



## Item 1 – Cover Page

### **Portfolio Resources Advisor Group, Inc.**

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March 31, 2017

### **Part 2A of Form ADV: The Brochure**

This Brochure provides information about the qualifications and business practices of Portfolio Resources Advisor Group, Inc. (“PRAG” or “we” or “the firm”). If you have any questions about the contents of this Brochure, please contact us at (305) 372-0299. 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.

Portfolio Resources Advisor Group, Inc. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information that can be used to make a determination to hire or retain an Adviser.

Additional information about Portfolio Resources Advisor Group, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

There are no material changes since our last brochure dated August 31, 2016. In this updated brochure, there are minor explanations added regarding the calculation and disclosing of fees (items 5 and 18), affiliations (item 10) and requirements for State-Registered Advisors (item 19). Also, the amount of discretionary assets under management disclosed was updated as of March 31, 2017.

We will ensure that clients receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. The firm will make an annual offer to each client to receive the most current Form ADV Part 2A at no charge.

We will provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge. Our Brochure may be requested by contacting us at our main number above.

Additional information about Portfolio Resources Advisor Group, Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site provides information about any persons affiliated with Portfolio Resources Advisor Group, Inc. who are registered, or are required to be registered, as investment adviser representatives of Portfolio Resources Advisor Group, Inc.

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**Item 4 – Advisory Business**

Portfolio Resources Advisor Group, Inc. (hereinafter referred to as “PRAG” and/or “the firm” and/or “we”) was established in April 2007 and approved as a Registered Investment Adviser in December 2007. Antonio Camejo is the President and a 33.33% owner. Jose M. Maraver and Inversiones Sosabas, a foreign entity, are each 33.33% owners of PRAG.

**ADVISORY SERVICES – TYPES OF CLIENTS**

PRAG provides investment supervisory and portfolio management services to individuals, qualified investors, trusts, estates, charitable organizations, corporations and business entities. PRAG utilizes various advisory programs offered through Envestnet Asset Management, Inc. (“Envestnet”), Adhesion Wealth Advisor Solutions Inc. (“Adhesion”), or other independent money management technology platforms (“Management Platforms”) that PRAG may utilize in the future. PRAG also has sub-advisory agreements with First Affirmative Financial Network (FAFN) and other independent third party managers. PRAG is responsible for all advice, and suitability of such advice, regarding these accounts. A full description of the specific managers recommended to a particular client is provided in the PRAG Investment Management Agreement (IMA), the Statement of Investment Selection (SIS) agreement, and/or through individual manager Form ADV. PRAG provides discretionary account management in which the client is provided with on-going investment advice and monitoring with respect to their securities holdings. PRAG will manage the account according to the client’s objectives and restrictions as outlined in an Investment Policy Statement (IPS) or Statement of Investment Selection (SIS). Custodians utilized for the programs below include Pershing LLC., Schwab Institutional, TD Ameritrade Institutional, or any other custodian with whom PRAG may establish a relationship in the future.

On occasion, PRAG advisors hold client seminars and/or educational workshops to discuss investment issues and opportunities. Such client presentations are previously approved by the firm’s compliance department and are free of charge to clients. Seminars or workshops are advertised in various media publications including the use of email and the internet. Such advertising requires prior approval by the firm. Any interested party is welcome to attend.

Pershing LLC. provides custody, transaction and banking services through PRAG’s affiliated broker-dealer, Portfolio Resources Group, Inc. (“PRG”).

The firm presently offers the following types of advisory services:

- I. Managed Account Solutions (Wrap Fee Program)**
- II. Non Wrap-Fee Programs**
- III. PRAG Investment Consulting (PRAG-IC)**
- IV. Financial Planning**

**TYPES OF ADVISORY SERVICES (TYPES OF INVESTMENTS):**

**I. Managed Accounts Solutions (Wrap Fee Program)**

The “Wrap Fee Programs” offered are typically through third party money management platforms such as Envestnet Asset Management, Inc. or Adhesion Wealth Advisor Solutions Inc.

Wrap Fee Programs are sponsored by PRAG under the Management Platforms in the same manner as described in this document. PRAG also acts as portfolio manager in its own offerings on these platforms. PRAG receives advisory fees for its portfolio management services as described in Appendix 1 of its Form ADV Part 2A (Wrap Fee Program Brochure) and can also receive manager fees in those programs it manages directly that are offered on these platforms. PRAG will deliver Investment Management Agreement (IMA) Disclosure Documents or a Statement of Investment Selection (SIS) for details on fee structure and account services. These programs function under a “wrap-fee” billing program which means that there is one total fee covering the cost of the portfolio manager, platform fees, transaction (custodial) costs, and the advisor (PRAG) fee. Management Platforms, acting as billing service providers calculate the “Program Wrap Fee”, and give instructions to custodians to debit from the Clients account the fees due. Either Management Platforms pay the applicable parties or the custodian pays PRAG and PRAG then pays the applicable parties. “Program Wrap Fee” includes the cost of Sub- Managers, Model Providers, reporting and billing , the Advisory fee (PRAG’s Advisory fee), and the custodian fee. There are no additional charges to the client other than the program wrap-fee the client agrees to for the investment program selected on the Management Platforms, unless otherwise disclosed in the IMA and agreed to by the client. The custodian that executes transactions and holds securities, and the technology platform that provides performance reporting and other functions, sometimes have minimum fees that can impact the asset-based fee (expressed in basis points, percentages or flat fee) that is charged for a particular program. Minimum fees become effective if the account assets under management fall below the recommended minimum investment size. Minimum fees need to be considered when selecting an investment program. Depending on the amount of funds available for investment, minimum fees can raise the percentage cost of assets under management of a particular program. These programs are as follows:

- **Separately Managed Accounts (SMA):** In this program, assets are managed by institutional and/or independent money managers. In some cases the program includes Management Platform’s manager due diligence (for “approved managers” only), assistance in evaluating separate account managers, and provides access to a wide range of managers and investment disciplines, including available managers not directly approved by Management Platforms (“available managers”). The program also includes professional money management, performance reporting, and associated services and support.

- **Unified Managed Accounts (UMA) and Multi-Manager Account (MMA) Programs:** These programs combine multiple investment styles facilitating diversification within an individually managed account. The program includes professional money management, manager due diligence, and performance reporting. Additionally, the UMA and MMA may include Management Platforms as overlay portfolio manager to manage the asset allocation of the account and coordinate trading across investment sleeves.
- **Third Party Strategist-ETF/Mutual Fund Wrap Program:** In this program, assets are allocated across a range of mutual funds or ETFs. Clients may select one or more asset allocation portfolio strategies consisting of either mutual funds or exchange-traded funds (ETFs). Accounts are managed on a discretionary basis. Management Platforms develop the portfolio asset allocation, selects the underlying funds populating the respective model strategy and annually rebalances the client's account to the original allocation. This program offers investment strategies including, Aggressive Equity, Growth Equity, Balanced with Growth, Balanced, Equity Income and Income portfolios.
- **PRAG Managed Risk Strategy™ Program:** This program managed by PRAG in collaboration with Milliman, Inc., dynamically adjusts the allocation of cash to a portfolio of mutual funds or ETFs based on a proprietary risk management model run by Milliman, Inc. The strategy is intended to provide cushioning during downside markets and upside participation in up markets. The strategy helps balance the need for growth with capital preservation. The program offers investment strategies for Socially Responsible Investors (SRI), as well as, a Global Strategy for all investors. The Strategy is designed to be used in a wrap-fee program on multiple platforms. The Strategy Manager is J. Chris Cogswell and the Investment Committee overseeing the program includes Thomas Moser with Antonio Camejo as its Chair.
- **Impact Investing Wrap-Fee Program (PRAG-SRI Wrap):** Portfolios managed under social, environmental, and sustainability criteria, such as the High Impact Wrap-Fee Program, take into consideration the individual objectives of each client, but may or may not represent the overall objectives of the client's total investment assets. PRAG recommends and employs various investment strategies utilizing managers who either screen their investments, or base their entire investment approach on SRI and sustainability criteria.

## II. Non-wrap-fee programs

Non-wrap-fee programs are also available. In these programs, the custodial or transaction portion of the fees is charged on a transactional basis, rather than as a fixed cost based on assets under management. This approach may make sense for managing fixed income portfolios, for example, where the number of transactions are smaller in number than in an equity portfolio.

These non-wrap-fee portfolios utilize custodians such as Pershing, Schwab Institutional, or TD Ameritrade Institutional to provide brokerage, custody and related services to client accounts. Custodians such as Schwab, TD Ameritrade, and/or Management Platforms, do not determine suitability of advice for any client. PRAG is responsible for all advice and suitability of such advice regarding these accounts. The Program may cost a client more or less than purchasing the services separately. Factors bearing on the relative cost of the Program that would be relevant when considering the alternative of purchasing the services offered in the Program separately include the trading activity in a client's account and the corresponding brokerage commissions that would be charged for execution of trades, and the fees charged for investment advisory services. Management Platforms provide third-party, arms-length, independent performance reporting and billing under these programs. These programs are as follows:

- **Advisor Directed Models/Representative as Portfolio Manager:** PRAG advisors are provided a set of tools to construct and manage model portfolios. This program allows selected financial advisors to manage client portfolios for a fee plus custodial transaction fees. PRAG will enter into an Investment Management Agreement with the client, under which PRG and its clearing firm, Pershing LLC., provide services in association with Envestnet Asset Management, Inc.
- **Impact Investing Non Wrap-Fee Program (PRAG- SRI Non Wrap):** Portfolios managed under social, environmental, and sustainability criteria, such as the High Impact Non Wrap-Fee Program, take into consideration the individual objectives of each client, but may or may not represent the overall objectives of the client's total investment assets. PRAG recommends and employs various investment strategies utilizing managers who either screen their investments, or base their entire investment approach on SRI and sustainability criteria. Managed accounts are designed to provide discretionary management by an Advisor Representative of the firm and/or SRI sub-managers. PRAG assists each PRAG-SRI account client in formulating investment objectives and manages the account within established guidelines regarding, among other matters, diversification and designation of securities that may be purchased. PRAG has a sub-advisory agreement with First Affirmative Financial Network (FAFN), a firm that specializes in SRI

investing solutions. PRAG advisors have access to the strategies and managers under the FAFN network. Likewise, Management Platforms make available a wide selection of SRI management programs to PRAG advisors.

### **III. PRAG Investment Consulting (PRAG-IC)**

Selected Registered Investment Advisors (RIAs) are evaluated by the firm for client use. PRAG-IC services may include assisting clients in identifying their investment objectives and matching personal and financial data with a select list of investment managers that meet the PRAG-IC minimum quantitative and qualitative criteria. The intent of the program is to have a selected list of high quality and recognizable independent investment management firms from which one or more managers are selected to handle the day-to-day management of client accounts.

Managers selected for use by clients under the PRAG-IC program need to meet several quantitative and qualitative criteria. Among the criteria that may be considered are the manager's experience, assets under management, performance record, client retention, the level of client services provided, investment style, buy and sell disciplines, capitalization level and the general investment process. Each advisor must have a client profile that outlines the client's stated objectives and risk tolerance.

There is the potential for a conflict of interest in that PRAG could be motivated to recommend its sponsored Programs to clients, however, PRAG "approved" managers are evaluated with the same criteria and parameters as any other manager on recommending investment to clients.

When recommending outside investment managers, the firm first analyzes the client's existing portfolio, if applicable, to determine the investment style that will best facilitate the desired diversification of the portfolio. The firm then identifies strategies or managers who exhibit the desired investment attributes. The firm helps the client measure the performance of the managers by making comparisons to appropriate benchmarks. Depending on client objectives, the firm may advocate an active or passive investment strategy using a diversified approach. Each Client's account is managed on the basis of the Client's financial situation and stated investment objectives, in accordance with the Client's reasonable investment restrictions imposed by Client on the management of the assets in the account. Clients will be contacted at least annually by their Advisor Representative in order to confirm whether there have been any changes to the Client's financial situation, investment objectives or if Client would like to impose or modify investment restrictions on the account.

The firm utilizes a team approach in designing and supervising client portfolios, including a strategic relationship with independent money management

technology platforms such as Envestnet Asset Management, Inc. and Adhesion Wealth Advisor Solutions Inc.; and FINRA & SIPC member broker/dealers such as Portfolio Resources Group, Inc., Schwab Institutional, and TD Ameritrade Institutional. The firm has access to independent consultants and financial publications to obtain information about companies and managers. The firm also uses research materials prepared by others, academic studies, third-party databases, and other publicly available information.

The firm may at any time terminate the relationship with an advisor that manages clients' assets. Factors involved in the termination of an advisor may include a failure to adhere to management style or clients' objectives, a material change in the professional staff of the advisor, unexplained poor performance, dispersion of client account performance, or the firm's decision to no longer include the advisor as one of its approved program managers.

### **IV. Financial Planning**

Upon specific request by the client, the Firm may provide either financial consulting or a comprehensive financial plan tailored to meet the client's needs and investment objectives as described by the client. These services may include, but are not limited to the following: identification of financial goals, preparation of financial condition statements, stock option exercising strategies, cash flow, net worth, and income tax projections, insurance analysis, education funding options, retirement planning, retirement plan distribution strategies, estate tax analysis and planning, business planning, charitable planned giving, and asset allocation analysis. During meetings with the client the investment philosophy, risk tolerance and investment objectives are discussed.

When appropriate, the firm encourages clients to use the services of an estate attorney and makes clear that the firm does not render legal, accounting, or tax advice. The firm will also not advise the client or act for the client in any legal proceedings, including bankruptcies, involving securities held or previously held, or the issuers of those securities. The firm will not vote proxies for securities held in client accounts.

As of March 31, 2017, PRAG held \$112,022,085 in discretionary assets under management.

### **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by PRAG is established in a client's written agreement (IMA or SIS) with PRAG. Fees are based on the assets in the account per the fee schedule and, in some instances, may be negotiated.

Account fees ("Program Fees") are charged quarterly in advance and calculated by dividing the annual percentage fee by 365 calendar days in a year, then multiplying the result by the number of days in the quarter and by the fair market

value of the assets in the Account as of the last trading day of the previous calendar quarter. Fair market value of assets for this purpose is normally as reflected on the account statement as received from the custodian, although on occasion adjustments may be necessary to reflect such items as interest accrued but not yet paid. Securities for which fair market values are not readily available are valued in good faith by the custodian.

Some Management Platforms may charge fees in arrears (as for example, FAFN). These fees are charged quarterly in arrears at the end of each calendar quarter. Fees are due for services rendered in the previous three months and are, therefore, not refundable. Fees are calculated based on the Average Daily Balance throughout the quarter, by dividing the annual percentage fee by 365 calendar days in a year, then multiplying the result by the number of days in the previous three months and by the Average Daily Balance throughout the quarter. Fees will be calculated on a pro-rata basis from the funding date for accounts opened during a quarter.

Advisory fees are paid to PRAG from the client's account by either Management Platforms or Pershing, LLC.. Fees are reflected on client custodial statements in the month charged. The client's custodian sends to the client at least quarterly an account statement that reflects the activity in the account, including fee payments. PRAG also reflects client fees on its Quarterly Performance Report issued by Management Platforms and made available to clients through a password protected secure portal or by mailing a PDF file version of the report through a secure and encrypted email.

**AUTOMATED REPORTING & BILLING SERVICES FEE SCHEDULE**

Performance reporting and billing only, which includes Daily Web Views, daily reconciliation of account data, and Quarterly Consolidated Reporting, is provided by Management Platforms according to the following schedule:

<u>Account Value</u> <sup>1</sup>	<u>Reporting and Billing Fee</u> <sup>23</sup>
First \$250,000	10 bps
Next \$250,000	10 bps
Next \$500,000	9.5 bps
Next \$1 million	7.5 bps
Next \$2 million	5.5 bps

Minimum Annual Account Fee: \$75

Management Platforms require that clients sign a separate agreement authorizing this service. The billing and reporting fee and service is also disclosed and approved in the general IMA. This fee is in addition to the management fee for non-wrap-fee programs, but it is included in the total fee for wrap-fee programs.

**MANAGEMENT FEE SCHEDULE (NON WRAP-FEE PROGRAM)**

The management fee for accounts managed directly by individual advisor representatives (IARs) of the firm (and

not in a Wrap-Fee Program) is according to the following schedule, which does not include billing and reporting fees (which are disclosed above), or custodial transaction costs, but does include the cost of Sub-Managers, Platform fees, and the Advisory fee (PRAG's Advisory fee):

Management Fee Schedule:

<u>Account Value</u> <sup>4</sup>	<u>Management Fee</u> <sup>5 6</sup>
First \$1,000,000	Up to 150 bps (1.50%)
Next \$4,000,000	Up to 125 bps (1.25%)
Above \$5 million	Fees are negotiable

**FEE SCHEDULE WRAP-FEE PROGRAM**

Annual wrap-fees for accounts utilizing firm sponsored or independent third party managers in association with the firm's Management Platforms (Wrap Fee Accounts) will not exceed the following rates:

Program Wrap Fee Schedule:

<u>Account Value</u>	<u>Annual Fee</u>
First \$500,000	2.75%
Next \$500,000	2.75%
Next \$4 million	2.50%
Above \$5 million	2.25%

The "Program Wrap Fee" includes the cost of Sub-Managers, Platform fees, Model Providers, the reporting and billing fee, the Advisory fee (PRAG's Advisory fee) and the custodian fee. There are no additional charges to the client other than the program wrap-fee the client agrees to for the investment program selected on the Management Platforms, unless otherwise disclosed in the IMA and agreed to by the client.

Minimum fees on wrap-fee programs vary depending on the specific Program and Sub-Manager, with ranges between \$100-\$500 annually.

Clients are advised and should understand that:

- A manager's past performance is no guarantee of future results;
- There is a certain market, interest rate, and political risk which may adversely affect any advisor's objectives and strategies, and could cause a loss in a client's account(s); and
- Client risk parameters or comparative index selections provided to the firm are guidelines only - there is no guarantee that index performance will be met or that risk parameters will not be exceeded.

<sup>1</sup>Account Assets in Client Account(s)

<sup>2</sup>All numbers represent basis points (bps) (1bps = 0.01%)

<sup>3</sup>All fees are charged quarterly in advance

<sup>4</sup>Sub-Management Assets per Sub-Management Client Account

<sup>5</sup>All numbers represent basis points (bps) (1bps = 0.01%)

<sup>6</sup>All fees are charged quarterly in advance

All accounts are managed by selected independent or firm managers. Information collected by PRAG regarding selected managers is believed to be reliable and accurate but the firm does not independently review or verify it on all occasions. All performance reporting will be the responsibility of the respective managers and as provided by Management Platforms. Such performance reports will be provided directly to the clients and the firm. The firm does not audit nor verify that these results are calculated on a uniform or consistent basis as provided by a manager directly to the firm, or through the consulting service utilized by the manager or the firm.

Fees are outlined in each respective manager's Form ADV and Advisory Contract ("Investment Management Agreement" (IMA) or in the "Statement of Investment Solution" (SIS) signed between PRAG and the Client).

Certain Investments may charge their own fees, such as mutual funds, ETFs, and alternative investments. Please see the prospectus or related disclosure document for information regarding these fees.

Generally, PRAG purchases no-load mutual funds that do not generate sales charges. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from client assets. 12b-1 fees may be paid to TD Ameritrade Institutional, Schwab Institutional and PRAG's affiliated broker/dealer, PRG. PRG may pass a portion of 12b-1 fees to Advisory Representatives who are also Registered Representatives in Advisor Directed accounts only. The receipt of such fees could represent an incentive for Advisory Representatives to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest. PRAG requires disclosure of the payment of such fees to clients in the Investment Management Agreement (IMA). Clients must approve that an advisor receive such fees. Such participation is typically used with lower management fees.

There are no additional charges to the client other than the fee the client agrees to for the investment program selected, unless otherwise disclosed in the IMA and agreed to by the client and the firm.

Fixed Fees may be negotiated in certain circumstances within the range of stipulated fees.

The Program fee does not include: (i) annual account fees or other administrative fees, such as wire fees, charged by custodians (ii) certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees (except in wrap-fee accounts), and charges imposed by law with regard to transactions in the client's account; and (iii) advisory fees, expenses or sales charges (loads) of mutual funds (including money market

funds), closed-end investment companies or other managed investments, if any, held in client's account.

The firm will be paid an on-going fee based upon a percentage of each client's assets under management (AUM) with respect to each manager. Each client will receive a copy of such an advisory agreement that will disclose the fee. The firm negotiates each fee directly with the client. The firm has a potential conflict of interest in that its advisors could be motivated to recommend management styles and managers that would result in higher fees to the advisor and/or the firm. The firm will make all recommendations independent of such fee considerations. The firm's recommendations will be based solely on its fiduciary obligation to consider first and foremost a client's objectives and needs.

The minimum account size will vary from manager to manager. All such minimums will be disclosed in the respective manager's Form ADV. The firm may have the ability to negotiate such minimums. A client may terminate their relationship in accordance with the respective managers' disclosure documents. Pre-paid fees will be refunded in accordance with each respective manager's agreement and disclosure documents.

The custodian that executes transactions and holds securities, and the technology platform that provides performance reporting and other functions, may have minimum fees that can impact the asset-based fee (expressed in basis points or percentages) that is charged for a particular program. Minimum fees become effective if the account assets under management fall below the recommended minimum investment size. Minimum fees need to be considered when selecting an investment program. Depending on the amount of funds available for investment, minimum fees can raise the percentage cost of assets under management of a particular program.

#### **FINANCIAL PLANNING FEES**

Depending upon the scope of the engagement and specific requests by the client, the Firm may provide a written plan that reviews client's current situation and recommends an investment strategy consistent with the client's stated financial and personal goals. The firm may charge an hourly rate of \$175-\$500 per hour. The fees will be negotiated prior to contracting with the client, and the agreed upon fee will be payable upon completion of the services provided. Should a client be dissatisfied with the services rendered, the Firm may refund part or all of the fees paid, at the firm's sole discretion.

The Advisor may draft financial plans, investment policy statements, develop asset allocation guidelines and strategies, recommend money managers, provide performance measurement of money managers or recommend a manager. The Advisor may charge an hourly rate of up to \$500 per hour or may charge a per-project fee to be determined based upon the specifics of the project but

not to exceed \$2,500.

**GENERAL ADVISORY FEES DISCLOSURE**

Fees may be charged quarterly in advance or in arrears as disclosed in the separate manager agreement. Fees charged by mutual funds are detailed in the prospectus. Although PRAG believes its fees are reasonable in light of the services provided, clients should be aware that such fees may be more or less than the fees and commissions associated with brokerage services purchased separately. The comparison is dependent upon a number of factors, including the frequency of brokerage activity in the client's account, the size of the account under management, and any negotiated fee arrangements with respect to the account. Future market conditions may affect the amount of trading, or lack thereof, during any investment period and therefore affect, after the fact, a fair comparison between PRAG management fees and the fees and commissions that could have been paid if purchased separately. An investor should consider these factors prior to opening an account and during each annual review. There is no assurance that transaction costs paid in a particular year will be the same in future years since the number of transactions may depend on market conditions. Some clients prefer a wrap-fee account because it provides a known cost for transactions.

In some cases, compensation may be more than what the Investment Advisor Representative would receive if the Client participated in other programs or paid separately for investment advice, brokerage and other services. Such Investment Advisor Representatives may therefore have a financial incentive to recommend the Program over other programs or services.

We or any of our supervised persons do not receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sales of mutual funds, unless so disclosed to clients and approved by client in the Investment Management Agreement (IMA). Less than 50% of revenues from advisory clients results from commissions and other compensation for the sales of investment products, but there could be situations in which commission revenue from clients that have both affiliated brokerage and advisory accounts exceeds 50%. In some cases, advisor fees may be negotiable to compensate for additional income to IAR derived from other sources. Such fees are disclosed to clients and approved by clients in their IMA.

Some of our supervised persons act as Registered Representative of PORTFOLIO RESOURCES GROUP, INC., a registered broker-dealer and member of FINRA, SIPC, MSRB, and FSI. As such, they are compensated through commissions based on the sale of securities and other investment products and trailers received from the sale of mutual funds. This may pose a conflict of interest to the

extent that they could have a financial incentive to recommend securities and other investments that may result in commissions, brokerage fees, 12b-1 fees or other payments. However, they, as Investment Advisor Representatives, are constrained by fiduciary principles to act in the Client's best interest. In addition, Client is under no obligation to purchase any recommended commission based product and have the option to purchase investment products through other brokers or agents not affiliated with PRAG.

All advisory fees will be disclosed to client in the "Investment Management Agreement" (IMA), the "Statement of Investment Solution" (SIS), and/or in the "Financial Planning Agreement" (FPA). Management fees are payable quarterly in advance or in arrears depending on the preference of the Management Platform.

PRAG's other financial industry affiliations and brokerage practices information are disclosed in Items 10 and 12 respectively.

**ACCOUNT TERMINATION**

Account agreements for Separate Accounts may be terminated by either party upon thirty (30) days written notice without penalty. If a client terminates his or her participation in the Program within five business days of inception, the client will receive a full refund of the Fee, less any transaction or service fees that may have been incurred due to the purchasing of securities in the account. Fees will be prorated based on the number of days the Account is under PRAG's management for any Agreement that comes into effect or is terminated during a quarter. In addition to PRAG's management fee, clients with Separate Managed Accounts will also incur or bear other charges imposed by the custodian of their account, or by other third parties relating to their account or transactions effected in the account. Such charges may include, but not be limited to, brokerage commissions, ticket charges, wire transfer fees, custodial fees, activity fees, termination fees, postage and handling fees, and other transaction or account related fees and charges.

Upon written receipt of notice to terminate its Client Agreement with any of PRAG's investment advisory Programs, and unless specific transfer instructions are received, PRAG and its agents will, in an orderly and efficient manner, proceed with liquidation of the Client's account unless client requests that positions not be liquidated and transferred out. There will not be a charge by PRAG for such redemption; however, the Client should be aware that certain mutual funds impose redemption fees as stated in each company's fund prospectus in certain circumstances. Also, maximum annual transactions permitted in a wrap-fee program may be exceeded if the investments in an account are liquidated in a particular month. In such cases, an extra "fee per transaction" will be charged, but only for those transactions that exceed the maximum yearly limit. Clients must also

keep in mind that the decision to liquidate securities or mutual funds may result in tax consequences that should be discussed by the client with their own tax advisor.

Factors that may affect the orderly and efficient manner of liquidation would be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate client's investment advisory services, and communicate the instructions to client's Investment Advisor, termination orders received from clients are not market orders; it may take several business days under normal market conditions to process the client's request. During this time, the client's account is subject to market risk. PRAG and its agents are not responsible for market fluctuations of the client's account from time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner.

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

PRAG does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### Item 7 – Types of Clients

PRAG may provide investment supervisory and portfolio management services to individuals, qualified investors, trusts, estates, charitable organizations, corporations and business entities. The minimum account size is \$100,000. Under certain circumstances the minimum may be waived, including for related accounts that may be combined to meet the minimum.

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

Our investment strategy begins with an understanding of a client's requirements and financial goals. Advisors use demographic and financial information provided by the client to assess the client's risk profile and investment objectives in determining an appropriate plan for the client's assets. What are their basic investment objectives? What are their personal preferences with respect to risk-taking, yield, and personal values? How does their overall financial situation present itself? The answers to these fundamental questions provide the main building blocks for professionally managing client assets.

The next step of our process is to build the appropriate strategy based on individual client needs. This requires an assessment of market conditions and long-term financial

market trends. The rigorous framework within which our investment process operates allows us to determine an asset allocation strategy and the weighting that should be given to the various investment vehicles in a client portfolio. Investment recommendations are based on an analysis of the client's individual needs, and are drawn from research and analysis. Security analysis methods may include fundamental analysis, technical analysis, charting, and cyclical analysis.

**Fundamental analysis:** Concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis:** Attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Charting analysis:** Involves using and comparing various charts to predict long and short-term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Cyclical analysis:** Assumes that the markets react in cyclical patterns, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

Information for this analysis may be drawn from financial newspapers and magazines, research materials prepared by others, annual reports, corporate filings, prospectuses, company press releases and corporate ratings services. Investment strategies ordinarily include long or short-term purchases of stock portfolios, mutual funds, and fixed income securities.

The weighting of the various asset categories that make up a portfolio is one of the most important factors in the successful implementation of any investment strategy. Spreading risk among various asset classes and investment vehicles is a classic way of increasing the security of a portfolio. The rule of thumb is that the overall risk of a portfolio is reduced as the number of different securities held in different asset classes in a given market is increased. We also attempt to avoid over-diversification, as spreading a portfolio too thin may actually dilute the value of diversification. Furthermore, diversification should not focus

solely on holdings or managers that promise above-average potential gains; the stability of returns and the balanced nature of the portfolio are equally vital.

It is important to note that investing in securities involves a risk that clients should be prepared to bear. Though the goal of the firm is to find quality investments and proper allocation strategies, there is no guarantee that the goal will be met, and/or that the value of investor portfolios may not decline in value during any given time period. For any risks associated with Investment Company products, please refer to the prospectuses for additional details about these risks.

Our investment approach constantly keeps the risk of loss in mind. These risks include, but are not limited to:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- **Political Risk:** Inflation is considered by many economists to be a strictly monetary phenomenon. Too much money chasing too few goods causes prices to go up. Governments may print money in an attempt to inflate their way out of the debt they have incurred through too much spending. Likewise, governments can enact legislation that restricts free markets and stifles economic growth affecting corporate profits.
- **Regulatory Risk:** Clients should not expect SRO's or government regulators to always be there to protect them against fraud or bad investments. It is a client's responsibility to carefully evaluate their investments and the risks associated, to regularly review their investment statements, and to ask questions if they don't understand an investment product or strategy. It is likewise recommended that clients carefully select an advisor based on reputation, knowledge, experience, and shared ethical values. Likewise, over-regulation or punitive fines and tax policies may create unfriendly conditions for businesses in a particular country or state, lowering the value of investments in that jurisdiction.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric utility which generates its income from a steady stream of customers who buy electricity no matter what the economic environment.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. However highly liquid investments may be more volatile than illiquid investments.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Client should be aware that certain types of investment strategies have particular types of risk. Clients who choose to follow high-risk strategies should be aware of the possibility of significant losses up to and including the possibility of the loss of all assets placed in the strategies. That is why it is strongly recommended that Clients diversify their investments and do not place all of their investments in high-risk investment strategies. Strategies that invest in international securities involve special additional risks, as currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. Strategies that invest in small capitalized companies involve higher risk of failure and low trading volumes. Growth strategies can perform differently from the market as a whole and can be more volatile than other types of stocks. High-yield bond strategies invest in lower-rated debt securities and involve additional risks because of the lower credit quality of the securities and increased risk of default. Concentrated, non-diversified or sector strategies as subject to share price fluctuations and to increased industry-specific risks. Municipal investment strategies can be affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. Certain ETFs in the Third Party Strategist-ETF/Mutual Fund Wrap Program may utilize leveraged equity ETFs. The use of leverage by an ETF increases the risk to the portfolio. The more a portfolio invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments. Due to the

complexity and structure of these portfolios, they may not perform over time in direct or inverse correlation to their underlying index. Tactical and dynamic investment strategies may involve more frequent trading than the traditional “buy-and-hold” investment strategies. Such trading can increase transaction costs and create more short-term tax gains than Client may be used seeing in other types of strategies.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to client evaluation of PRAG or the integrity of PRAG’s management.

It is Portfolio Resources Advisor Group (PRAG) policy to disclose to its clients and prospective clients all facts that might be material to an evaluation of PRAG’s integrity. Although PRAG has not been the subject of any material legal or disciplinary events, we voluntarily disclose the following regulatory action against its affiliated broker/dealer (BD), Portfolio Resources Group, Inc. (PRG):

In December 2012, without admitting or denying the findings, our affiliated BD, Portfolio Resources Group, Inc. voluntarily entered into a Letter of Acceptance, Waiver and Consent (“AWC”) with FINRA settling an alleged rule violation pertaining to the non discretionary written fee agreements that the firm used for certain of its customers. The firm used a fee agreement which provided that in lieu of charging its customers a standard commission on a transaction-by-transaction basis, instead, the firm would charge an annual fee, plus a lower fixed “ticket charge” and a postage/handling fee. FINRA identified 139 total trades done from 2005 – 2011 that were inadvertently charged a commission in addition to the fee in the agreement. This represented [well] less than one-tenth of 1% of the total number of trades the firm transacted over those years. During the period cited, there were no customer complaints regarding the fee agreement. In order to provide additional clarity in the agreement and to avoid any recurrence of the activity that is the subject of the AWC, the BD has since amended its Admin Fee Agreement and its procedures. A new detailed agreement has been signed by effected clients.

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

PRAG is affiliated with Portfolio Resources Group, Inc. (“PRG”), a Miami-based FINRA, SIPC, MSRB, and FSI member broker/dealer. Some Associated persons of the firm conduct broker/dealer commission related business through PRG. In this capacity, some associated persons are involved in the sale of various types of securities, including, but not limited to, stocks, fixed income, options, variable annuities, mutual funds, REITs, and BDCs. As a broker/dealer, PRG, its clearing firms and/or custodians

may have trade errors that result in a profit or loss to them. Broker/dealers and custodians have controls in place to limit such trade errors and E&O insurance to cover losses. Such errors do not impact segregated client accounts.

Certain IARs are separately licensed as insurance agents/brokers for various independent insurance companies. These individuals may spend as much as 75% of their time with these aforementioned non-advisory activities. In their capacities as registered representatives or as independent insurance agents, clients will be charged separately from their advisory services.

Additionally, PRAG is affiliated with Capital Management Resources, Ltd., a British Virgin Islands money management firm that services non-U.S. clients. PRAG does not refer U.S. domestic clients to CMR.

PRAG may recommend that clients establish brokerage accounts with Portfolio Resources Group, Inc. with custody at Pershing, LLC.. It may also recommend that clients open accounts at Schwab Institutional, TD Ameritrade Institutional or at other custodians with whom PRAG may have a relationship now or in the future (collectively “the custodians”) to maintain custody of clients’ assets and to effect trades for their accounts. The custodians are FINRA registered broker-dealers, and members of SIPC. However, it is the client’s decision to custody assets with a particular custodian. PRAG is not affiliated with any custodian or clearing firm.

PRAG may recommend or select third party managers or sub-manager when appropriate. PRAG is not compensated by such sub-managers directly or indirectly. PRAG may participate as co-manager in programs where managed fees are shared. Such arrangements are fully disclosed to clients in program literature. PRAG does not have any other business relationship with the sub-managers it recommends.

All possible material conflicts of interest are disclosed regarding the investment advisor, its representatives, or any of its employees which could be reasonably expected to impair the rendering of unbiased and objective advice.

Item 12 includes additional details regarding brokerage practices and related disclosures.

### **Item 11 – Code of Ethics**

PRAG has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of “rumor-mongering,” restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at

PRAG must acknowledge the terms of the Code of Ethics annually, or as amended.

PRAG advisors may buy or sell securities that are recommended to clients. PRAG's employees and persons associated with PRAG are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of PRAG and its affiliates may trade for their own accounts in securities that are recommended to and/or purchased for PRAG clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of PRAG will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of PRAG's clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between PRAG and its clients.

**Block Trades:** Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with PRAG's obligation of best execution. In such circumstances, the affiliated and client accounts will share clearing costs equally and receive equity securities at a total average price. PRAG will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro-rata basis. Any exceptions will be explained on the order. Fixed-income trades by related persons may be done at the same time as client trades as long as limited allocations are done on a pro-rata basis. Spreads may vary according to the allocation size.

The accounts of certain employees, or related persons, may be managed similarly to, or differently from, many client accounts. As a result, securities held in employee portfolios may be substantially the same as securities owned by clients of the firm. In any purchase or sale by the firm and/or employees of the firm, client transactions are completed prior to the initiation of any transaction for employees or related person accounts, or at the same time as those of clients. The latter case should occur only where the client is either not negatively impacted, or may actually be helped by achieving a better price or greater

liquidity. Related persons or employees who are in model driven investment programs will be executed under equal conditions with clients. Employees or related persons are prohibited from trading ahead of clients in either buys or sells.

PRAG or its personnel may recommend to clients or effect transactions for client accounts in securities in which a director, officer or employee of PRAG, or another related person of PRAG, may also be invested. This poses a possible conflict of interest to the extent that transactions in such securities on behalf of PRAG clients may advantage such related persons. However, PRAG and its personnel are constrained by fiduciary principles to act in their clients' best interests when managing their accounts. PRAG monitors activity in client accounts in an effort to ensure that transactions are appropriate and any such conflicts are resolved in a manner that is fair and equitable to clients.

Access persons are required to report their trading activities. Access persons, have restrictions on personal trading in securities in which the firm purchases for clients. The firm has adopted a Code of Ethics to govern the personal trading by such access persons. In addition, the firm has an Insider Trading Policy applicable to all its employees, which prohibits the use of material inside information in connection with personal transactions.

The Code of Ethics and trading policies are overseen by the Chief Compliance Officer, who is responsible for the review of such transactions. A copy of the firm's Code of Ethics is provided to all employees. The firm's Code emphasizes the firm's philosophy of honesty, integrity and professionalism, setting forth standards of conduct expected of the firm's personnel, promoting honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and promoting compliance with applicable government laws, rules and regulations. The firm's investment advisors are fiduciaries that have the responsibility to render professional, continuous, and unbiased investment advice to clients. Advisors owe clients a duty of care, loyalty, honesty and good faith, and fair dealing and must act at all times in the client's best interest. All personnel have the obligation to uphold this duty. A free copy of the firm's Code of Ethics is available to clients upon request.

PRAG's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Nancy Baquero at 305-372-0299 Extension 404 or at [nbaquero@prginc.net](mailto:nbaquero@prginc.net).

### **Item 12 - Brokerage Practices**

Some Associated persons of the firm are registered as Investment Advisor Representatives with PRAG, and Registered Representatives with Portfolio Resources Group, Inc. In their capacity as Registered Representatives, they may recommend Broker/Dealer services to clients who have

or are utilizing the firm's advisory services and vice versa may recommend advisory services to broker/dealer clients. The Firm's clients are free to implement advisory recommendations through other Broker/Dealers such as Schwab Institutional or TD Ameritrade Institutional. The choice of which broker/custodian to utilize is subject to most favorable execution of client transactions and is determined by Client in consultation with their Investment Advisor Representative and a Client enters into a separate contractual relationship with the selected broker/custodian. Clients are under no obligation to purchase or sell securities through PRG. However, if they choose to do so in a managed account, fees or transactions costs may be higher or lower than those rates found at other Broker/Dealers.

PRAG may recommend the brokerage services of PRG, TD Ameritrade or Schwab Institutional. The specific broker-dealer and custodian, is selected by Clients in consultation with their Investment Advisor Representative upon account opening. We do not select but do recommend the broker-dealer to execute clients' transactions based on the best interests of clients. Not all advisors recommend their clients to a specific brokerage. Many clients already have their assets at a particular broker and simply want advisory services. Such clients are not obligated to change broker/dealers. Transaction costs at PRAG's existing broker-dealer relationships are determined by contractual agreements established with each broker/dealer. If a client selects their own broker/dealer, the firm will not be in a position to seek better execution services or prices. Furthermore, PRAG may not be able to aggregate client transactions with orders from other accounts managed by the firm. Consequently, clients may pay higher commissions or transaction cost than otherwise would be the case if they selected PRAG's affiliated broker/dealer.

Trade aggregation refers to the practice of combining orders for execution. Trades executed through the Management Platforms are aggregated. Accounts not on Management Platforms usually involve individual strategies that do not lend themselves to aggregation. Trades that are not aggregated may result in higher transaction costs than would otherwise be the case.

Certain PRAG personnel that are also Registered Representatives of Portfolio Resources Group Inc. ("PRG") may be paid commissions, brokerage fees, 12b-1 fees or other fees or payments for their brokerage clients, which may include clients who are also clients of PRAG. These arrangements pose a possible conflict of interest for those individuals to the extent they have a financial incentive to recommend such sales or other transactions to the client. In addition, those PRAG personnel may receive, in their capacity as registered representatives, 12b-1 fees paid out by mutual funds in which pension plan assets are invested, in the case of certain pension plans for which pension consulting services are provided. This poses a conflict of interest to the extent those personnel have a

financial incentive to recommend as investment alternatives to be offered under the plan funds that pay out 12b-1 fees. In addition to PRAG's management fee, clients with Non-Wrap- Fee Program Accounts will also incur or bear other charges imposed by the custodian of their account or by other third parties relating to their account or transactions effected in the account. Such charges may include, but not be limited to, brokerage commissions, ticket charges, wire transfer charges, custodial fees, activity fees, termination fees, postage and handling fees, and other transaction or account related fees and charges.

There may be situations where a portfolio manager who is also a Series 7 Registered Representative with PRG may be entitled to certain trailers or fees paid by a third party product provider. Transactions that are done solely as a Registered Representative and Insurance Broker are not in the capacity as investment advisor. This includes situations where commissions are paid rather than advisory fees, including private placements and insurance products. The possible receipt of such additional fees and/or compensation is hereby fully disclosed to clients to cover cases in which the Investment Management Agreement has not done so directly.

The Firm does not currently use or provide soft-dollar services to influence judgment in allocating brokerage business. PRAG does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"). Investment Advisor Representatives may suggest broker/dealer and/or insurance services to clients. Factors for such recommendation would be when the transaction is seen as a benefit to the client. For Broker/Dealer services, the Firm's associated persons may receive compensation for such transactions, where such compensation is separate and distinct from Advisor's compensation related to its investment advisory services. Commissions paid to the Investment Advisor Representative for suggested broker/dealer services may be higher or lower than those obtainable from other brokers in return for those products and services.

For PRAG client accounts maintained at various custodians, those custodians generally do not charge separately for custody services but rather are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed by the custodian or that settle into Clearing Firm accounts. The Clearing Firm may make products and services available to PRAG that benefit PRAG but may not directly benefit its clients' accounts. Many of these products and services are used to service all or a substantial number of PRAG accounts. Some of these products and services provided by the Clearing Firms includes software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitates trade execution and allocates aggregated trade orders for multiple

client accounts; (iii) provides research, pricing and other market data; (iv) facilitates payment of PRAG fees from its clients' accounts; and (v) assists with back-office functions, recordkeeping and client reporting.

### **Item 13 – Review of Accounts**

Investment Advisor Representatives are required to review all managed accounts on an annual basis or more frequently if warranted. PRAG requires that all client managed accounts be linked to Management Platforms for purposes of billing and performance reporting, except in those cases where an independent manager is providing their own billing and performance reporting which has been approved by PRAG. This approach provides third party reporting of asset values independent of both the firm and the advisor representative, assuring clients receive impartial arms-length portfolio valuations.

The Investment Committee is a consultative body that confers, from time to time, to analyze market conditions and discuss general investment ideas and/or review specific products that may be suitable for clients. Members of the committee are available to Investment Advisor representatives for consultations regarding individual client portfolios, or the suitability of specific products. The Committee recommends that Investment Advisor Representatives review the following with clients at least once a year: investment objectives, targeted allocation, current asset allocation, suitability, performance, number of trades, monthly distributions, concentrated positions, diversification, and outside holdings.

Following a supervisory review, a decision may be made as to the required frequency of subsequent reviews, such as either quarterly or semi-annually. Examples of situations that could warrant monthly account reviews include the following: performance that is not in line with the client's "downside risk tolerance"; change in investment objective; significant addition or withdrawal of capital from the account; current allocation and targeted allocation inconsistency; frequency of trades not in line with objectives and current account type; concentrated positions that could lead to volatility; important changes in market conditions; and notification of a material change in the client's financial status. The firm will only guarantee an annual review, unless quarterly or monthly reviews of account activity are requested in writing by the client. The firm will not be responsible for monthly reviews if the client does not request it. There may be additional charges for monthly performance reporting if requested by client.

With respect to all of the Programs, the firm or its agent will provide to each client quarterly portfolio performance reports of the client's account(s) which will include a

review and evaluation of the client's portfolio in light of the client's investment goals and objectives. Each performance report will include a reminder to the client to contact the firm if there are any changes in the client's financial situation or other pertinent information, and will disclose the method by which the client may make such contact.

For all managed accounts, in addition to the portfolio performance reports as described herein, the firm, through its clearing broker/dealer or TAMP, will transmit to clients (and where appropriate to the applicable investment advisor) the following reports:

- Trade confirmations reflecting all transactions in securities;
- Monthly statements of client's account(s) itemizing all transactions in cash and securities, and all deposits and withdrawals of principal and income during the preceding calendar month; however, if there is no activity in such account, then quarterly statements will be provided in lieu of monthly reports; and
- Annual summary of transactions and dividend and interest statement.

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

PRAG, aside from the previously mentioned Managed Risk Strategies in association with Milliman, Inc., does not receive compensation from anyone who provides investment or management advice to clients which would represent a possible conflict of interest to select only those managers who provide such compensation.

PRAG may mark up prices for technology services provided to clients by a variety of third party vendors. Such Firm markups for services rendered are included in the program fee. Investment Advisory Representatives do not participate in such fees and therefore have no conflict of interest when recommending a particular technology platform or service.

PRAG does not compensate for third party client referrals nor directly or indirectly compensates any person who is not a PRAG supervised person for client referrals.

### **Item 15 – Custody**

Clients should receive statements at least quarterly from the qualified custodian that holds and maintains their investment assets. PRAG urges clients to carefully review such statements and compare the official custodial records to the account statements that PRAG may provide client through Management Platforms. PRAG performance statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### Item 16 – Investment Discretion

Generally, the firm and sub-managers have the authority to determine, without obtaining specific client consent, the securities bought or sold and the amount of securities bought or sold. This discretionary authority to manage securities on behalf of Client is given to PRAG under the Power of Attorney clause in the Investment Management Agreement (IMA) signed by the Client upon opening an account at PRAG. The only restrictions on the above discretionary authority are those set by the client on a case-by-case basis. Where the manager has a direct contractual relationship with a client, the firm makes it a practice to counsel clients to determine if there are any limitations to the firm’s discretionary authority on the above matters. Investment guidelines and restrictions must be provided to PRAG in writing.

### Item 17 – Voting Client Securities

As a matter of firm policy and practice, PRAG does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Proxies or other solicitations will be sent directly from the custodian or transfer agent to the client’s address of record. Clients may contact PRAG if they have any questions relating to proxies, or to obtain the information.

### Item 18 – Financial Information

Registered Investment Advisers are required to provide clients with certain financial information or disclosures about PRAG’s financial condition. Since PRAG does not collect more than \$500 in fees per client six months or more in advance, PRAG is not required to provide financial information or disclosures about PRAG’s financial condition. PRAG has no financial obligations that impair its ability to meet contractual and fiduciary commitments to clients, and it has not been the subject of any bankruptcy proceeding.

### Item 19 – Requirements for State-Registered Advisors

The firm has an Investment Committee that meets from time to time and reviews policies and strategies affecting client investments. The committee is made up of leading associates of the firm and currently includes the following members:

Antonio Camejo, Chair  
J. Christopher Cogswell, AIF® CCIP®  
Douglas Goldstein, CFP®  
Aaron Katsman  
Ann-Marja Lander, CFP® AIF®  
Joyce K. Moore, ChFC, LUTCF  
Thomas L. Moser

The following is the educational and business background of Antonio Camejo, PRAG officer and President.

Antonio Camejo, born in 1942, is a Registered Representative (RR) of Portfolio Resources Group, Inc. since November 1992, President and Chair of the Investment Committee of Portfolio Resources Advisor Group (PRAG) since April 2007 and an Investment Advisor Representative (IAR) of Portfolio Resources Advisor Group since January 2008. Mr. Camejo spends 40% of his time working at PRAG and 60% working at PRG.

#### **Business Experience:**

Mr. Camejo has been a registered representative since April 1987. From 1987 to 1991 he was an Associate Vice President at Prudential-Bache Securities, Inc. where he was a registered representative and also served as an advisor to the Investment Banking Division. From March 1991 to June 1993 he was Director of International Investments at Progressive Asset Management, Inc., Oakland, California, a firm specializing in Socially and Environmentally Responsible Investing. From August 1991 to the present he has been a shareholder and director of the Portfolio Resources group of companies of which he is currently Co-Chair. From 1992 to 1998 he served as an outside advisor to the Paine Webber Municipal Airport Finance Group. From June 2005 to December 2008 he was Director of America Israel Investment Associates, LLC. Since October 1996 he has been a Managing Director and Co-Chair of the Investment Committee at Capital Management Resources Ltd., Tortola, BVI.

#### **Educational Background:**

Mr. Camejo earned a B.A. degree in Philosophy (major) and Economics (minor) in 1964 from Tufts University, Medford, MA. From 1965 to 1966 he attended Graduate Studies at Boston University in Philosophy and Pedagogy. In 1968, he helped found the first bi-lingual program in the California Public School System, and in 1969 co-founded and served as instructor in the Latin & Mexican-American Studies Department at Merritt College, Oakland, California.

#### **Media and Professional Activities:**

Mr. Camejo has appeared on numerous occasions on ‘*CNN en Español*’ as a guest on financial news programs such as “*Nuestro Mundo*” and “*Dinero*.” He has also been interviewed in financial publications such as *Financial Advisor Magazine*. Mr. Camejo has been a Member of the Envestnet Alliance Council in Chicago, Illinois since July 2008. From 1987 to 1989 he served as Special Advisor to the Secretary of Commerce of the State of Florida as a VOICE Member.

#### **Professional Designations and Licenses:**

Mr. Camejo has a Series 7 Securities License (General Securities Representative Examination) since April 1987, a Series 63 (Uniform Securities Agent State Law Examination) since May 1987, a Series 24 (General Securities Principal) since March 1994, a Series 66 (Uniform Combined State Law Examination) since March 2005, an Investment Banking Representative License since May 2010 and an Operations Professional License since November 2011.

### ***Privacy Policy***

PRAG collects nonpublic personal information about clients from the following sources: Information we receive on applications, questionnaires, web site, or other forms and information about client transactions with our affiliates, others, or us. We do not disclose any non-public information about our current or former clients to anyone, except as permitted by law or in order to provide the firm's current services. Our employees have limited access to clients' personal information based on their responsibilities to provide products or services to clients. Be assured that the firm maintains physical, electronic and procedural safeguards in compliance with federal standards to protect client information.

### ***Additional Disclosures***

PRAG or any of its supervised persons have not been involved in any of the events listed below:

-An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following: an investment or an investment-related business or activity; fraud, false statement(s) or omissions; theft, embezzlement or other wrongful taking of property; bribery, forgery, counterfeiting or extortion; or dishonest, unfair or unethical practices.

-An award or otherwise being found liable in a civil, self-regulatory organization or administrative proceeding involving any of the following: an investment or an investment-related business or activity; fraud, false statement(s) or omissions; theft, embezzlement or other wrongful taking of property; bribery, forgery, counterfeiting or extortion; or dishonest, unfair or unethical practices.

Neither PRAG nor any of PRAG's management persons has any other relationship or arrangement with any issuer of securities other than the ones listed in Item 10 of this document.