

# **CONFIDENTIAL MANAGEMENT ADVISORS, INC.**

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**February 20, 2020**

## **FORM ADV PART 2 BROCHURE**

**This brochure provides information about the qualifications and business practices of Confidential Management Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 248.540.7511. 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 Confidential Management Advisors, 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 Confidential Management Advisors, Inc. is 125936.**

**Confidential Management Advisors, 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 February 28, 2019 and updated March 11, 2019, we have no material changes to report.

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## Item 4 Advisory Business

### Description of Services and Fees

Confidential Management Advisors, Inc. is a registered investment adviser based in Troy, Michigan.

We are organized as a corporation under the laws of the State of Michigan. We have been providing investment advisory services since 1988. John Noonan and Craig Adams are our principal owners.

Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Investment Supervisory Services
- Non-Supervisory Investment Services

The following paragraphs describe our services and fees. As used in this brochure, the words "we", "our" and "us" refer to Confidential Management Advisors, Inc. ("CMAI"). 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.

### Investment Supervisory Services

CMAI offers investment supervisory services as described below. All investment advice is specifically developed to meet each client's unique personal requirements and objectives. When you retain CMAI for investment supervisory services, we will meet with you to talk about issues and gather information on your personal objectives and risk tolerance along with information on your current income, expenses and savings (your personal "suitability information"). Combining assumptions on inflation, tax rates and expected rates of return with your personal suitability information, CMAI will construct an initial financial forecast model (or models) to preview potential outcomes based on your current circumstance. While we do not expect any forecast to be correct, if we are fortunate, potential problems will show up in advance. More importantly, we can use models to develop asset allocation targets to: (1) match your specific personal requirements, (2) monitor and measure progress and (3) make changes as circumstances evolve. Once your asset allocation target model has been developed using the appropriate investments, we will monitor performance on an ongoing basis. Periodically, and as needed, the allocation target model will be revisited and adjusted as market conditions and/or your personal requirements change over time.

If you participate in our discretionary management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

We will send you an invoice for the payment of our advisory fee, or 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. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

You may terminate our services upon 7 days' written notice to our firm. 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. You will incur a pro rata charge for services rendered prior to the termination of such services, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

**Managing Personal Resources** - Confidential Management Advisors, Inc. ("CMAI")

CMAI has developed a proprietary asset allocation process to meet current and potential future investment distribution needs, "personal resource management" (PRM). The process is a holistic approach to optimizing the potential value of a client's personal resources using detailed financial forecasting models and analysis. Client-specific asset allocation models diversify across active, passive, tactical and dynamic management disciplines and across all major asset classes. Fees are charged on all assets under the direction of the PRM allocation models.

CMAI Personal Resource Management maximum fee schedule is as follows:

<b>Assets Under Management</b>	<b>Maximum Annual Fee</b>
\$25,000 - \$250,000	1.50%
\$250,001 - \$750,000	1.25%
750,001 - \$1,500,000	1.00%
Over \$1,500,000	Negotiable

Investment management and PRM fees are paid quarterly in advance based on the value of assets under management and, or direction as of the last day of the previous quarter. Assets coming under management and, or direction on a day within a given quarter will be charged for the balance of that quarter based on the value of those assets on the day the assets come under management and, or direction of our firm. CMAI is not compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portions of client funds. Fees are negotiable at the discretion of CMAI.

**Third Party Advisors**

On occasion, we may utilize a "third party advisor" (TPA) investment management service to manage a portion of a client's asset allocation. All TPA investment advisors are carefully screened to meet the personal resource management requirements of each client. There is no guarantee that the advisory services offered will result in the clients' goals and objectives being met. Nor is there any guarantee of profit or protection from loss. The TPA investment advisors we select may charge annual management fees. These fees range from 0.2% to 3.0% depending on the investment markets utilized and total amounts under management. Our firm may share up to fifty percent of the management fees being charged by the selected investment advisors. If a TPA is selected to actively manage your portfolio and assume discretionary investment authority over your account, CMAI will assume discretionary authority to hire and fire that TPA and/or reallocate your assets to other TPAs where we deem such action appropriate.

When selecting TPAs we require a five year history under the same management and management objectives in line with the asset classes used to create investment allocation target model using our forecasting and allocation programs. TPAs for each asset class are: (1) ranked according to the investment returns achieved in relation to the amount of risk experienced, (2) the top ten TPAs in each asset class are ranked according to performance in up and down markets, and (3) five-year quarterly performance of the top two or three TPAs is reviewed for consistency with respect to their chosen

benchmark and peer performance and ranked accordingly. Finally, the business and work environment of the top two or three TPA's in each class is investigated in an effort to understand the probability that managers will stay with the organization. If we feel the work environment is positive for the employees, that TPA can be added to our approved list. If not, we move to the next TPA on the list and repeat the process.

All investments in our program are expected to remain in place and under our supervision for a minimum of three years. Under our proprietary monitoring process, certain changes in management and/or unusual negative performance may cause a TPA to be put on a watch list or removed from our program. TPAs that are removed are replaced by the next TPA to successfully pass our screen for that investment class.

The advisory fee you pay to the TPA is established and payable in accordance with the disclosure brochure provided by each TPA to whom you are referred. These fees may or may not be negotiable. Our compensation may differ depending upon the individual agreement we have with each TPA. As such, a conflict of interest may arise where our firm or our Associated Persons may have an incentive to recommend one TPA over another TPA with whom we have more favorable compensation arrangements or other advisory programs offered by TPAs with whom we have less or no compensation arrangements.

You will be required to sign an agreement directly with the recommended TPA(s). You may terminate your advisory relationship with the TPA according to the terms of your agreement with the TPA. You should review each TPA's disclosure brochure for specific information on how you may terminate your advisory relationship with the TPA and how you may receive a refund, if applicable. You should contact the TPA directly for questions regarding your advisory agreement with the TPA.

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

### **Non-Supervisory Investment Services**

We also provide non-supervisory investment services in the form of Personal Resource Management (PRM) "Executive Summary & Guidebook" reports which analyze a client's personal resources and provides financial forecasting models to evaluate client objectives and alternatives.

The cost of the PRM "Executive Summary & Guidebook" report series is dependent upon:

1. The complexity of the information being organized and analyzed
2. The time required to make and confirm entries into the PRM database
3. The complexity of PRM issues identified and addressed

The maximum flat-fee charge for the "Executive Summary & Guidebook" series is \$5,500.

"Special Issue" reports addressing specific client PRM issue areas are available. Construction of "Special Issue" reports will be billed at an hourly rate. The maximum hourly rate is \$450 and depends on the complexity of the issues being analyzed. At our discretion fees are negotiable.

Our non-supervisory investment services clients are under no obligation to implement any investment strategies developed during the PRM process with our firm or any affiliate or associate of our firm.

Additionally, we provide PRM Strategic Planning Services to corporate employees through corporate benefit plan programs. Some of our PRM clients are provided with estate and tax planning services under company-sponsored financial planning benefit programs. These services may be billed to the

corporate benefit plan programs through our firm. Employees provide their tax and estate planning invoices to us. We include these invoices along with our Personal Resource Management billings to the corporate sponsor. The corporate sponsor pays our firm and we retain only the financial planning fee for PRM Strategic Planning Services and then forward the estate and tax planning fees to the firms performing those services.

### **Types of Investments**

We offer advice on equity securities, exchange traded funds, mutual funds, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, U.S. Government securities. We may also offer advice on, separately managed accounts and limited partnerships, options contracts on securities and commodities, futures contracts on securities and commodities, and interest in partnerships investing in real estate, and oil and gas interests. You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of January 21, 2020, we provide continuous management services for \$127,476,300 in client assets on a discretionary basis, and \$0 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Please refer to the *Advisory Business* section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **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 will 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 which 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 Disclosure Brochure.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are registered representatives with Confidential Management Financial Services, Inc. ("CMFS"), a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons receive commission-based compensation in connection with past purchase and sale of securities or other investment products, including asset-based sales charges, service fees or 12b-1 fees, for the sale or holding, of mutual funds for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. Because this practice presents a conflict of interest as persons providing investment advice to advisory clients on behalf of our firm who are registered representatives have an incentive to recommend investment products based on the compensation received effect securities transactions for the purpose of generating commissions rather than solely based on your needs. Therefore, no current or potential future mutual fund positions having 12b-1 fees payable to any persons providing investment advice to advisory clients on behalf of our firm will be included in any current or future advisory fees.

Persons providing investment advice to advisory clients on behalf of our firm often select or recommend mutual fund investments available through various custodians. In many instances, the mutual fund investments available from custodians do not allow client access to share classes that do not pay 12b-1 fees which are less expensive. Persons providing investment advice to advisory clients on behalf of our firm will select or recommend the most advantaged options available from custodians. In some instances, these options will include share classes which pay 12b-1 fees.

You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm who receives compensation described above.

Purchases in variable annuity contracts may be subject to payment of commissions to CMFS. Ongoing variable annuity distribution fees or "12b-1 fees". Additionally, we provide PRM Strategic Planning Services to corporate employees through corporate benefit plan programs. Some of our PRM clients are provided with estate and tax planning services under company-sponsored financial planning benefit programs. These services may be billed to the corporate benefit plan programs through our firm. Employees provide their tax and estate planning invoices to us. We include these invoices along with our Personal Resource Management billings to the corporate sponsor. The corporate sponsor pays our firm and we retain only the financial planning fee for PRM Strategic Planning Services and then forward the estate and tax planning fees to the firms performing those services.", if any, are also paid to CMFS. Full disclosure is made to client by means of investment prospectus. Clients are under no obligation to purchase products through the CMFS.

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with 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.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, trusts, estates, beneficiaries, pension and profit sharing plans, and charitable organizations.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.



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

### Our Methods of Analysis and Investment Strategies

Our investment strategies and advice will vary depending upon your unique needs and requirements. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, distribution time horizons, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Using proprietary and third party research, CMAI classifies the world investment universe into specific asset classes. Your investments are diversified across these classes based on your present and expected future distribution requirements. To capture returns over time, we utilize both passive indexed and active management disciplines to diversify across these classes. Your asset allocation target model will be unique to your circumstance.

The major material risk with our investment strategies is that all investment classes and all investment managers suffer losses at the same time.

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.
- **Charting Analysis** - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.

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.

Our strategies and investments may have unique and significant tax implications. Efforts will be made to allocate your resources with potential tax consequences in mind. However, 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. Custodians will default to the FIFO 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 offer advice on equity securities, exchange traded funds, mutual funds, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, U.S. Government securities. We may also offer advice on, separately managed accounts and limited partnerships, options contracts on securities and commodities, futures contracts on securities and commodities, and interest in partnerships investing in real estate, and oil and gas interests if appropriate to your needs and requirements. 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 "stock"). 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, better 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 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 funds will have a managers that trade the funds' investments in accordance with the funds' investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if a 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.

Exchange traded funds 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 which can dilute other investors' interests.

A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited

partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. In the worst case scenario for a limited partner, he/she loses what he/she invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership.

## **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**

CMAI is affiliated with Confidential Management Financial Services, Inc. (CRD# 18214) through common control and ownership. Confidential Management Financial Services, Inc. is a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Persons providing investment advice on behalf of our firm are also registered representatives with Confidential Management Financial Services, Inc. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products.

Compensation earned by these persons in their capacities as registered representatives is separate from our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs.

Confidential Management Financial Services, Inc., is also a licensed Michigan insurance agency.

Persons providing investment advice on behalf of our firm are licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

CMAI is also affiliated with Ficast Corporation (IARD# 159265) through common control and ownership. Ficast is a registered investment adviser that offers proprietary financial forecasting and target modeling services that are tailored to meet its clients' personal lifestyle and financial objectives, particularly for estate planning and investment allocation purposes. Fees charged and services provided by Ficast are separate from those of CMAI.

While we believe that compensation charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our affiliates' services and may obtain comparable services and/or lower fees through other firms.

We do not provide legal or tax advice and have no material relationships with related persons with law or accounting firms. In the course of providing PRM services, we may refer you to legal or accounting firms we have had experience with. Our firm is not compensated in any way for these referrals.

### **Recommendation of Other Advisers**

We may recommend that you use a third party adviser ("TPA") based on your needs and suitability. We will receive compensation from the TPA for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any TPA we recommend.

## **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.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at the telephone number listed on the cover page of this brochure.

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

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### **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**

Clients will generally direct the firm to execute securities transactions through a specific broker dealer or custodian. Clients should be aware, that by doing so, the client may not necessarily receive the best execution at a competitive commission. Not all advisers require their clients to direct brokerage.

In the event that a client does not direct brokerage we may execute securities transactions through TD Ameritrade Institutional ("Ameritrade") or Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), both securities broker-dealers and members of the Securities Investor Protection Corporation (SIPC), Financial Industry Regulatory Authority (FINRA).

We may also execute securities transactions through other broker/dealers. We will seek a credit worthy firm that provides discounted commission rates, competitive and prompt execution, excellent clearance and settlement capabilities, and is responsive to the reporting and trading needs of the firm

and its clients. We may also consider the firm's reputation and value of research provided. The best execution trade price is not the sole factor the firm considers when evaluating best execution or selecting a custodian. We are not obligated to seek competitive bids. In recognition of the value and services received clients do not necessarily pay the lowest commission available.

Persons providing investment advice on behalf of CMAI are also registered representatives and/or licensed insurance agents with Confidential Management Financial Services, Inc. (CMFS), a securities broker-dealer and licensed insurance agency. In this capacity, they may receive commission-based compensation in connection with the purchase and sale of securities and insurance products that are separate and in addition to CMAI advisory fees. This possibility presents a potential conflict of interest because persons providing investment advice on behalf of CMAI may have an incentive to effect securities or insurance transactions for the purpose of generating commissions rather than based solely on your needs. From time to time, a financial product or products which CMFS is in a position to provide may be recommended. However, clients are neither obligated nor required to use CMFS should they choose to accept those recommendations.

### **Research and Other Benefits**

We participate in the TD Ameritrade Institutional program through which we receive some benefits from TD Ameritrade. There is no direct link between our participation in the program and the investment advice we provide to you, although we do receive economic benefits through our participation in the program that are typically not available to TD Ameritrade 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. TD Ameritrade may also have paid for business consulting and professional services received by our associated persons. Some of the products and services made available by TD Ameritrade through the program may 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 TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits we receive through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. 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 TD Ameritrade for custody and brokerage services.

Schwab provides our firm with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. Schwab services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require significantly higher minimum initial investments. Schwab also makes available other products and services that benefit our firm but may not benefit our clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of our advisory fees from our clients' accounts, and assist with back-office support, recordkeeping and client reporting. Our access to the foregoing products and services is not contingent upon our committing to Schwab any specific amount of business (assets in custody or trading).

The products and services we receive from TD Ameritrade and/or Schwab 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.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for discretionary accounts; however, we do not combine orders for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

## **Item 13 Review of Accounts**

Accounts directly managed by our firm are updated daily and reviewed for errors, portfolio composition and performance experience. Accounts managed by third party investment advisors and managers are reviewed weekly and compared to market indexes and other proprietary benchmarks. Our reviews are conducted by Craig M. Adams and John F. Noonan, principals of our firm. Currently, approximately 300 accounts representing around 85 relationships are being reviewed.

Reports are generated quarterly unless more frequent reports are requested by clients. We will verify that custodial statements of assets and confirmations of transactions are the same as those reflected on our reports. Any discrepancies are investigated and resolved with custodian prior to sending to clients. Report information includes cost, income and performance for each position for latest period.

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

As disclosed under the "Fees and Compensation" section in this Brochure, persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives with Confidential Management Financial Services, Inc., a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

We do not compensate any individual or firm for client referrals.

## **Item 15 Custody**

We 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. We will also provide statements to you reflecting the amount of advisory fee deducted from your account.

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Craig Adams, Vice President and Chief Compliance Officer at the telephone number listed 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. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your 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 common stock or mutual funds, 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 would 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.

## **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.

## **Item 19 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact us at the telephone number located on the cover page of this brochure, if you have any questions regarding this policy.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and you will not keep the profit.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.