



**IC Advisory Services, Inc.**

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**March 27, 2014**

This Brochure provides information about the qualifications and business practices of IC Advisory Services, Inc. ["IC Advisory"]. If you have any questions about the contents of this Brochure, please contact us at 908-707-4422 and/or email us at [advinfo@investctr.com](mailto:advinfo@investctr.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

IC Advisory is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about IC Advisory is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2 – Material Changes

This Firm Brochure, dated 03/27/2014, provides you with a summary of IC Advisory Services, Inc.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

**Annual Update:** We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31, 2013. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.

**Material Changes:** Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated 03/27/2014:

### **No material changes since IC Advisory's last published Brochure, dated 3/22/2013.**

IC Advisory will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Additional copies of this Brochure may be requested by contacting Kristen McCann, AVP Advisory Operations at (908) 707-4422 or [advinfo@investctr.com](mailto:advinfo@investctr.com). The Brochure is also available on our web site [http://www.investmentctr.com/assets/content/static\\_page/Form\\_ADV\\_Part\\_2A.pdf](http://www.investmentctr.com/assets/content/static_page/Form_ADV_Part_2A.pdf), free of charge.

Information about IC Advisory Services, Inc. is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Adviser who are registered, or are required to be registered, as investment adviser representatives of IC Advisory Services, Inc.



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## **Item 4 – Advisory Business**

As discussed below in this Brochure, IC Advisory provides its clients (i.e. individuals, pension and profit sharing plans, trusts, and business entities) with financial planning and/or investment management services on both a discretionary and non-discretionary basis. IC Advisory Services, Inc. is a SEC-registered investment adviser with its principal place of business located in Bedminster, NJ.

### **IC Advisory Ownership**

Formally operating under The Investment Center, Inc. (1994-2006), IC Advisory is a solely owned subsidiary of IC Financial Services, Inc. (“IC Financial”). IC Financial is 100% owned by President & CEO Ralph J. DeVito.

### **IC Advisory Description**

The business of providing sound investment advice has radically changed over the last decade. More than ever, investing requires the need for analysis and investment solutions to help realize an investor’s financial needs. IC Advisory Services, Inc. has developed a sophisticated platform to help investors address their situation.

The platform is flexible, providing investors with the opportunity to first enter into a financial planning relationship or to immediately invest into one of the many investment choices available.

By choosing to develop a strategy through a financial planning relationship, typically goal based planning, your designated financial advisor (Investment Advisor Representative (IAR)) will help map out a financial plan based on needs and lifestyle choices. IARs will then help manage the plan and will typically review on a regular basis to make certain an investor stays on course and keeps goals in sight.

Some may choose to begin investing immediately through one of the many investment programs offered through IC Advisory Services, Inc. The choices are abundant, ranging from mutual fund and ETF wrap programs to equity and fixed income managed accounts. Wrap programs place an investor into an asset allocation mix based on risk tolerance whereas managed accounts may be more customized, giving an investor the opportunity to work with the manager to tailor a portfolio. Another option available is an investor may elect to have an Advisor Managed Account, where the IAR personally manages the investor’s portfolio. The IAR utilizes one of many research programs available to help the investor stay on course to meet their investment needs and objectives.

Typically, investors are charged a fee based on assets for the management of their account and financial planning services can be either charged by the plan or an hourly fee.

## **Advisory Services Offered**

### **Financial Planning**

Financial planning is based on a long term relationship with a financial advisor and involves a comprehensive on-going approach to managing all aspects of a client's financial life. IC Advisory is equipped to provide its clients with a broad range of financial planning services. The client is free at all times to accept or reject any financial planning or investment recommendation from IC Advisory. Clients may also obtain legal, accounting and/or brokerage services from professionals of their choosing to implement any of the recommendations of IC Advisory.

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

**PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.

**TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.

**INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.

**INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

**RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.

**DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.

**ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

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

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

If requested by the client, IC Advisory may recommend the services of other professionals for implementation purposes. Such services may include acting as registered representatives of IC Advisory's affiliated broker-dealer, The Investment Center, Inc. and as licensed insurance agents. However, the client is not obligated to engage the services of any recommended professional and retains absolute discretion over all such implementation decisions. Clients are encouraged to renew IC Advisory's financial planning services on an annual basis for the purpose of reviewing/updating IC Advisory's previous recommendations and/or services.

IC Advisory will charge a fee (fixed fee and/or hourly) for financial planning services, which will address, among other issues, investment recommendations. IC Advisory's financial planning fees are negotiable, but generally range from a minimum fee of \$250.00 to \$5,000.00 on a fixed fee basis, and between \$100.00 and \$500.00 on an hourly basis, depending upon the level and scope of service(s) required and the professional rendering the service(s). In the event the client terminates IC Advisory's financial planning services, the balance, if any, of IC Advisory's fee shall be refunded to the client.

Prior to engaging IC Advisory to provide financial planning services, the client will be required to enter into a Financial Planning Agreement with IC Advisory setting forth the terms and conditions of the engagement, and describing the scope of the services to be provided.

### **Investment Management/Implementation**

In the event the client determines to implement investment recommendations through IC Advisory, on a fee basis, IC Advisory shall charge an annual investment management fee based upon a percentage of the market value of the assets being managed by IC Advisory. The investment management fee charged shall vary (typically between 0.50% and 3.00%) depending upon the market value of assets under management and the specific type of investment management services to be provided.

IC Advisory's annual investment management fee shall be pro-rated and paid quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. IC Advisory generally requires an account minimum of between \$10,000.00 and \$50,000.00 for investment management services, depending upon the asset management program selected for the client. However, IC Advisory, in its sole discretion, may waive or require a lesser minimum or charge a lesser management fee based upon certain criteria (i.e., pre-existing financial planning client, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, negotiations with client, etc.).

## **Advisor Managed Account Programs**

Advisor managed account programs available through IC Advisory include the firm's sponsored asset management wrap fee programs, the Independent Asset Management Account ("IAM") and Choice programs.

Pursuant to the IAM and Choice programs, the Advisor, in conjunction with custodial, clearing, and reporting services to be provided by Pershing LLC (or other qualified custodian) shall recommend that a client allocate his/her/its assets among various investment choices in accordance with the client's stated objectives. The terms and conditions of the IAM and Choice programs shall be set forth in a separate written agreement between IC Advisory and the client.

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

### **(Note - model portfolios generally will not include insurance and partnership interests)**

- Exchange-listed securities
- Securities traded over-the-counter
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- Exchange Traded Funds (ETFs)

- Unit Investment Trusts (UITs)
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Advisor managed account programs available through IC Advisory include the firm's sponsored asset management wrap fee programs, the Independent Asset Management Account ("IAM") and Choice programs.

Pursuant to the IAM and Choice programs, the Advisor, in conjunction with custodial, clearing, and reporting services to be provided by Pershing LLC (or other qualified custodian) shall recommend that a client allocate his/her/its assets among various investment choices in accordance with the client's stated objectives. The terms and conditions of the IAM and Choice programs shall be set forth in a separate written agreement between IC Advisory and the client.

### ***IAM***

IC Advisory is able to offer its clients a comprehensive investment program, for a single specified fee, with unlimited trading in individual stocks, bonds, exchange traded funds (ETFs), Unit Investment Trusts (UITs), no-load and select load-waived mutual funds, long options, short puts and covered calls. The client, through IC Advisory's client-designated financial advisor, grants IC Advisory discretionary authority to buy and/or sell no-load and select load-waived mutual funds, and to liquidate previously purchased load mutual funds. In addition, either with discretion, or upon consultation with and direction from the client, the financial adviser is authorized to buy, sell and trade other securities approved for the IAM Program, including individual stocks, bonds and options.

Participation in the IAM Program may cost more or less than purchasing such services separately. In addition, the fees charged by IC Advisory for participation in the IAM Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. See available IAM customized non-wrap arrangement discussed below.

### ***Choice***

Choice is a comprehensive mutual fund and exchange traded fund (ETF) investment program that combines the power of professional research with the advantage of professional guidance. Choice offers access to thousands of mutual funds from over one hundred highly regarded investment managers, including no-load fund families and institutional share classes and ETFs.



The fee that a client shall pay for participation in the Choice program shall vary (typically between 0.5% and 2.00%) depending upon the specific type of investment management services to be provided. The Choice Program may cost more or less than purchasing such services separately. In addition, the fees charged by IC Advisory in the Choice Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. See available Choice customized non-wrap arrangement discussed below.

### ***IAM and Choice Custom - Customized Non-Wrap Program (Servicing and Fees)***

IC Advisory will provide clients with a similar level of service and investment options as with the IAM and Choice Programs, but, rather than paying one specified fee, the client account will incur separate advisory and brokerage fees, and the client account will not be eligible for unlimited trading under one fee. Instead, the client's account will incur separate charges for IC Advisory's advisory fee, the custodian's custodial fee, and the broker-dealer's brokerage fees. With respect to the broker-dealer's brokerage fees, the client's account will incur charges imposed by the broker-dealer, which include transaction costs and commissions, on a per-trade basis.

### **Independent Managers/Investment Programs**

In addition to the above asset management services, IC Advisory may also recommend that certain clients authorize the active discretionary management of their assets by and/or among certain independent investment advisory programs.

IC Advisory may recommend investment programs, based upon the stated investment objectives of the client, including, but not limited to:

- AssetMark / Genworth
- Beacon Capital (Dimensional Fund Advisors - DFA)
- Brinker Capital
- BTS Asset Management
- Clark Capital Management Group
- Clark Lanza Skalla (CLS)
- Curian Capital
- Dunham Investment Management
- Envestnet
- Hanlon Investments
- Horizon Investments, LLC

- Lockwood Capital Management
- Managers Choice
- Navellier
- Portfolio Strategies
- Rochdale Investments
- Saratoga Asset Management
- SEI
- Symmetry (Dimensional Fund Advisors - DFA)
- Toews Corporation
- Morningstar
- FTJ Fund Choice
- Breckenridge

The terms and conditions under which the client shall engage the Independent Manager[s] shall be set forth in a separate written agreement between the client and the designated Independent Manager[s].

IC Advisory shall continue to render advisory services to the client relative to the ongoing monitoring and renewing of account performance and client investment objectives, for which IC Advisory shall usually receive an annual fee (typically between 1.00% and 3.00%) based upon a percentage of the market value of the assets being managed by the designated Independent Manager[s]. Factors which IC Advisory shall consider in recommending Independent Manager[s] include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Manager[s] together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets are exclusive of, and in addition to, IC Advisory's investment advisory fee set forth above. In addition to the fees charged by IC Advisory, the designated Independent Manager[s] and corresponding broker-dealer/custodian, the client, relative to mutual fund and exchange traded fund purchases, shall incur charges imposed at the fund level (i.e., advisory fees and other fund expenses).

Prior to engaging IC Advisory to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with IC Advisory setting forth the terms and conditions under which IC Advisory shall manage the client's assets and a custodial/clearing agreement for both IC Advisory's Investment Advisory Agreement and the custodial/clearing agreement may authorize the account custodian to debit the account for the

amount of IC Advisory's investment management fee and to directly remit that management fee to IC Advisory. The investment advisory agreement between IC Advisory and the client will continue in effect until terminated by either party by written notice. IC Advisory's investment management fee shall be pro-rated through the date of termination, and any remaining balance (if any) shall be promptly refunded to the client.

IC Advisory may also allocate the investment management assets of its client accounts, on a discretionary basis, among one or more mutual fund asset allocation programs which have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, with a non-exclusive safe harbor from the definition of an investment company.

With respect to non-discretionary asset management services, IC Advisory generally maintains ongoing responsibility to make recommendations based upon the needs of the client as to the specific mutual funds or other securities the account may purchase or sell. If such recommendation is accepted by the client, IC Advisory is responsible for arranging or effecting the purchase or sale.

Mutual funds and/or variable annuity/life products may have been (or may in the future be) purchased by the Client through an SEC registered and FINRA member broker-dealer (including, but not limited to, IC Advisory's affiliated SEC registered and FINRA member broker-dealer, The Investment Center, Inc.-see disclosure below), for which product sales the Client may have paid (will pay) a separate commission.

In certain instances, dependent upon the specific arrangement with the Independent Manager[s], IC Advisory may be compensated for its services directly from the Independent Manager[s] pursuant to a referral fee arrangement in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

### **Account Minimums & Management Fees**

IC Advisory, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its account minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

### **Unaffiliated Wrap Programs**

In the event that IC Advisory is engaged to provide investment management services as part of an unaffiliated wrap-fee program, IC Advisory will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that IC Advisory is engaged to provide investment management services as part of an unaffiliated managed account program, IC Advisory will likewise be unable to negotiate

commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

### **Best Execution**

Factors that IC Advisory considers in recommending a broker-dealer/custodian to clients include historical relationship with IC Advisory, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by IC Advisory's clients shall comply with IC Advisory's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where IC Advisory determines, in good faith, that the commission/transaction fee is reasonable.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness.

Accordingly, although IC Advisory will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, IC Advisory's investment management fee. IC Advisory's best execution responsibility is qualified if securities that it purchases for client accounts are no-load mutual funds that trade at net asset value as determined at the daily market close.

### **Commission Transactions**

In the event the client desires to purchase securities on a non-discretionary commission basis, the client can engage IC Advisory's Principals and/or Associated Persons, in their individual capacities as registered representatives of the IC Advisory's affiliated broker-dealer, The Investment Center, Inc., an SEC registered and FINRA member broker-dealer that is under common ownership with IC Advisory. In the event the client chooses to purchase investment products through IC Advisory's Principals and/or Associated Persons, in their individual capacities as registered representatives, brokerage commissions will be charged by IC Advisory to effect securities transactions, a portion of which commissions shall be paid by IC Advisory to IC Advisory's Principals and/or Associated Persons, as applicable.

Prior to effecting any transactions, the client will be required to enter into an agreement with The Investment Center. The brokerage commissions charged by The Investment Center may be higher or lower than those charged by other broker-dealers. In addition, IC Advisory, as well as IC Advisory's Principals and/or Associated Persons (as applicable), relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

## **Cross Transactions**

In limited circumstances, IC Advisory representatives may engage in cross-transactions pursuant to which IC Advisory may effect transactions between two of its managed client accounts (i.e., arranging for the clients' securities trades by "crossing" these trades when IC Advisory believes that such transactions are beneficial to its clients). For all such transactions, neither IC Advisory, nor any affiliate will be acting as a broker, and will not receive any commission or transaction-based compensation. The client may revoke IC Advisory's cross-transaction authority at any time upon written notice.

## **Unaffiliated Private Investment Funds**

IC Advisory representatives, in their separate capacities as registered representatives of The Investment Center, Inc. ("TIC"), an affiliated SEC registered and FINRA member broker-dealer, may also offer clients investments in unaffiliated private investment funds on a non-discretionary commission basis.

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

**Please Also Note: Valuation.** In the event that IC Advisory references private investment funds owned by the client on any supplemental account reports prepared by IC Advisory, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price.

IC Advisory may also provide investment advice regarding unaffiliated private investment funds. IC Advisory, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. IC Advisory's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of IC Advisory calculating its investment advisory fee. IC Advisory's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Conflict of Interest:** The recommendation that a client purchase securities and/or insurance products on a commission basis from IC Advisory's affiliated broker-dealer representatives presents a conflict of interest. No client is under any obligation to purchase any such commission

products. Clients are reminded that they may purchase securities and insurance products recommended by IC Advisory representatives through other, non-affiliated broker-dealers and/or insurance agents.

The recommendation by IC Advisory that a client purchase an insurance commission product from the firm's affiliated insurance agency presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from IC Advisory's affiliated agency. Clients are reminded that they may purchase insurance products recommended by IC Advisory through other, non-affiliated insurance agencies.

**IC Advisory' Chief Compliance Officer, Douglas A. Wright, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

### **Assets Under Management**

	U.S. Dollar Amount	Total No. of Accounts
Discretionary	\$959,781,448	4194
Non-Discretionary	\$109,011,416	498
Total	\$1,068,792,864	4692

*As of 12/31/2013*

### **Important Miscellaneous Information**

**Investment Risk:** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by IC Advisory) will be profitable or equal any specific performance level(s).

**Inverse/Enhanced Market Strategies:** IC Advisory may also utilize leveraged long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct IC Advisory, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**12b-1 Fees:** Although not a material consideration when determining to purchase a specific mutual fund for advisory client accounts maintained at Pershing, IC Advisory, pursuant to its

association with The Investment Center (see disclosure above), may also receive ongoing 12b-1 trailing commission compensation from the mutual fund company(ies) during the period that the client maintains the mutual fund investment. The 12b-1 compensation is in addition to IC Advisory's investment management fee.

**Non-Discretionary Service Limitations:** Clients that determine to engage IC Advisory on a non-discretionary investment advisory basis must be willing to accept that IC Advisory cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction, and the client is unavailable, IC Advisory will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

**Variable Investment Products:** To the extent that IC Advisory renders investment advisory services relative to the recommended allocation of assets among the various mutual fund sub-classes that comprise a variable annuity product owned by the client, the custodian shall be the specific insurance company that issued the variable annuity. The investment advisory fee to be received by IC Advisory shall be in addition to the commission fee previously charged to purchase the variable investment product, including any commission that may have been paid to a representative of IC Advisory in his/her separate capacity as a registered representative of The Investment Center, Inc.

**Disclosure Statement:** Copies of IC Advisory's Brochure, shall be provided to each client prior to or contemporaneously with the execution of the Financial Planning Agreement or the Investment Advisory Agreement. Each year thereafter, within 120 days of IC Advisory's fiscal year end, the client will receive either a free updated Brochure that includes a summary of material changes or a summary of material changes that includes an offer to provide a copy of the updated Brochure and information on how a client may obtain the Brochure.

**Non-Investment Consulting/Implementation Services:** To the extent specifically requested by a client, IC Advisory may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither IC Advisory, nor any of its representatives, serves as an attorney, accountant, and no portion of IC Advisory's services should be construed as same. To the extent requested by a client, IC Advisory may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including IC Advisory's representatives in their separate registered capacities as registered representatives of TIC (an affiliated SEC registered and FINRA member broker-dealer) and as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from IC Advisory.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Please Also Note:** It remains the client's responsibility to promptly notify IC Advisory if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising IC Advisory's previous recommendations and/or services.

**Tradeaway Fees:** Relative to its discretionary investment management services, when beneficial to the client, individual equity and/or fixed-income transactions may be effected through broker-dealers with whom IC Advisory and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by the account custodian).

**Client Obligations:** In performing its services, IC Advisory shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. The client is free to accept or reject any recommendation made by IC Advisory. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify IC Advisory if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising IC Advisory's previous recommendations and/or services, or if they wish to impose any reasonable restrictions upon IC Advisory's management services.

### **Consulting Services**

Clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## **Item 5 – Fees and Compensation**

### ***IAM***

IC Advisory charges an annual investment management fee for the IAM Program based upon a percentage of the market value of the assets being managed by IC Advisory. The investment management fee charged shall vary (typically between 0.50% and 3.00%) depending upon the market value of assets under management and the specific type of investment management services to be provided.



### ***Choice***

The fee that a client shall pay for participation in the Choice program shall vary (typically between 0.5% and 2.00%) depending upon the specific type of investment management services to be provided.

### ***IAM & Choice Custom***

The annual advisory fee for participation in the IAM Custom Program(s) shall be a percentage of the market value of the Assets under management in accordance with the fee schedule pertaining to each Program. The investment management fee charged shall vary (typically between 0.50% and 2.5%) depending upon the market value of assets under management and the specific type of investment management services to be provided. The management fee shall be prorated and paid quarterly, in advance, based upon the market value of the Assets on the last business day of the previous calendar quarter. No increase in the management fee shall be effective without prior written notification to the Client.

Clients may also incur charges imposed by the Custodian ("custodial fees"), and the broker-dealer's commissions and/or transaction fees (on a per trade basis).

In addition to the management fee, the Client shall also incur, relative to investments in mutual funds and Exchange Traded Funds, charges imposed directly at the fund level (e.g. fund management fees and other fund expenses).

### ***Independent Managers/Investment Programs***

IC Advisory charges an annual fee (typically between 1.00% and 3.00%) based upon a percentage of the market value of the assets being managed by the designated Independent Manager[s] (in addition to fees charged by the Independent Manager/Investment Program).

### ***Financial Planning***

IC Advisory will charge a fee (fixed fee and/or hourly) for financial planning services, which will address, among other issues, investment recommendations. IC Advisory's financial planning fees are negotiable, but generally range from a minimum fee of \$250.00 to \$5,000.00 on a fixed fee basis, and between \$100.00 and \$500.00 on an hourly basis, depending upon the level and scope of service(s) required and the professional rendering the service(s).

### ***Consulting Services Fees***

IC Advisory Services, Inc.'s Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees are calculated and charged on an hourly basis, ranging from \$100.00 to \$500.00 per hour. An estimate for the total hours is determined at the start of the advisory relationship.

Our Consulting Services fees are calculated and charged on a fixed fee basis, typically ranging from \$250.00 to \$5,000.00, subject to the specific arrangement reached with the client.

Management personnel and other related persons of our firm are licensed as registered representatives of a broker-dealer and/or licensed as insurance agents or brokers. In their separate capacity(ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

**All fees for Advisory Services as described above are subject to negotiation.**

The specific manner in which fees are charged by IC Advisory is established in a client's written agreement with IC Advisory. IC Advisory will generally bill its fees on a quarterly basis. Clients are billed in advance each calendar quarter. Clients authorize IC Advisory to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

IC Advisory's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to IC Advisory's fee, and IC Advisory shall not receive any portion of these commissions, fees, and costs.

The Program Fee represents the total compensation to be received by:

1. ICA for investment advisory services;
2. The Investment Center, Inc. for brokerage services; and
3. Pershing for clearing, custodial, and reporting services.

An investor's participation in the Program may cost the investor more or less than purchasing such services separately. Generally, IC Advisory's Financial Advisers charge fees for their services, which will vary from Financial Adviser to Financial Adviser depending on various factors, including

the size of the Client's account relationship and the consulting services provided to Clients. In addition, the Program Fee may be higher or lower than those charges by other sponsors of comparable wrap fee programs.

**ERISA Accounts:** IC Advisory Services, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, IC Advisory Services, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset IC Advisory Services, Inc.'s advisory fees.

Item 12 further describes the factors that IC Advisory considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

IC Advisory 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**

IC Advisory provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, defined-contribution plans, retirement accounts, charitable institutions, foundations, endowments, private investment funds, trust programs, and other U.S. and international institutions.

IC Advisory's affiliated broker-dealer, The Investment Center, Inc., is an SEC registered and FINRA member broker-dealer engaged in the purchase and sale of securities to public customers such as individuals, pension and profit sharing plans, and corporate, trust, estate and retirement accounts. As discussed above, IC Advisory shall generally recommend The Investment Center, Inc., as the broker-dealer for those clients seeking to effect securities brokerage transactions on a fully disclosed non-discretionary commission basis.

IC Advisory may utilize its affiliated broker-dealer for the purchase of equity and fixed income transactions on a fully disclosed principal basis. This presents a potential conflict of interest. However, IC Advisory has determined that utilizing its affiliated broker-dealer for equity and fixed

income transactions is consistent with, and fulfills, IC Advisory's obligation of best execution. Such trades will be effected in conjunction with a corresponding transaction confirmation statement.

**Please Note:** The brokerage commissions charged by The Investment Center may be higher or lower than those charged by other broker-dealers. The recommendation that a client utilize the brokerage services provided by The Investment Center, Inc. presents a conflict of interest. No client is under any obligation to utilize such brokerage services. **IC Advisory's Chief Compliance Officer, Douglas A. Wright, remains available to address any questions that a client or prospective may have regarding the above conflict of interest.**

IC Advisory generally requires an account minimum of between \$10,000.00 and \$50,000.00 for investment management services, depending upon the asset management program selected for the client.

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

Prior to opening the Account, IC Advisory assists in determining an investor's profile for the Program by obtaining from the investor appropriate information (i.e. investment objectives, risk tolerance, and investment time horizon, as well as any reasonable restriction that the client wishes to impose upon the management of the Account). IC Advisory's Financial Advisors jointly determines investment strategy with the client based on an assessment of the information provided by the client. Therefore, it remains the client's responsibility to advise IC Advisory of any changes to the prior information provided that might impact the prior determined investment strategy/objectives.

Investing in securities involves risk of loss that clients should be prepared to bear. Assets of the portfolio are not bank deposits and are not federally insured or guaranteed by any government agency or guaranteed to achieve its objective.

### **Investment risks for certain portfolios may include some or all of the following:**

**Capitalization Securities Risk** – Portfolios may be composed primarily of, or have significant exposure to, securities in a particular capitalization range, e.g., large, mid or small-cap securities.

As a result, your portfolio may be subject to the risk that the predominate capitalization range represented may underperform other segments of the equity market or the equity market as a whole. In addition, in comparison to securities of companies with larger capitalizations, securities of small and medium capitalization companies may experience more price volatility, greater spreads between their bid and ask prices, significantly lower trading volumes, and cyclical or static growth prospects. Small and medium-capitalization companies often have limited product lines, markets or financial resources, and may therefore be more vulnerable to adverse developments than larger capitalization companies. These securities may or may not pay dividends.

**Commodity-Linked Derivative Investment Risk** – Certain portfolios may be exposed to the commodities markets, which may subject it to greater volatility than investments in traditional securities. Because the value of a commodity-linked derivative investment typically is based upon the price movements of a physical commodity (such as heating oil, livestock, or agricultural products), a commodity futures contract or commodity index, or some other readily measurable economic variable, the value of commodity-linked derivative instruments may be affected by changes in overall market movements, volatility of the underlying index or benchmark, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

**Index-Linked and Commodity-Linked “Structured” Securities** – Certain portfolios may invest in derivative instruments with principal and/or coupon payments linked to the value of commodities, commodity futures and options contracts, or the performance of commodity indices, such as the S&P DTI or S&P GSCITM Commodity Index. These are “commodity-linked” or “index-linked” securities. They are sometimes referred to as “structured securities” because the terms of the instrument may be structured by the issuer of the security and the purchaser of the security, such as an underlying fund. These securities may be issued by banks, brokerage firms, insurance companies and other corporations.

The value of these securities will rise or fall in response to changes in the underlying commodity or related index or investment. These securities may expose the portfolio economically to movements in commodity prices. In addition to commodity price risk, the securities also are subject to credit and interest rate risks that in general affect the values of debt securities. Therefore, at maturity, your portfolio may receive more or less principal than it originally invested. The portfolio might receive interest payments that are more or less than the stated coupon interest payments.

**Counterparty Credit Risk** – The portfolio may invest in financial instruments involving counterparties for the purpose of attempting to gain exposure to a particular group of securities, index or asset class without actually purchasing those securities or investments, or to hedge a position. Such financial instruments include, among others, total return, index, interest rate, credit default swap agreements, and structured notes.

The use of swap agreements, structured notes and other similar instruments involves risks that are different from those associated with ordinary portfolio securities transactions.

**Credit Risk** – Credit risk is the risk that the portfolio’s underlying investments could lose money if an issuer or guarantor of a debt instrument becomes unwilling or unable to make timely principal and/or interest payments, or to otherwise meet its obligations. Securities are subject to varying degrees of credit risk, which are sometimes reflected in credit ratings.

**Currency Risk** – The portfolio’s indirect and direct exposure to foreign currencies subjects the portfolio to the risk that those currencies will decline in value relative to the U.S. Dollar, or, in the case of short positions, that the U.S. Dollar will decline in value relative to the currency being

hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates and the imposition of currency controls or other political developments in the U.S. or abroad. In addition, certain investments may incur transaction costs in connection with conversions between various currencies.

**Derivatives Risk** – Portfolios may invest a percentage of their assets in derivatives, such as options contracts, to pursue their investment objectives. The use of such derivatives may expose the portfolio to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. Portfolios may use options for bona fide hedging purposes to offset changes in the value of securities held or expected to be acquired. They may also be used to gain exposure to a particular market or instrument, to create a synthetic money market position, and for certain other tax-related purposes.

**Emerging Markets Risk** – Emerging markets, which consist of countries that have an emerging stock market as defined by Standard & Poor's®, countries or markets with low- to middle-income economies as classified by the World Bank, and other countries or markets with similar characteristics as determined by the Advisor, can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties and can be extremely volatile. As a result, the securities of emerging market issuers may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in securities of developed foreign countries. In addition, the risks associated with investing in a narrowly defined geographic area are generally more pronounced with respect to investments in emerging market countries.

**Exchange-Traded Fund Risk** – Certain portfolios may invest to a significant extent in shares of ETFs to gain exposure to its investment objective. ETFs are pooled investment vehicles, which may be managed or unmanaged, that generally seek to track the performance of a specific index. Although individual shares of an ETF are traded on an exchange (such as the NYSE, AMEX, or NASDAQ), large blocks of shares of ETFs are redeemable at net asset value. This ability to redeem large blocks of shares has historically resulted in the market price of individual shares of ETFs being at or near the net asset value of the ETF's underlying investments. However, shares of ETFs may trade below their NAV. The NAV of shares will fluctuate with changes in the market value of the ETF's holdings. The trading prices of shares will fluctuate in accordance with changes in NAV as well as market supply and demand. The difference between the bid price and ask price, commonly referred to as the "spread," will also vary for an ETF depending on the ETF's trading volume and market liquidity. Generally, the greater the trading volume and market liquidity, the smaller the spread is and vice versa. Any of these factors may lead to an ETF's shares trading at a premium or a discount to NAV.

**Exchange-Traded Notes Risk** – Certain portfolios may invest in ETNs. ETNs are a type of unsecured, unsubordinated debt security that have characteristics and risks similar to those of fixed-income securities and trade on a major exchange similar to shares of exchange-traded funds. However, this type of debt security differs from other types of bonds and notes because ETN

returns are based upon the performance of a market index minus applicable fees, no period coupon payments are distributed, and no principal protections exists. The purpose of ETNs is to create a type of security that combines the aspects of both bonds and ETFs.

The value of an ETN may be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying commodities or securities markets, changes in the applicable interest rates, changes in the issuer's credit rating and economic, legal, political or geographic events that affect the referenced commodity or security. An underlying fund's decision to sell its ETN holdings may also be limited by the availability of a secondary market.

**Fixed Income Risk** – Portfolios may invest in fixed income securities or related instruments. The market value of fixed income investments, and financial instruments related to those fixed income investments, will change in response to interest rate changes and other factors, such as changes in the effective maturities and credit ratings of fixed income investments. During periods of falling interest rates, the values of outstanding fixed income securities generally rise. Falling interest rates may cause an issuer to redeem or “call” a security before its stated maturity, which may result in the portfolio having to reinvest the proceeds in lower yielding securities. Conversely, during periods of rising interest rates, the values of such securities and related financial instruments generally decline. While securities with longer maturities tend to produce higher yields, the prices of longer maturity securities are also subject to greater market fluctuations as a result of changes in interest rates. The Advisor generally purchases investment grade securities; however, portfolios may invest in unrated securities that the Advisor determines are comparable in quality.

**Foreign Issuer Exposure Risk** – Portfolios may invest in securities of foreign companies directly, or in financial instruments, such as ADRs and ETFs, and structured notes, which are indirectly linked to the performance of foreign issuers. Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market or economic developments and can perform differently from the U.S. market. Investing in securities of foreign companies directly, or in financial instruments that are indirectly linked to the performance of foreign issuers, may involve risks not typically associated with investing in U.S. issuers. The value of securities denominated in foreign currencies, and of dividends from such securities, can change significantly when foreign currencies strengthen or weaken relative to the U.S. Dollar.

Foreign securities markets generally have less trading volume and less liquidity than U.S. markets, and prices in some foreign markets may fluctuate more than those of securities traded on U.S. markets. Many foreign countries lack accounting and disclosure standards comparable to those that apply to U.S. companies, and it may be more difficult to obtain reliable information regarding a foreign issuer's financial condition and operations.

Transaction costs and costs associated with custody services are generally higher for foreign securities than they are for U.S. securities. Some foreign governments levy withholding taxes against dividend and interest income. Although in some countries portions of these taxes are recoverable, the non-recovered portion will reduce the income received by the portfolio.

**Fund of Funds Risk** – Certain portfolios may be subject to fund of funds risk. By investing in the underlying funds indirectly through the Fund of Funds (the “Fund”), an investor will incur not only a proportionate share of the expenses of the underlying funds held by the portfolio (including operating costs and management fees), but also expenses of the Fund. Consequently, an investment in the Fund entails more direct and indirect expenses than a direct investment in the underlying funds. In order to minimize these expenses, the Fund intends to invest in the class of shares of each underlying fund with the lowest shareholder fees and net fund operating expenses.

In addition, an underlying fund may buy the same securities that another underlying fund sells. If this happens, an investor in the Fund would indirectly bear the costs of these trades without accomplishing any investment purpose. Also, the Fund investor may receive taxable gains from portfolio transactions by the underlying funds, as well as taxable gains from the Fund’s transactions in shares of the underlying funds. In addition, certain of the underlying funds may hold common portfolio positions, thereby reducing the diversification benefits of an asset allocation style.

**Growth Stocks Risk** – Growth stocks generally are priced higher than non-growth stocks, in relation to the issuer’s earnings and other measures, because investors believe they have greater growth potential. However, there is no guarantee that such an issuer will realize that growth potential. In addition, an investment in growth stocks also may be susceptible to rapid price swings, especially during periods of economic uncertainty or in response to adverse news about the condition of the issuer, such as earnings disappointments. Growth stocks also typically have little or no dividend income to absorb the effect of adverse market conditions.

**High Yield Risk** – Certain portfolios may invest in high yield securities and unrated securities of similar credit quality (commonly known as “junk bonds”). High yield securities generally pay higher yields (greater income) than investment in higher quality securities; however, high yield securities and junk bonds may be subject to greater levels of interest rate, credit and liquidity risk than funds that do not invest in such securities, and are considered predominantly speculative with respect to an issuer’s continuing ability to make principal and interest payments. The value of these securities often fluctuates in response to company, political or economic developments and declines significantly over short periods of time or during periods of general economic difficulty. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce the ability of certain portfolios to sell these securities (liquidity risk). These securities can also be thinly traded or have restrictions on resale, making them difficult to sell at an acceptable price. If the issuer of a security is in default with respect to interest or principal payments, the portfolio may lose its entire investment, which may adversely affect the value of the portfolio.

**Income Risk** – Portfolios may derive dividend and interest income from certain of its investments. This income can vary widely over the short- and long-term. If prevailing market interest rates drop, distribution rates of the portfolio’s income producing investments may decline which then may adversely affect the portfolio’s value. The dividend and interest income produced by certain portfolio holdings also may be adversely affected by the particular circumstances and performance of the individual issuers of such investments.



**Interest Rate Risk** – The market value of fixed income investments, and financial instruments related to those fixed income investments, will change in response to interest rate changes. During periods of falling interest rates, the values of fixed income securities generally rise. Conversely, during periods of rising interest rates, the values of such securities generally decline. While securities with longer maturities tend to produce higher yields, the prices of longer maturity securities are also subject to greater market fluctuations as a result of changes in interest rates.

**Investment in Investment Companies Risk** – Portfolios may purchase shares of investment companies, such as ETFs, UITs, and closed-end investment companies to gain exposure to a particular portion of the market or when such investments present a more cost efficient alternative to investing directly in securities.

In addition, the portfolio may invest in investment vehicles that are not registered pursuant to the Investment Company Act of 1940 and therefore, not subject to the regulatory scheme of the Investment Company Act of 1940.

**Investment Technique Risk** – Your portfolio may include investment techniques that may be considered aggressive. Risks associated with the use of options, structured notes, and swap agreements include potentially dramatic price changes (losses) in the value of the instruments and imperfect correlations between the price of the contract and the underlying security or index. These instruments may increase the volatility of the portfolio and may involve a small investment of cash relative to the magnitude of the risk assumed.

**Issuer Specific Risk** – The value of a security may increase or decrease for a number of reasons, which directly relate to the issuer. For example, perceived poor management performance, financial leverage or reduced demand of the issuer’s goods or services may contribute to a decrease in the value of a security. A decrease in the value of the securities of an issuer or guarantor of a debt instrument may cause the value of your investment in the portfolio to decrease.

**Leveraging Risk** – Portfolios may achieve leveraged exposure through the use of derivative instruments. The more the portfolio invest in derivative instruments that give rise to leverage, the more this leverage will magnify any losses on those investments. Leverage will cause the value of the portfolio to be more volatile than if the portfolio did not use leverage. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the portfolio’s securities or other investments.

Certain types of leveraging transactions, such as short sales that are not “against the box,” could theoretically be subject to unlimited losses in cases where the portfolio, for any reason, is unable to close out the transaction. In addition, to the extent the portfolio borrows money, interest costs on such borrowed money may not be recovered by any appreciation of the securities purchased with the borrowed funds and could exceed the portfolio’s investment income, resulting in greater losses.

**Liquidity Risk** – In certain circumstances, it may be difficult for the Advisor to purchase and sell particular investments within a reasonable time at a fair price. To the extent that there is not an

established retail market for instruments in which the portfolio may invest, trading in such instruments may be relatively inactive.

**Market Risk** – Portfolios may invest in public and privately issued securities, which may include common and preferred stocks, bonds, warrants, and rights, as well as derivatives and financial instruments that attempt to track the price movement of securities or commodities indices. Investments in securities and other financial instruments, in general, are subject to market risks that may cause their prices to fluctuate over time. The portfolio’s investments may decline in value due to factors affecting securities, or particular countries, segments, economic sectors, industries or companies within those markets. The value of a security may decline due to general economic and market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions or changes in interest or currency rates. The value of securities convertible into equity securities, such as warrants or convertible debt, is also affected by prevailing interest rates, the credit quality of the issuer and any call provision. Fluctuations in the value of securities and financial instruments in which the portfolio invests will cause the net asset value of the portfolio to fluctuate. Historically, the markets have moved in cycles, and the value of the portfolio’s securities and other financial instruments may fluctuate drastically from day to day. Certain investments may be more suitable for long-term investors who can bear the risk of short-term principal fluctuations, which at times may be significant.

**Options** – The buyer of an option acquires the right to buy (a call option) or sell (a put option) a certain quantity of a security (the underlying security) or instrument at a certain price up to a specified point in time. The seller or writer of the option is obligated to sell (a call option) or buy (a put option) the underlying security. When writing (selling) call options on securities, the portfolio may cover its positions by owning the underlying security on which the option is written or by owning a call option on the underlying security.

**The risks associated with a portfolio’s use of options contracts include:**

- The portfolio may experience losses that exceed losses experienced by portfolios that do not use options.
- Trading restrictions or limitations may be imposed by an exchange, and government regulations may restrict trading in options.
- Because option premiums paid or received by the portfolio are small in relation to the market value of the investments underlying the options, buying and selling put and call options can be more speculative than investing directly in securities.

**Portfolio Turnover Risk** – Certain strategies may frequently involve buying and selling portfolio securities to rebalance the portfolio’s exposure to various market sectors. Higher portfolio turnover may result in an investor paying higher levels of transaction costs and generating greater tax liabilities. Portfolio turnover risk may cause the portfolio’s performance to be less than you expect.

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

**Sector/Geographic Concentration Risk** – The risk that the securities of, or financial instruments tied to the performance of, issuers in particular sectors that certain portfolios purchase will underperform the market as a whole either by declining in value or failing to perform as well. To the extent that the portfolio’s investments are concentrated in issuers conducting business in a particular regulated sector, the portfolio may be subject to legislative or regulatory changes, adverse market conditions and/or increased competition affecting that economic sector.

Portfolios may concentrate its investments in a limited number of issuers conducting business in the same industry or group of related industries. Market conditions, interest rates, and economic regulatory, or financial developments could significantly affect a single industry or a group of related industries, and the securities of companies in that industry or group of industries could react similarly to these or other developments. The prices of certain securities in a particular sector may fluctuate widely due to competitive pressures, increased sensitivity to short product cycles and aggressive pricing, problems relating to bringing their products to market, very high price/earnings ratios, and high personnel turnover due to severe labor shortages for skilled professionals.

Because a significant portion of the assets of certain portfolios may be invested in a specific geographical region, the value of its investments could decline more dramatically as a result of adverse events affecting the specific region. For example, countries in Europe may be significantly affected by the tight fiscal and monetary controls of the European Economic and Monetary Union (EMU).

The risk that the securities of real estate companies that certain portfolios may purchase will underperform the market as a whole. To the extent that the portfolio’s investments are concentrated in real estate companies, the investment can be subject to legislative or regulatory changes, adverse market conditions and/or increased competition affecting real estate companies. Investments in real estate companies may also subject the portfolio to the risks associated with the direct ownership of real estate. The general performance of the real estate industry has historically been cyclical and particularly sensitive to economic downturns. Changes in prevailing real estate values and rental income, interest rates and changing demographics may affect the value of securities of issuers in the real estate industry. Also, Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while Mortgage REITs may be affected by the quality of the credit extended. In addition to these risks, REITs are dependent on specialized management skills, and some REITs may have investments in relatively few properties, in a small geographic area, or a single type of property.

**Short Sales Risk** – Short sales are transactions in which certain portfolios sell a security they do not own. To complete the transaction, an investor must borrow the security to make delivery to the buyer. The investor is then obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The price at such time may be higher or lower than the price at which the security was sold by the investor. If the underlying security goes down in price between the time the investor sells the security and buys it back, the underlying portfolio will realize a gain on the transaction.

Conversely, if the underlying security goes up in price during the period, the underlying portfolio will realize a loss on the transaction. Any such loss is increased by the amount of premium or interest the investor must pay to the lender of the security. Likewise, any gain will be decreased by the amount of premium or interest the investor must pay to the lender of the security.

In addition, the portfolio may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as costs of borrowing and margin account maintenance costs associated with the portfolio's open short positions. These expenses negatively impact the performance of the portfolio.

**Structured Note Risk** – Certain portfolios may invest in commodity, currency and financial-linked structured notes to a significant extent. Commodity-linked structured notes provide exposure, which may include long and/or short exposure, to the investment returns of “real assets” (i.e., assets that have tangible properties such as oil, gold and silver) that trade in the commodities markets without investing directly in physical commodities. The performance of these notes is determined by the price movement of the commodities underlying the note. Currency and financial-linked structured notes provide exposure to the investment returns of currencies and financial instruments. The fees associated with a structured note, which are embedded in the price of the structured note may lead to increased tracking error. In addition, a highly liquid secondary market may not exist for the structured notes, and there can be no assurance that one will develop.

**Value Stocks Risk** – Value stocks tend to be inexpensive relative to their earnings or assets compared to other types of stocks. Over time, a value investing style may go in and out of favor, causing a portfolio to sometimes underperform other equity funds that use different investing styles. Value stocks can react differently to issuer, political, market and economic developments than the market overall and other types of stock. In addition, a portfolio's value approach carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced.

## **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 your evaluation of IC Advisory or the integrity of IC Advisory's management.

**Disclosable Event:**

On or about August 1, 2007, IC Advisory Services, Inc. notified staff of the Division of Licensing for the State of Pennsylvania that it had inadvertently failed to register at least one employee as an Investment Advisor Representative in Pennsylvania. IC Advisory, without admitting or denying the allegations, submitted an offer of settlement to the commission for the purpose of settling this proceeding and agreed to pay \$1,500 in legal costs and \$10,000 (as an administrative assessment) to the commonwealth of Pennsylvania.

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

IC Advisory is under common ownership with The Investment Center, Inc., an SEC registered and FINRA member broker dealer, and an SEC-registered investment adviser. Certain of Registrant's Principal(s) and Associated Person(s) are, in their individual capacities, registered representatives of The Investment Center, Inc., in which capacity(ies) they may effect securities brokerage transactions on a fully disclosed commission basis. In addition, IC Advisory is under common ownership with IC Insurance Services, Inc. Certain of IC Advisory's Principal(s) and Associated Person(s) are licensed as insurance agents with IC Insurance Services, Inc., in which capacity they may recommend, on a fully disclosed basis, the purchase of certain insurance-related products. IC Advisory's Principal and Associated Persons currently devote approximately ninety percent (90%) of their time to securities and life insurance commission business.

IC Advisory's affiliated broker-dealer, The Investment Center, Inc., is an SEC registered and FINRA member broker-dealer engaged in the purchase and sale of securities to public customers such as individuals, pension and profit sharing plans, and corporate, trust, estate and retirement accounts. As discussed above, IC Advisory shall generally recommend The Investment Center, Inc., as the broker-dealer for those clients seeking to effect securities brokerage transactions on a fully disclosed non-discretionary commission basis.

IC Advisory may utilize its affiliated broker-dealer for the purchase of equity and fixed income transactions on a fully disclosed principal basis. This presents a potential conflict of interest. However, IC Advisory has determined that utilizing its affiliated broker-dealer for equity and fixed income transactions is consistent with, and fulfills, IC Advisory's obligation of best execution. Such trades will be effected in conjunction with a corresponding transaction confirmation statement.

In addition IC Advisory may receive from a particular custodian without cost (and/or at a discount) support services and/or products, certain of which assist IC Advisory to better monitor and service client accounts maintained at such custodian. Included within the support services that may be obtained by IC Advisory may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events,

marketing support, computer hardware and/or software and/or other products used by IC Advisory in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist IC Advisory in managing and administering client accounts. Others do not directly provide such assistance, but rather assist IC Advisory to manage and further develop its business enterprise.

IC Advisory's clients do not pay more for investment transactions effected and/or assets maintained at a particular custodian as result of this arrangement. There is no corresponding commitment made by IC Advisory to a particular custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

The receipt of any of the above-referenced services/products is not a material consideration when determining whether to recommend that a client utilize the services of any particular broker-dealer/custodian.

### **Account Minimums & Management Fees**

IC Advisory, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its account minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

### **Unaffiliated Wrap Programs:**

In the event that IC Advisory is engaged to provide investment management services as part of an unaffiliated wrap-fee program, IC Advisory will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that IC Advisory is engaged to provide investment management services as part of an unaffiliated managed account program, IC Advisory will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

**Conflict of Interest:** The recommendation that a client purchase securities and/or insurance products on a commission basis from IC Advisory's affiliated broker-dealer representatives presents a conflict of interest. No client is under any obligation to purchase any such commission products. Clients are reminded that they may purchase securities and insurance products recommended by IC Advisory representatives through other, non-affiliated broker-dealers and/or insurance agents.

The recommendation by IC Advisory that a client purchase an insurance commission product from the firm's affiliated insurance agency presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from IC Advisory's affiliated agency. Clients are reminded that they may purchase insurance products recommended by IC Advisory through other, non-affiliated insurance agencies.

**Please Note:** The brokerage commissions charged by The Investment Center may be higher or lower than those charged by other broker-dealers. The recommendation that a client utilize the brokerage services provided by The Investment Center, Inc. presents a conflict of interest. No client is under any obligation to utilize such brokerage services.

**IC Advisory's Chief Compliance Officer, Douglas A. Wright, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

#### **Item 11 – Code of Ethics**

IC Advisory has implemented an investment policy relative to personal securities transactions. This investment policy is part of IC Advisory's overall Code of Ethics which serves to establish a standard of business conduct for all of IC Advisory's Associated Persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request. All supervised persons at IC Advisory must acknowledge the terms of the Code of Ethics annually, or as amended.

In accordance with Section 204A of the Investment Advisers Act of 1940, IC Advisory also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by IC Advisory or any person associated with the Registrant.

IC Advisory anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which IC Advisory has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which IC Advisory, its affiliates and/or clients, directly or indirectly, have a position of interest. IC Advisory's employees and persons associated with IC Advisory are required to follow IC Advisory's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of IC Advisory and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for IC Advisory's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of IC Advisory 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 materially not interfere with the best interest of IC Advisory's clients. In addition, the Code requires pre-clearance 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 in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between IC Advisory and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with IC Advisory's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. IC Advisory 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.

IC Advisory's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting IC Advisory's Chief Compliance Officer, Douglas A. Wright.

It is IC Advisory's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. IC Advisory will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

Please see the responses set forth in items 10 and 16 relative to the IC Advisory's discretionary authority, affiliated broker-dealer, and insurance services. Additionally, IC Advisory may recommend additional broker-dealers/custodians.

### **How We Select Brokers/Custodians [to Recommend]**

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



- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us from Schwab”)

IC Advisory Services, Inc. may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (“Schwab”), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. IC Advisory Services, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides IC Advisory Services, Inc. with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge. Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit IC Advisory Services, Inc. but may not directly benefit our clients' accounts. Many of these products

and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of our fees from clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- compliance, legal and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to IC Advisory Services, Inc.. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

**IC Advisory does not maintain soft dollar arrangements.**

### **Item 13 – Review of Accounts**

For those clients to whom IC Advisory provides investment supervisory services, account reviews are conducted on an ongoing basis by IC Advisory's Principals and Associated Persons. All investment supervisory clients are advised that it remains their responsibility to advise IC Advisory of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with IC Advisory on an annual basis.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom IC Advisory provides investment supervisory services will also have the opportunity to download/print an electronic report from IC Advisory summarizing account activity and performance no less than quarterly.

### **Financial Planning Services**

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

### **Consulting Services**

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

Consulting Services clients will not typically receive reports due to the nature of the service.

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

If a client is introduced to IC Advisory by either an unaffiliated solicitor or an affiliated solicitor, IC Advisory may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements.

Any such referral fee shall be paid solely from IC Advisory's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to IC Advisory by an unaffiliated Solicitor, the Solicitor shall provide the client with a copy of IC Advisory's Form ADV Part II and a copy of the disclosure statement between IC Advisory and the solicitor containing the terms and conditions of the solicitation arrangement, including compensation.

Any affiliated solicitor of IC Advisory shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of IC Advisory's Form ADV Part II at the time of solicitation.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. IC Advisory urges you to carefully review statements that are provided to you.

### **For Accounts Custodied at Schwab:**

Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. Account Statements will be sent to the email or postal mailing address you provided to Schwab.

## **Item 16 – Investment Discretion**

IC Advisory usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, IC Advisory observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to IC Advisory in writing.

## **Item 17 – Voting *Client* Securities**

As a matter of firm policy and practice, IC Advisory does not have any authority to and 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. IC Advisory may provide advice to clients regarding the clients’ voting of proxies.

The Client shall be responsible for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the Client shall be voted; and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the Assets. Advisor is authorized to instruct the Custodian to forward to the Client copies of all proxies and shareholder communications relating to the Assets.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about IC Advisory's financial condition.

IC Advisory has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.