Tactical Growth Fund, the HCM Dividend Sector Plus Fund, and the HCM Income Plus Fund, registered investment companies ("mutual funds") in which you may be solicited to invest. We also serve as the investment adviser to the exchange-traded funds HCM Defender 100 and HCM Defender 500, in which you may be solicited to invest (collectively, the mutual funds and exchange-traded funds are referred to as the "Funds"). Persons associated with HCM may have significant investments in the Funds. This presents a conflict of interest because we have a financial incentive to recommend these Funds to you due to our affiliation with HCM. However, you are under no obligation to invest in any of the Funds. If you are an investor in the Funds, please refer to each Funds' prospectus for detailed disclosures regarding that Fund.

Additionally, individuals associated with our firm may buy or sell - for their personal account(s) - investment products identical to those purchased by the Funds. This practice creates a conflict of interest because we have the ability to trade ahead of the Funds and potentially receive more favorable prices than the fund will receive. To eliminate this conflict of interest, it is our policy that neither our associated persons nor we shall have priority over the Funds in the purchase or sale of securities.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more



favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

The broker-dealer/custodian to be utilized for execution/custodial services is typically selected by the client's primary investment professional. In such arrangements, the primary investment professional will negotiate terms and arrangements for their account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers. We also may not be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by us. As a result, a client may 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. Please Note: In the event that we are directed to effect securities transactions through a specific broker-dealer, the primary investment professional and client correspondingly acknowledge that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur. Higher transaction costs adversely impact account performance. Please Also Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

If not directed to use a specific broker-dealer/custodian, we may provide our services through one of one of many broker-dealers/custodians, including: TD Ameritrade, Inc., member FINRA/SIPC/NFA; E\*TRADE Securities, LLC, member FINRA/SIPC; Charles Schwab & Co., Inc., member SIPC/NYSE; Folio *fn* Investments, Inc., member FINRA/SIPC; Fidelity Brokerage Services, LLC, member NYSE/SIPC; Interactive Brokers, LLC, member FINRA/NYSE/SIPC; and/or Pershing Advisors Solutions, member FINRA/SIPC, among others, for brokerage and custodial services (collectively, the "Custodians").

We believe that the above broker-dealer/custodians provide quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by the broker-dealer/custodian, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services the broker-dealer/custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Discretionary Brokerage**

Where we have discretion to select brokerage, our general guiding principle is to obtain the best overall execution for each client in each trade, which is a combination of price and execution. With respect to execution, we consider a number of judgmental factors, including, without limitation, the actual handling of the order, the ability of the broker to settle the trade promptly and accurately, the financial standing of the broker, the ability of the broker to position stock to facilitate execution, our past experience with similar trades and other factors that may be unique to a particular order. Recognizing the value of these judgmental factors, we may recommend or select brokers who charge a brokerage commission that is higher than the lowest commission that might otherwise be available for any given trade.

### **Brokerage for Client Referrals**

We receive client referrals from broker-dealers in exchange for cash compensation; however, we do not recommend broker-dealers to our clients based on client referrals. For information on our client referral arrangements, please refer to the "Client Referrals and Other Compensation" section of this Brochure.

### **Directed Brokerage**

Broker-dealers that we compensate for client referrals may direct our firm to use the brokerage and custodial services of E\*TRADE Securities, LLC, member FINRA/SIPC; Folio *fn* Investments, Inc., member FINRA/SIPC; or Pershing LLC, member FINRA/NYSE/SIPC. Where the referring broker-dealer does not direct our firm to use a particular broker-dealer, we will generally use E\*TRADE Securities, LLC or Folio *fn* Investments, Inc.

### **Research and Other Benefits**

The Custodians may provide us with research and other economic benefits which are typically not available to retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors. The Custodians may also have paid for business consulting and professional services received by our associated persons. Some of the products and services made available by the Custodians benefit our firm and/or associated persons but may not benefit you or your accounts. These products or services may assist our firm in managing and administering client accounts, including accounts not maintained at one or more of the Custodians. Other services made available by the Custodians are intended to help us manage and further develop our business enterprise. The benefits we receive do not depend on the amount of brokerage transactions directed to the Custodians. As part of our fiduciary duty to clients, we endeavor at all times to put the interests of our clients first. You should be aware; however, that the receipt of economic benefits by our firm or our associated persons itself creates a conflict of interest and may indirectly influence our choice of broker-dealer/custodian for custody and brokerage services.

The products and services we receive from the Custodians will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services.

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading") when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block. Block trading allows our firm to execute equity trades in a timelier, equitable manner, and may reduce overall costs to clients.

We will only aggregate transactions when we believe that aggregation is consistent with our duty to seek best execution for our clients, and it is consistent with the terms of the Advisory Agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client participating in the block trade; each client that participates in an aggregated order will participate at the average share price for the transaction, and transaction costs are generally shared pro-rata based on each client's participation in the transaction. On occasion, owing to the size of a particular account's pro rata share of an order or other factors, the commission or transaction fee charged could be above or below a breakpoint in a pre-determined commission or fee schedule set by the executing broker, and therefore transaction charges may vary slightly among accounts. Average share prices and transaction costs may differ between accounts held at different custodians. In addition, because our firm executes a separate block trade for each asset allocation model, a security may be executed at different prices on the same day if the security is held in more than one asset allocation model. Accounts may be excluded from a block trade due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

If an order is partially filled, it will generally be allocated pro rata, or randomly in certain circumstances. Our books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement, and we will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

Many mutual funds impose short-term redemption fees. Many of our clients have asked us to manage their accounts either directly at a mutual fund family or variable annuity group, or have placed their assets on a brokerage platform where we may use mutual funds as part of the client's allocation. Our philosophy is to invest client accounts in the appropriate mix of investments under the current market conditions. As those conditions change and our investment work changes, client allocations are adjusted. Because our approach is active, there may be instances where the short-term redemption fee is incurred (especially on new accounts).

### **Trade Rotation**

We strive to allocate investment opportunities equitably among our clients. On occasion, instances can arise where a particular transaction is appropriate for multiple clients, or groups of clients, whose assets are maintained on different trading platforms. When we determine to transact in a particular security across client accounts maintained at different trading platforms, a risk arises that first allocating such opportunity to clients on a particular platform on a consistent basis would disadvantage the clients whose assets are held on other platforms.

In an effort to mitigate this risk, we attempt to equitably allocate investment opportunities among client accounts managed through various trading platforms. Specifically, if we determine to transact in a particular security in client accounts across multiple trading platforms, and mitigating circumstances (such as client-imposed restrictions, trade platform limitations, etc.) do not dictate otherwise, we rotate such opportunities across the various trading platforms on a continuously rolling basis.

In accordance with our rotation policy, we first randomly select a particular trade platform to be the first in line in the rotation process. Clients who maintain assets on such trade platform, and who are intended to be included in the transaction, will have their trades executed first. If possible and

appropriate, we will then move to the second platform, and so on, until all platforms have been included in the transaction. If the transaction cannot be completed across all platforms, whichever platform which was next in line, but did not receive execution, will become the first platform used in the next such transaction.

We reserve the right to vary from this policy in order to comply with requirements, restrictions, or limitations that might be placed on it by the various trading platforms, intermediaries, or clients. As a result of this process, some clients may receive less favorable execution, or may be excluded from certain transactions, depending on various factors, including their particular trading platform. However, the process is designed to treat clients fairly on equitably, regardless of their trading platform, over time.

**Our Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding our Trade Rotation process.**

### **Item 13 Review of Accounts**

R. Vance Howard, CEO, monitors client accounts on an ongoing basis. He will monitor the performance of the models in which clients participate and will rebalance clients' positions based on the models. If a client informs us of a change in his or her risk tolerance, we will adjust the account accordingly. In the cases of security specific events and market moving events, we will make adjustments at the model level.

You will receive trade confirmations and monthly or quarterly statements from your account custodian(s). We may assist you in interpreting and/or compiling statements/reports and transferring relevant information onto the appropriate place on your financial statements as part of the review process.

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

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with the Custodians.

We compensate unaffiliated third parties for client referrals. Such compensation can serve as an inducement to refer clients to our firm, and therefore presents a conflict of interest. The general circumstances for such payment are as follows:

- (1) HCM primarily manages accounts introduced to it by unaffiliated broker-dealers and investment adviser (the "primary investment professional"), pursuant to which HCM generally pays a portion of its management fee to the introducing broker-dealer or investment advisor in accordance with the parameters of SEC Rule 206(4)-3. The referring broker-dealers and investment advisers maintain both the initial and ongoing day-to-day relationship with the client, including initial and ongoing determination of client suitability for HCM's investment strategies.
- (2) We may cover certain administrative costs, which would normally be borne by a Referring Entity. Our payment of such costs will naturally increase the net revenue to the Referring Entity, and therefore gives the Referring Entity an incentive to refer clients to our firm instead of alternate advisors.
- (3) We hold meetings with potential and current solicitors and pay for their lodging and meals.
- (4) Associated Persons managing client accounts are assessed an account fee. These fees are

assessed to the Associated Person only and are not passed on to clients. This account fee may be waived for Associated Persons who manage a certain account value.

(5) In addition, we have entered into a solicitation arrangement with First Allied Advisory Services ("FAAS") whereby we will compensate FAAS for client referrals. A conflict of interest exists to the extent an indirect owner of our firm may indirectly receive compensation for referrals from FAAS in connection with his affiliation with FAAS.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Clients who engage us on a discretionary basis may, at any time, impose restrictions on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe use of margin, etc.).

Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of separately managed advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we will forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

The firm or our designee will vote proxies for the Funds that we manage. In these instances, we

will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxyvoting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

## **Item 18 Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.