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## Form ADV Part 2A Brochure

March 18, 2020

This Brochure provides information about the qualifications and business practices of Q3 Asset Management. If you have any questions about the contents of this Brochure, please contact us at 248.566.1122 or [info@q3tactical.com](mailto:info@q3tactical.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or any state securities authority.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Q3 Asset Management or any person associated with Q3 Asset Management has achieved a certain level of skill or training in order to become SEC registered.

Additional information about Q3 Asset Management and its registered personnel is available on the SEC’s Adviser Public Search website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Q3 Asset Management’s CRD number is 137839.

## Material Changes

The Securities and Exchange Commission (“SEC”) requires Registered Investment Advisers to update their Forms ADV 1 and ADV 2A Brochures promptly throughout the year with material changes and no less than once per year, within 90 days of the Registered Investment Adviser’s fiscal year end. Q3 Asset Management updated this ADV 2A Brochure on March 3, 2020. The following is a list of material and non-material updates/amendments made since our last fiscal year end update.

- In March of 2019, Q3 began offering performance-based fee arrangements to qualified investors. This change presents a conflict of interest. Details can be found under Item 6 of the Brochure.
- Beginning in August of 2019, Q3 began offering a 3(38) fiduciary service to plan sponsors. Details can be found under Item 14 of the Brochure.
- Beginning in December of 2019, Q3 became a Mutual Fund Manager whereby Q3 is the contracted manager to provide investment advisory services to affiliated mutual funds. This change presents a conflict of interest. Details can be found under Item 4, and throughout the Brochure.
- Beginning in the first quarter of 2020, Q3 began using average daily balances to calculate quarterly advisory fees at E\*Trade Advisor Services. All other platforms continue to utilize quarter end balances. Details can be found under Item 5 of the Brochure.
- Item 4 was updated to reflect Q3's fiscal year end managed asset data. As of the close of business on 12/31/19, Q3 managed \$448,119,094 in 10,123 accounts. Q3 also began managing two newly registered mutual funds with manager seeded assets.

Please contact our office anytime during normal business hours should you have any questions.

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## TABLE OF CONTENTS

ITEM 1: COVER	
ITEM 2: MATERIAL CHANGES .....	i
ITEM 3: TABLE OF CONTENTS... ..	ii
ITEM 4: ADVISORY BUSINESS.....	1
ITEM 5: FEES AND COMPENSATION .....	7
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	11
ITEM 7: TYPES OF CLIENTS.....	12
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	13
ITEM 9: DISCIPLINARY INFORMATION.....	19
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS. ....	20
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	21
ITEM 12: BROKERAGE PRACTICES AND SOFT DOLLAR POLICIES .....	23
ITEM 13: REVIEW OF ACCOUNTS. ....	28
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	29
ITEM 15: CUSTODY .....	32
ITEM 16: INVESTMENT DISCRETION... ..	32
ITEM 17: VOTING CLIENT SECURITIES.....	32
ITEM 18: FINANCIAL INFORMATION .....	33
MISC: PRIVACY POLICY .....	33

## Item 4 Advisory Business

Q3 Asset Management Corporation, (“Q3 Asset Management,” “Q3” or “Adviser”) was founded in 2006 and is a Registered Investment Adviser headquartered in Birmingham, Michigan. The Adviser is owned in equal parts by Bradford Giaimo, President and Chief Compliance Officer and Adam Quiring, Vice President. Q3 is registered with and is regulated by the United States Securities and Exchange Commission (“SEC”).

Q3 offers professional fee-based financial and investment advisory services. The term “fee-based” in this case means that Q3 is compensated in the form of advisory fees. Q3 does not accept commissions in connection with securities or insurance recommendations. Q3 is also the Investment Adviser to two affiliated mutual funds. In addition to fees generated through personalized investment advisory services, Q3 may receive a management fee for its role as a contracted manager to the funds. Investment Adviser Representatives are those persons who are registered with Q3 and are authorized to provide investment advisory services on behalf of Q3.

Q3 specializes in quantitative analysis. Our research emphasizes technical screens as opposed to fundamental screens. Most of our analysis is designed to be applied to mutual and exchange traded funds. Many of Q3’s investment strategies maintain the ability to shift to a defensive posture during certain market environments. Some of our investment portfolios and/or strategies may utilize inverse or leveraged mutual funds. Performance results are best analyzed over a complete market cycle based on the fact that our investment strategies may not correlate with the broader market.

### **Q3 offers advisory services on four levels:**

- I. Investment Management Services to and within Q3’s investment programs established through referral relationships with other financial professionals.
- II. Services provided to other financial professionals
- III. Asset management, consultation and financial planning services provided to Q3’s private clients.
- IV. Mutual Fund Manager whereby Q3 is the contracted manager to provide investment advisory services to affiliated mutual funds.

**I. Investment Management Services Through Referral Relationships with other Financial Professionals.** Q3 Asset Management offers ongoing investment management services to clients that are referred to Q3 through other financial professionals. These management services encompass various strategies with differing objectives to enable investor participants to receive personalized investment advice in an effort to help them achieve their stated investment goals. Additional details are available under the *Client Referrals and Other Compensation* section of this Brochure.

**II. Services Provided to Other Financial Professionals:** Q3 Asset Management is available to provide sub-advisory services to other financial professionals. Additional details of this service

can be found in Item 14 of this Brochure. Additionally, unaffiliated financial professionals may utilize Q3's strategies through a number of Turnkey Asset Management Providers (TAMPs). Details of this arrangement can also be found in Item 14 of this Brochure. Q3 also offers its services to one or more annuity companies whereby the Adviser provides investment management services to one more investment models that insureds can elect to place a percentage of their annuity holdings. Details of the service are provided in the annuity company disclosure materials.

Q3 may provide trading signals (buy and sell recommendations) to other unaffiliated financial professionals. This service is provided via subscription or consulting services available *only* to professionals for analysis. The proprietary data is not to be released to the general public via the subscribers. Since this is a professional service not available to the investing public, detailed information about the service is not provided herein.

### **III. Asset Management, Consultation and Financial Planning Services provided to Q3's Private**

**Clients:** Q3 Asset Management's client services are primarily provided to individuals; pension and profit-sharing plans; trusts, estates and charitable organizations; corporations or other business entities; and occasionally to associations or groups. See detailed description in Item 5.

*Asset Management:* Q3 offers professional management of various securities in an effort to meet specified investment goals for the benefit of the investors. Asset Management provides for ongoing management of a client's portfolio and services are continuous until terminated by either party. Portfolios are reviewed no less than quarterly and the Adviser remains available to consult with the client during the Adviser's normal business hours.

*Consultation:* Q3 offers the opportunity to meet with, discuss and offer advice based upon a client's particular investment needs and interests. Consultation Services are provided on a stand-alone basis. These services are not ongoing and thus terminate upon the delivery of services unless otherwise agreed as set forth in the written client agreement.

*Financial Planning:* Clients are welcome to request Financial Planning Services on a stand-alone basis. Q3 works closely with its clients in an effort to determine how to best achieve their strategic goals and investment objectives based upon information provided by the client. These services are not ongoing and thus terminate upon the delivery of services unless otherwise agreed as set forth in the written client agreement.

Q3's Consultation Services or Financial Planning Services are available on an hourly basis. Advice may be provided on general or specific issues relating to such topics as financial management, risk management, asset allocation, investment research, financial issues relating to divorce or marital issues, estate planning, tax issues, retirement planning, educational funding, goal setting, or other needs as identified by the client. Q3 may offer services regarding certain financial planning components

but since the Adviser focuses on Investment Management Services, Q3 does not hold itself out as a comprehensive financial planning firm. Many of Q3's investment strategies fall under the classification of Market Timing. This means that any investment strategy designed, if recommended during the course of these services, would be one that should be actively managed and could be out of the market, in the market, short the market, in bonds, or any combination of these. Thus, the Adviser's strategies may not be appropriate for all investors. Often with short-term services such as those outlined, Q3 will provide only general advice and recommendations. In each case, clients are welcome to accept and/or act on any advice or recommendations in whole or in part, entirely at their discretion.

When the Adviser's services focus on certain areas of client interests and needs or is otherwise limited, clients must understand that their overall financial and investment needs and objectives may not be considered as a result of time and/or service restraints placed on Q3's services. Clients requiring assistance on issues relating to matters outside of investment advisory topics should consult their personal tax and/or estate adviser, legal counsel, or other professionals for expert opinions. When providing services in connection with investments within a retirement plan, the advice and recommendations are limited to Plan offerings and contracted service providers (e.g., custodial firms).

Consultation and/or Financial Planning Services may include recommendations for updates and reviews. Additional or follow-up services are available as initiated by clients via a new or amended client agreement.

Q3 provides clients with the opportunity to place reasonable restrictions on the management of their account. A client may desire to place or keep certain assets within their Q3 account(s) that are selected by the client and are not the subject of investment advice by Q3. These are "self-directed" assets. The Adviser will generally not consult or provide due diligence services in connection with these investments. Q3 shall have no responsibility to review or manage any "self-directed" assets in client's account(s) and Adviser will have no liability to client for any loss relating to the "self-directed" assets.

**IV. Mutual Fund Manager whereby Q3 is the contracted manager to provide investment advisory services to affiliated mutual funds:** Q3 provides investment advisory services to the Q3 All-Weather Sector Rotation Fund and the Q3 All-Weather Tactical Fund (the "Funds"). These affiliated open-end mutual funds are established as series offered by Ultimus Managers Trust (the "Trust") and are registered with the SEC under the Investment Company Act of 1940. The Funds' prospectuses can be obtained online at [www.q3allweatherfunds.com](http://www.q3allweatherfunds.com). You should refer to each prospectus for a complete description of the fees, risks, investments objectives and other relevant information associated with investing in the Funds.

Pursuant to the management agreement between Q3 and the affiliated funds, subject

to the supervision of the Funds' Board of Trustees, Q3 provides a continuous investment program for the Funds and determines the composition of the assets of the Funds. Q3 performs investment research and analysis, and will conduct a continuous program of evaluation, investment, and reinvestment of the Funds' assets by determining the funds, cash and other investments, if any, that shall be purchased, entered into, retained, sold, closed, or exchanged for the Funds, when these transactions should be executed, and what portion of the assets of the Funds should be held in the various securities and other investments in which it may invest pursuant to Q3's discretionary authority.

Q3 is entitled to an annual management fee equal to 1.00% of each Fund's average daily net assets paid on a monthly basis. We may recommend investments in the Funds for our advisory and sub-advisory client accounts, including accounts for employees of Q3 Asset Management. If you have engaged Q3 for discretionary management services, we may invest up to 100% of your assets in the Funds at our discretion. There is a conflict of interest when Q3 utilizes their affiliated funds for client accounts. Please see the section titled Material Conflict of Interest for more detail.

### **Material Conflict of Interest**

Q3 is authorized to purchase affiliated mutual funds as part of your investment portfolio. As such, Q3 may receive both a management fee (from the affiliated mutual funds) and an advisory fee. Because we receive compensation from the Funds in addition to our advisory fee for our role in providing personalized investment advice, there is a material conflict of interest, as we have a financial incentive to invest your assets in the Funds. As a fiduciary to our clients, in order to address this conflict of interest, we will only make such investments and/or recommendations where we believe it is consistent with our fiduciary duty and your investment objectives. Further, Q3 will reduce your advisory fee to the extent that fees from our affiliated funds are collected.

Q3's affiliated mutual funds may be available on certain custodial platforms in multiple share classes, including an Investor and Institutional share class. The Investor share class includes a 12b-1 fee. This fee may indirectly benefit Q3, in that such fees may be used to cover expenses associated with some custodial platforms. As such, this presents a conflict of interest. While the Institutional share class may have a larger minimum investment requirement, in certain cases it may be available with a lower overall expense ratio. With that said, certain custodial platforms may charge a commission for the purchase and sale of the Institutional share class, and no commission with the Investor share class.

For certain ERISA accounts where our affiliated mutual funds may be utilized, if required, the client will approve investment of assets into our affiliated mutual funds through the Q3 Investment Management Agreement or a separate document. To the extent that such investments otherwise would constitute a prohibited transaction

under ERISA, the client's primary representative or Solicitor, prior to investing client assets in one of our affiliated mutual funds, will: (1) agree that they will take all actions necessary to assure that the conditions of the U.S. Department of Labor Prohibited Transaction Exemption ("PTE") 77-4 are satisfied; (2) approve the investment advisory and other fees paid by each of such investment companies in relation to the fees paid by the client under such agreement; and (3) acknowledge receipt of the current prospectus issued by each of our funds and other disclosures required under PTE 77-4, and that it is on the basis of such information that the primary representative or Solicitor gives this approval.

The recommendation to invest in an affiliated fund represents a conflict of interest. As a fiduciary, Q3 will make a good faith effort to determine if an investment in the Funds is in your best interest. Clients will complete a suitability questionnaire and risk assessment under such a scenario.

It may be possible for you to purchase Q3's affiliated Funds directly, without our advisory services. By doing so, you would be declining our advisory services. By using our advisory services and agreeing to the fee associated with these services, you are consenting to the aforementioned conflict of interest.

### **Use of Q3 All-Weather Funds Through Self-Directed Brokerage Windows**

For investors who have assets managed through their employer retirement plan, Q3 offers investment management services through a self-directed brokerage window. In such cases, rather than being limited to a retirement plan's core set of investment choices, a plan provider may offer a self-directed brokerage account (SDBA), providing the investor the ability to select from a wide range of investments, including the possibility to invest in our affiliated mutual funds.

Because of the compensation incentive described in this Brochure, a conflict of interest exists when we recommend our affiliated mutual funds within a self-directed brokerage window. A portion of the compensation that we receive for this service comes from recommendations to invest in our proprietary Funds. Q3 has a financial incentive to invest your assets in the Funds or to recommend that you invest in the Funds rather than other investments.

### **Managed Accounts for Retirement Plans**

Q3 Asset Management makes certain models available to financial professionals and plan sponsors for use in retirement plans, pursuant to the terms and conditions of a model management agreement between Q3 and each respective retirement platform or plan. Unaffiliated financial professionals and plan sponsors may choose to incorporate Q3's services through a Sub-Advisory relationship with a number of retirement plan custodians, including Mid Atlantic Trust Company and Matrix Trust Company. These platforms allow investment professionals and plan sponsors to incorporate investment models through web-based



interfaces that allow for the creation, execution and ongoing management of the models. Those models and corresponding model changes are then delivered to the Plans and Plan participants' accounts. Q3 Asset Management's managed account services with retirement plans, including 401(k) plans, Multiple Employer Plans (MEPs) and Simple IRAs, allow for plan sponsors to include Q3 Asset Management's models as designated investment alternatives within their respective Plan(s). Plan Sponsors who rely on advice from a consulting adviser and decide to include Q3 Asset Management allocations within their plan, sign the model management agreement contract to provide Q3 Asset Management models and related services to the plan. Details of such arrangements are outlined in each respective agreement.

When offering investment models to plan sponsors, under certain circumstances, Q3 will act as a "fiduciary" as defined under Section 3(21) of ERISA and Section 4975(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). When applicable, Q3 accepts its appointment as an "investment manager" within the meaning of Section 3(38) of ERISA (but only with respect to those plan assets constituting the portfolio models). Q3 will not have any authority or responsibility in the administration of the Plan (including the selection of portfolio models for the Plan) or interpretation of any Plan document. Q3 agrees it will act in a manner consistent with the requirements of a fiduciary under ERISA and the Code. Q3 further agrees any and all investment advisory and investment management powers, duties and responsibilities relating to the portfolio models shall be exercised exclusively by Q3 in accordance with the Plan.

### **Additional Retirement Plan Services**

Q3 offers additional Investment Management Services to sponsors of ERISA and non-ERISA retirement plans. ERISA Section 402(c)(3) provides that a named plan fiduciary may appoint a 3(38) investment manager to manage (including the power to acquire and dispose of) any assets of a plan. In the event a manager is appointed under 402(c)(3), the named fiduciary is not liable for the acts or omissions of the investment manager so long as it was prudent in selecting and retaining the investment manager.

When hired as a 3(38) Investment Manager, Q3 is responsible for the selection, monitoring, and replacement of investment options for corporate retirement plans. The Plan Sponsor and/or Trustee is removed from the selection, monitoring, and replacement process and the Plan Sponsor's sole responsibility is to monitor the 3(38) Investment Manager. This is a comprehensive transfer of Plan Sponsor liability for investment-related liability. As a 3(38) Investment Manager, Q3 develops a customized Investment Policy Statement ("IPS") that describes the investment methodologies used to select a menu of plan investment options and the process used for monitoring and replacing investments in the plan lineup. Additionally, each plan receives a quarterly fiduciary investment report that details fund metrics, rankings at a plan level and actionable items for the next quarter. As a Fiduciary under the Plan, the primary responsibilities of the 3(38) Investment Manager are:

1. Assist the Plan Sponsor to prepare and maintain the Investment Policy Statement.
2. Prudently diversify the plan's assets to meet risk/return profile described in the Investment Policy Statement.

3. Prudently select investment options using industry-standard evaluation methods, subject to additional investment constraints/options established by the Plan Sponsor and outlined in their IPS.

As the 3(38) Investment Manager, Q3 shall review the investment options made available by the Recordkeeper to the plan and only be responsible for the investment options it selects and shall not have any responsibilities or potential liabilities in connection with other investments (e.g., employer securities, unallocated accounts, mutual fund windows, self-directed brokerage accounts, guaranteed investment contracts, target date funds, etc.) offered by the Plan. Plan Sponsors may offer a window for self-directed brokerage accounts for Plan Participants (a "Brokerage Window"). As the 3(38) Investment Manager, Q3 will not manage assets held in such Brokerage Windows and we will not advise Plan Participants on whether they should or should not open or close a self-directed brokerage account, nor do we provide advice on purchasing, holding or selling any securities through the Brokerage Window.

The fee for this service starts and 10 basis points. Breakpoints may be provided for larger plans. If supported by the Recordkeeper, Q3 may provide managed portfolios according to the client's instructions.

Q3 Asset Management's assets under management, as of its last fiscal year end (December 31, 2019), totaled \$448,119,094 in 10,123 discretionary accounts. 10% of the Adviser's managed assets belong to clients who meet the SEC's definition of high net worth individuals. The remaining managed assets are owned by other than high net worth individuals.

## Item 5 Fees and Compensation

### Q3's Advisory Services

Advisory fees for asset management services are agreed upon at the time of engagement. Fees are charged quarterly in arrears. For accounts at E\*Trade Advisor Services, fees are based upon the average daily balance of your account. For all other custodians, fees are based upon the market value of the portfolio, set forth by the client's custodian, as of the last market day of the relevant calendar month. The last market day is defined as the last day of a billable month that the stock market is open. The Adviser's quarterly fees are:

Standard Fee Schedule		Destination Fee Schedule	
Portfolio Size	Investment Management Fee	Portfolio Size	Investment Management Fee
Up to \$500,000	0.5625% Quarterly	Up to \$500,000	0.4125% Quarterly
\$500,000+	0.4625% Quarterly	\$500,000+	0.375% Quarterly

The Destination Fee Schedule will be utilized in situations where a Client employs a 100% allocation to Q3's Destination or Voyage strategy. Only one strategy per account is allowed in order to utilize this fee schedule. Accounts may switch between strategies and fee schedules at any time in conjunction with strategy changes made to the account. For accounts on custodial

platforms *other than* E\*Trade Advisor Services, where services are initiated at any time other than the beginning of a calendar quarter, advisory fees will be pro-rated. Any additions of \$25,000 or more deposited to existing accounts will be pro-rated. Partial withdrawals of \$25,000 or more will also be pro-rated for fee purposes. Should a client have more than one account with Q3, balances will be aggregated when determining fees. Q3 reserves the right to modify fees outlined in the aforementioned fee scale, depending upon the nature of the engagement, complexity of services, time to be incurred, for pre-existing relationships, or other special situations and at our discretion. Investment Management Fees do not include custodial fees, service fees and/or transaction fees that may be levied by various custodians, broker-dealers, mutual funds and insurance companies. Clients may pay more or less than other client's receiving similar services. Alternate, performance-based fee arrangements are available, and they are discussed in Item 6 of this Brochure.

In the rare case where there is an absence of a portfolio value, Q3 and the client will utilize at least one independent third party to assess the value of the particular holding. Q3 reserves the right to modify the asset management fee for existing clients with 30 days' notice. This may occur when your circumstances or service needs have changed significantly. In such cases, a new or amended Client Agreement will be provided to the client to sign. Clients are welcome to terminate services at any time by written notice to Q3.

Payment of investment management fees may be paid directly by you or payment of fees may be made through a debit directly to your account by the qualified custodian holding your funds and securities. Direct-bill payments will be due as of the date posted on the invoice. If you have more than one account, you may choose to have all fees deducted from a particular account. For fee deductions, Q3 adheres to the following criteria in accordance with the United States Securities and Exchange Commission's Investment Advisers Act of 1940, as amended (the "Advisers Act"), when payment is made via a qualified custodian: (1) The client provides written authorization permitting the fees to be paid directly from the client's account held by the independent and qualified custodian and the authorization is limited to withdrawing contractually agreed upon investment advisory fees; (2) The client will directly receive regular (monthly or quarterly) reports directly from the qualified custodian which reflect the Adviser's fee deduction; (3) The frequency of advisory fee withdrawals shall be specified in the written authorization / agreement; (4) The custodian of the account shall be advised in writing of the limitation on the Adviser's access to the account; (5) The client shall be able to terminate the written billing authorization or agreement at any time.

When clients are invested in Q3's affiliated Funds, a portion of the fees associated with the funds is paid to Q3. Note that such fees are separate from advisory fees charged for personal investment advisory services. Direct clients of Q3 that are invested in the Funds will receive a fee credit to the extent that the Funds are utilized. This fee credit will be applied no less frequently than quarterly. Investors should consider the cost to invest in the Funds versus separately managed accounts. It is possible, based upon the dollar value to be invested, that the Funds may be less or more expensive than the similar strategies offered in a separately managed account. Other considerations include the fact that the SMA may offer more control in harvesting gains and losses for tax purposes.

In situations where accounts are managed via a SDBA where Q3's affiliated Funds are utilized, Q3 may pay, out of our own assets, compensation to a Solicitor, Registered Investment Advisor, or other financial intermediary involved. This compensation arrangement will typically amount to 50% of the fees earned. Details will be outlined in the Investment Management Agreement signed by the client. Referral compensation paid by Q3 is discussed at Item 14 of this Brochure.

Since custodians do not verify the accuracy of the advisory fee calculation, you should review each custodial statement and promptly contact Q3 if any questions should arise. Clients must ensure they are receiving account statements directly from their custodial firm(s) and promptly report address changes to both Q3 and their custodial firm(s). In the event a client finds that custodial account statements are not being received, they should immediately notify their custodian and Q3.

Fees for Consultation or Financial Planning are determined at the time of engagement based upon the time and effort required and/or the nature and complexity of services. Q3's hourly fee is \$200. The Adviser may require prepaid fees equal to ½ the proposed project fee in order to schedule services. In these cases, the project balance is due upon the delivery of services. As with the Adviser's asset management services, Q3 will not collect fees in excess of \$1,200 for services to be performed six months or more in advance. Should the client's situation change during the course of services such that new advice, recommendations or research are required or the Adviser must re-work the advice, recommendations or other services, additional fees. Should services deviate dramatically, the Adviser will require an amended or new Client Agreement. Q3 will not engage in additional services that result in fees without the client's approval.

Q3 is contracted as an adviser to a sub-account of the Midland National's Vector II Variable Annuity. Midland National compensates Q3 to the extent that the firm's investors utilize Q3's services. Such compensation amounts to 0.35% annually paid monthly in arrears. Fees paid are part of the mortality & expense charges of the contract, as outlined in the Client's agreement with Midland National.

### **Q3's Affiliated Mutual Funds**

Q3 receives a maximum annual investment management fee of 1.00% of the average daily net assets of each Fund. More detail on the fees associated with Q3's affiliated mutual funds is available through the prospectus and throughout this Brochure.

### **Termination**

For any of the Adviser's client services, if you did not receive Q3's Form ADV 2 Brochure at least 48 hours prior to execution of the Client Agreement, you may terminate services without penalty (no fees due) within 5 business days of signing the Agreement.

Investment Management Services are ongoing until the client receives notice of termination or renewal. Either party may immediately terminate the agreement by providing written notice to

the other. Where Investment Management Services are terminated prior to the conclusion of the calendar quarter, the Adviser will calculate the quarterly investment management fee (which is payable in arrears) and will only bill for services provided up until the effective date of termination.

Consultation or Financial Planning Services terminate upon the conclusion of services. Clients may terminate services at any time prior to conclusion by providing via written notice to the Adviser. Where the engagement is terminated prior to the conclusion of services, the Adviser will promptly refund the unused portion of a pre-paid fee or will only invoice for services provided up until the date of termination.

The advisory fees noted herein represent fees for our advisory services only. Investors may pay transaction, brokerage, commissions and other fees as well (e.g., custodial fees, account opening, maintenance, transfer, termination, cash wire transfer, retirement plan, trust fees, and all such applicable third party fees). Clients invested in exchange-traded funds and mutual funds, will pay layered fees - they pay for Q3's private portfolio management services in addition to the management fee that the exchange-traded funds and mutual funds pay their respective managers to manage the assets within the funds. These fund fees are separate and distinct and part of an exchange-traded or mutual fund offering. For more information on brokerage fees please see the "*brokerage practices*" section of this Brochure.

Under certain circumstances, the Adviser may offer its programs or strategies to other investment firms through a subscription, consulting engagement or other service agreement. Under such a scenario, fees will vary based upon the services provided.

Q3 strives to avoid trading errors within client accounts and uses best efforts in doing so. For any trade error that is determined to be the Adviser's responsibility, accounts will be restored to the position prior to the error. Q3 will reimburse accounts for losses resulting from trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses will be reconciled within the Adviser's error account at the custodial firm.

#### **Item 5A. Charitable Giving Program**

Q3 initiated a Charitable Giving Program in January 2013. Under the terms of this program, Q3 may donate \$10 for each new account established. Eligible accounts must meet our account minimum of \$75,000. While this program creates an incentive for Adviser Representatives to open an account, the funds donated per new account (\$10) are nominal and do not pose a material conflict of interest between Adviser Representatives and our clients. There is no obligation to the Client or a referring Adviser. Q3 will choose at least one charity, per period. Under some circumstances, an Adviser Representative or Solicitor may designate a charity of their own, then, at the end of the period, Q3 will make a donation in their name to that particular charity.

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

Q3 may enter into performance-based fee arrangements with a qualified client or qualified purchaser, as defined by Rule 205-3 of the Advisers Act. Q3's performance-based fee arrangements may be based on an absolute return, a portion of net profits (capital gains), performance versus a pre-defined benchmark, or other mutually agreed upon terms. Performance-based fees may consist of a base advisory fee in addition to the performance-based fee component. Under such a scenario, the maximum allowable advisory fee is 1.5% annually. All performance-based fees are negotiated with each client and managed in accordance with the Advisers Act. Q3 expects a minimum account size of \$500,000 in order to participate in a performance-based fee arrangement.

The term **qualified client** under the Investment Advisers Act means:

(i) A natural person who, or a company that, immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;

(ii) A natural person who, or a company that, the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:

(A) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,000,000. For purposes of calculating a natural person's net worth:

(1) The person's primary residence must not be included as an asset;

(2) Indebtedness secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time the investment advisory contract is entered into may not be included as a liability (except that if the amount of such indebtedness outstanding at the time of calculation exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess must be included as a liability); and

(3) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the residence must be included as a liability; or

A **qualified purchaser** under the Investment Company Act is defined as:

(iii) A natural person who immediately prior to entering into the contract is:

(A) An executive officer, director, trustee, general partner, or person serving in a similar capacity, of the investment adviser; or

(B) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

(C) A qualified purchaser under the Investment Company Act is defined as:

- a person not less than \$5 million in investments
- a company with not less than \$5 million in investments owned by close family members
- a trust, not formed for the investment, with not less than \$5 million in investments
- an investment manager with not less than \$25 million under management
- a company with not less than \$25 million of investments

Our policies are designed to ensure that client accounts are treated fairly under all circumstances. We strive not to favor any clients or subsets of clients when we engage in side-by-side trading of separately managed accounts, performance-based fee accounts, or any other investment account for which Q3 may have an interest.

Because Q3 manages accounts using both a traditional advisory fee format and a performance-based fee format, a conflict of interest exists. Q3 may have an incentive to favor accounts for which Q3 receives performance-based fees. Q3 addresses this conflict by ensuring that clients who have performance-based accounts do not receive preferential treatment. As a fiduciary to its clients, Q3 seeks to ensure that each client receives individualized advice and suitable recommendations based on what is known about each investor.

Another conflict of interest associated with performance-based fee arrangements is the fact that performance-based fees may incentivize Q3 to recommend investments which may be riskier or more speculative than those recommended under traditional fee arrangements. Performance-based fee arrangements may also incentivize Q3 to direct our best investment ideas to accounts that pay a performance fee. We have adopted and implemented policies and procedures that are reasonably designed to prevent violation of the Advisers Act by our Firm or any of our supervised persons. We strive to treat all clients fairly, and we're committed to prevent fee-related conflicts from influencing the allocation of investment opportunities among clients.

#### **Item 7 Types of Clients and Minimum Conditions**

Q3 Asset Management's client services are primarily provided to individuals; pension and profit sharing plans; trusts, estates and charitable organizations; corporations or other business entities; and occasionally to associations or groups.

Q3 Asset Management imposes a minimum portfolio size of \$75,000. Q3 reserves the right to waive the minimum based upon individual circumstances, pre-existing relationships, where the minimum can be met within a specified time period, or at Q3's officers' sole discretion. Investment advisory services are not appropriate for all persons and/or entities. Therefore, Q3 reserves the right to decline to provide services to any person or firm.

If an account is subject to the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), the Adviser acknowledges that Adviser is a fiduciary within the meaning of the Act and the ERISA Client is a named fiduciary with respect to the control or management of the assets in the Account. In each instance, the client will agree to obtain and maintain a bond satisfying the requirements of Section 412 of ERISA and to include the Adviser and the Adviser's principals, agents, and employees under those insured under that bond and will deliver to the Adviser a copy of the governing plan documents. If the Account assets for which the Adviser provides services represent only a portion of the assets of an employee benefit plan, client will remain responsible for determining an appropriate overall diversification policy for the assets of such plan.

If Q3 provides individual advisory services to a client whose portfolio of assets includes assets held within a retirement plan, the client must understand that the Adviser's advice and recommendations are limited to the offerings in the plan and the plan's service provider(s).

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

***Investing in securities involves risk of loss that you should be prepared to bear. Additionally, because many of Q3 Asset Management's strategies have a low correlation to the broader market, it's possible that a client's account may depreciate in value over periods of time when the market appreciates in value.*** Q3 attempts to measure an investor's risk tolerance, time horizon, goals and objectives through a data-gathering process in an effort to determine an investment plan or portfolio to best fit the investor's profile. The client's participation and delivery of accurate and complete information are critical to this process. These investment strategies may not be appropriate for every type of investor.

Q3 provides advisory services for portfolios ranging from conservative to aggressive, designed to help meet the varying needs of investors. The Adviser (in conjunction with the Solicitor when applicable) selects the strategy combination suited to their individual needs after clients have defined their objectives, risk tolerance and time horizon. Portfolio holdings are generally derived through methods associated with quantitative analysis. Q3 places more emphasis on "technical" screens rather than "fundamental" screens.

Generally speaking, technical analysis does not attempt to measure a security's intrinsic value, but instead uses charts and other tools to identify patterns that can suggest future activity. The field of technical analysis is based on three assumptions:

1. The market discounts everything.
2. Price moves in trends.
3. History tends to repeat itself.

In general terms, technical analysis deals with reading stock charts and this process is broadly described as a method of evaluating securities by analyzing statistics generated by market activity, such as past price and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. It is a discipline for forecasting the direction of prices through the study of past market data. Technical analysts lean towards the belief that the historical performance of stocks and markets are likely indications of future performance.

Technical analysis can be difficult, as analysts need to learn various indicators and patterns and understand how they relate to investor sentiment and behavior. Analysts also have to devise methods of how these issues may impact stock price. Like other analysis methods, technical analysis is not 100% percent accurate or reliable. Relative success depends on the analyst, the analysis tools and the stock or market itself. Often there can be contradicting results which may result in a situation where no trade can be made. An example of this exists when the overall



market is heading in one direction and the particular issue is heading in the opposite direction. The interpretation of technical indicators is subjective. The same indicator could be interpreted as bullish by one side of the camp and as bearish by the other side of the technical camp. The subjective aspect of technical analysis gives way to another drawback of technical analysis which is the validation of a biased view. The analyst may have already formed a view based on the state the economy is currently or the situation of the market and sector the company is operating in.

Investors should not expect to remain fully invested at all times, as most of the Adviser's programs maintain the ability to move into "money market" or "defensive" positions. Additionally, some of the Adviser's programs maintain the ability to invest in "inverse" or "leveraged" products which may carry a higher level of risk. Many of Q3's strategies may utilize short-term trading strategies in an effort to capitalize upon shorter term market moves and as a result it's possible that a high number of transactions may occur over a relatively short period of time. More transactions may result in higher fees in individual accounts. The Adviser's strategies may not be appropriate for every type of investor.

As part of Q3's internal research, we often conduct quantitative back tested simulations to see how a particular model may have performed over different market periods - with the benefit of hindsight. Most quantitative models go through a least one stage of development known as "backtesting." This process is an empirical analysis which attempts to judge if a particular investment technique would have been successful had it been applied in the past. If it appears from the test that the methods being analyzed would have been successful in meeting the hopefully well-defined goals of our investors, then the method is often tried in simulated trading in purportedly current investment conditions. Q3 analyzes the theoretical results, which are not based on the performance of actual portfolios, thus the Adviser's interpretation takes into consideration the limitations inherent in the results of the tested, proprietary model. When conducting a backtest, hypothetical advisory fees, as described in this Brochure, are deducted from the quarter end month, while actual advisory fees are pulled shortly thereafter. Depending on the performance of the model between these two dates, it's possible that the model account achieves a slightly better rate of return, however, such differences are expected to be negligible. ETF based strategies deduct an additional fee to account for commissions and slippage. Hypothetical performance for taxable accounts would be negatively affected had taxes been deducted. Q3 assumes dividends are re-invested. It is important to understand that hypothetical performance results have certain inherent limitations. Unlike an actual performance record, simulated trades do not represent actual trading. Also, since the trades have not actually been executed, the results may have over or under compensated for the impact, if any, of certain market factors such as lack of liquidity. No graph, chart, formula or other device can, in and of itself be used to determine which securities to buy or sell, or when to buy or sell such securities, or can assist persons in making those decisions. An investor may have done better or worse than results derived from back testing. It is therefore important to remember that investment decision models which have produced excellent results in backtests and simulations may achieve very poor results when actually implemented. Simply put, the biggest challenge with backtests and simulations is that no matter how rigorously they are

performed, there is the final, overriding assumption that the investing world of tomorrow will behave like the world of today or yesterday. Therefore, no representation is being made that any account will or is likely to achieve profits or losses similar to those derived through a backtest. For a list of all recommendations made in the preceding twelve months, please contact Q3's office directly.

Q3 may engage the services of unaffiliated and independent Signal Providers to provide buy and sell signals, research, or other information that we may use to manage a particular strategy. Such Signal Providers will not act as fiduciaries with respect to any client as they engaged to provide market-related services to the Adviser. In providing individualized investment advice, Q3 may invest a client's assets in accordance with the recommendations of one or more Signal Providers or may invest the account in any manner it deems appropriate based on the client's personal objectives. All fees incurred by the subscription to various Signal Providers is paid by Q3 (in the form of a flat fee and/or as a percentage of the fees generated within a particular program). Thus, a portion of the advisory fee paid by a client to Q3 may be used to compensate such third party providers or consultants. These service providers do not, in any way, engage in providing insider-trading data and Q3 has strict policies against the use of insider-trading information.

Q3 offers a number of strategies that fall under the "tactical" category. In general, a tactical management strategy seeks to actively rebalance client assets held in various categories in order to take advantage of short-term moves in the market and/or market sectors. These strategies attempt to add value by taking advantage of certain market conditions. Some of these strategies maintain the ability to invest in aggressive investment vehicles including sector, inverse and leveraged funds. The performance of these strategies may not correlate with a rising stock market and may be volatile. While we believe that the non-correlation of these strategies may reduce overall portfolio volatility when used in conjunction with other strategies, they may not be appropriate for some investors. The following strategies are included as part of this group: Bull Cipher, Cipher, Adaptive High Yield, Tax Advantaged Income, Tactical Unconstrained Growth, Tactical SPX, Active Index Rotation, Managed Income Rotation, All-Weather Tactical, ESG Active Bond, and Alternative Edge. The objective of these programs is not necessarily to outperform the market each year, but to post consistent returns through both bull and bear markets. There is no assurance that objectives will be realized. Additional "tactical" strategies may be offered by the Adviser and information is available upon request.

Q3 also offers a number of strategies that fall under the "dynamic & strategic asset allocation" category. Most of these strategies are available in a conservative, moderate or growth risk profile. Each of these strategies maintains the ability to revert to a defensive position during certain market environments. Such defensive positions may include a higher allocation to fixed income investments (including, but not limited to, government bond funds).

The following strategies are part of this group: Enhanced Allocation, Enhanced Allocation – Sector (ETF) 2.0, Enhanced Sector ETF, Strategic Allocation, Strategic Allocation – Sector (ETF) 2.0, Strategic Sector ETF, All-Weather Sector Rotation, All-Weather Growth, Voyage, Strategic Core, Seasonal Edge, Destination, Cash Balance Strategy, Faith Based, ESG Active Equity, and

Dynamic Income. The performance of these strategies may not correlate with a rising stock market and the programs may invest in aggressive mutual funds or exchange traded funds, including sector funds. The objective of these programs is not necessarily to outperform the market each year, but to post consistent returns through both bull and bear markets. There is no assurance that objectives will be realized. In a dynamic or strategic asset allocation strategy, the Adviser can generate high rates of return if it is accurate about its expectations of market trends and if these trends persist over long periods. However, dynamic and strategic asset allocation models could underperform market averages, especially in choppy or volatile markets. Additionally returns can be impacted by high trading costs associated with frequent portfolio rebalancing. Additional “dynamic and strategic asset allocation” programs may be offered by the Adviser and information is available upon request. More detailed strategy description reports for all strategies are available upon request.

## **Affiliated Mutual Funds**

### **Q3 All-Weather Sector Rotation Fund (“Sector Rotation Fund”)**

The Q3 All-Weather Sector Rotation Fund seeks to achieve long-term growth of capital. Under normal circumstances, the Sector Rotation Fund will invest in shares of other investment companies, including exchange-traded funds (“ETFs”), open-end mutual funds, and closed-end funds (collectively, “Portfolio Funds”) in an attempt to invest in sectors and subsectors which have exhibited recent relative performance strength, as evaluated on a monthly basis according to the Adviser’s proprietary rules-based analytical approach.

In evaluating a sector’s or subsector’s relative strength, the Sector Rotation Fund will measure the performance of that sector’s or subsector’s securities against the performance of other sectors’ securities in the Fund’s investing universe, which encompasses all eleven global industry classification standard (“GICS”) sectors (Real Estate, Financials, Information Technology, Utilities, Consumer Staples, Consumer Discretionary, Materials, Industrials, Energy, Communication Services and Health Care) across global equities and fixed income securities. The Sector Rotation Fund will seek to invest in those GICS sectors or subsectors which the Adviser identifies as exhibiting relative total return performance strength in both the near and long-term. The Adviser may, from time to time, utilize leveraged Portfolio Funds in seeking to meet its investment objective.

The Fund will rotate assets into, and out of, sectors and subsector positions on a periodic basis, and the Fund’s portfolio may therefore be traded frequently.

During certain market conditions, notably those which the Fund deems to be relatively unattractive for equities, the Fund may take positions in Portfolio Funds that focus on bonds and fixed income securities as an alternative to equities in an attempt to preserve capital.

### **Q3 All-Weather Tactical Fund (“Tactical Fund”)**

The Q3 All-Weather Tactical Fund seeks to achieve a positive rate of return over a calendar year regardless of market conditions. Under normal circumstances, the Tactical Fund will invest in shares of other investment companies, including exchange-traded funds (“ETFs”), open-end mutual funds, and closed-end funds (collectively, “Portfolio Funds”) that utilize index-based strategies in an attempt to invest in market indices (“Segments”) such as the S&P 500, Dow Jones 30 Industries, or the Nasdaq 100 when that Segment is anticipated to show strength, and divest when market weakness in that Segment is anticipated. Portfolio Funds will generally consist of equity index funds.

In evaluating an index-based Segment for investment, the Tactical Fund will evaluate internal measures of each Segment and take into consideration both trend and counter-trend analysis. The Adviser may, from time to time, utilize leveraged Portfolio Funds in seeking to meet its investment objective. The Tactical Fund will rotate assets into, and out of, positions on a periodic basis, and the Tactical Fund’s portfolio may therefore be traded frequently. During certain market conditions, notably those which the Fund deems to be relatively unattractive for equities, the Fund may take positions in Portfolio Funds that focus on bonds and fixed income securities as an alternative to equities in an attempt to preserve capital. This may, at times, result in the Fund’s portfolio holding ETFs across both equities and bonds simultaneously.

Additional information on Q3’s affiliated Funds is available in each Fund prospectus. While the Funds may act similar to Q3’s SMA strategies at times, this may not always be the case.

Q3 Asset Management offers a program referred to as “CPS” (“Custom Portfolio Select”) where Q3 will select the strategy combination on behalf of the Client and/or Solicitor. The Adviser can tailor each investment portfolio to an investor’s stated specifications and the resulting portfolio reflects a particular investment objective and risk tolerance. The program is offered in a Conservative, Moderate or Growth risk profile. At their sole discretion, Q3 may or may not adjust the strategy mix over time. As with any of the Adviser’s strategies, market fluctuations are to be expected and there is no guarantee that the individually designed strategy will be effective and no allocation can provide a guarantee against loss.

Numerous publicly available sources of economic, financial and investment research are used by the Adviser to aid in investment decisions. Asset allocation software and historical performance modeling software may also be utilized. Q3 clients are encouraged to discuss any questions that may arise regarding investment policies throughout the course of our engagement.

Q3 generally does not consider tax consequences when purchasing or selling a security. The sale of investments may cause taxable gains or losses to the client. Additionally, “wash sales” may occur from time to time. You are welcome and encouraged to consult your independent personal tax adviser about tax consequences resulting from transactions or any particular

investment held in your account. The majority of Q3's programs trade frequently. Frequent trading of securities may affect investment performance through increased brokerage costs and through tax implications.

Some mutual fund families may impose redemption charges on funds held for less than a minimum period, as determined by the mutual fund family. While best efforts are made to avoid these fees, clients may from time to time incur such charges.

A client may direct Q3 to invest all or a portion of the client's account into a money market fund ("Money Market Request"). When this occurs, the client reduces the potential for market appreciation within the account. Furthermore, after advisory fees the account could lose value. Q3 takes no responsibility for advising clients on when to move out of the money market fund and back into the designated investment programs.

When investors invest their funds, they take certain risks. With insured bank investments, such as certificates of deposit (CDs), investors face inflation risk, which means that an investor may not earn enough over time to keep pace with the increasing cost of living. With investments that aren't insured, such as stocks, bonds, and mutual funds, investors face the risk that they might lose money, which can happen if the price falls and the asset is sold for less than the purchase price. No single strategy can be relied upon to outperform the market. The Adviser seeks to utilize investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Certain investment options generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies. Those employed by the Adviser (if in keeping with the investor's selected strategies) might include:

1) Short sales - market transactions in which an investor sells borrowed securities in anticipation of a price decline and is required to return an equal number of shares at some point in the future. Short selling is an advanced trading strategy with many unique risks and pitfalls. Novice investors are advised to avoid short sales because this strategy includes unlimited losses. A share price can only fall to zero, but there is no limit to the amount it can rise.

2) Margin transactions - in which a customer who purchases securities may pay for the securities in full or may borrow part of the purchase price from his or her securities firm. This strategy is risky and requires some investment sophistication. These risks include the following: Loss of more funds than the investor deposited in the margin account. The brokerage firm can force the sale of securities in an account if the equity falls below the maintenance margin requirements under the law—or the firm's higher "house" requirements. The brokerage firm can sell the securities without notice ("margin call") and an investor is not entitled to a time extension on market calls.

3) Option writing – there are various types of option strategies and each carries a risk of investment loss. The purchase or sale of options may involve a high degree of risk and

speculation and only experienced investors and those who endure loss of principal should engage in these strategies.

Bond investments involve certain risks such as (but not limited to): Interest rate, reinvestment, inflation, selection, timing and price. Additional risks for some government agency, corporate and municipal bonds may include: Legislative risk (a change in the tax code could affect the value of taxable or tax-exempt interest income); Call risk (some corporate, municipal and agency bonds have a “call provision” entitling their issuers to redeem them at a specified price on a date prior to maturity. Declining interest rates may accelerate the redemption of a callable bond, causing an investor’s principal to be returned sooner than expected and in that scenario, investors have to reinvest the principal at the lower interest rates. If the bond is called at or close to par value, as is usually the case, investors who paid a premium for their bond also risk a loss of principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called. Additionally, there may be a liquidity risk involved if investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume. Additional risks for corporate and municipal bonds may include: Credit risk; default risk; event risk and duration risk.

A client may adjust their mix of strategies upon request, or through instructions provided by their Solicitor or Investment Adviser Representative. Under most circumstances, either the client, Solicitor, or IAR is asked to complete a “Strategy Change Request Form.” The Client’s existing suitability profile questionnaire will be used to make sure that the requested strategy mix is in line with the client’s risk tolerance. Because strategy changes may take time to complete, assets may be uninvested for periods of time during the transition. Throughout the term of the engagement, Q3 may adjust the client’s allocation based on a variety of factors, in conjunction with Q3’s assessment of market conditions and/or a reported change in the client’s objectives.

As previously noted in Item 4, Q3 may suggest the client work closely with the client’s own attorney, accountant, insurance agent, and the client’s custodian. Clients requiring assistance on issues relating to matters outside of investment advisory topics should consult their personal tax adviser, legal counsel, insurance agent or other professionals for expert opinions.

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

Q3 Asset Management's and its owners' registration records contain no information that would impact a client's or prospective client's evaluation of Q3 Asset Management. The Adviser, its Officers and its Adviser Representatives have not been involved in any investment-related litigation, arbitration, regulatory or self-regulatory proceedings or other disciplinary actions. Q3 Asset Management and its Officers have never been party to a bankruptcy, license suspension or revocation, or a registration suspension or revocation. There are no other legal or disciplinary

events to report in connection with Q3 or its Adviser Representatives.

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

Q3 Asset Management does not maintain registration relationships or legal affiliations with any of the following:

- broker-dealer, municipal securities dealer, or government securities dealer or broker
- other investment adviser
- futures commission merchant, commodity pool operator, or commodity trading adviser
- banking or thrift institution
- accountant or accounting firm
- lawyer or law firm
- insurance company or agency
- pension consultant
- real estate broker or dealer
- sponsor or syndicator of limited partnerships.

Q3 Asset Management does not operate and does not have a material relationship with a hedge fund or other type of private pooled investment vehicle.

In 2019, Q3 launched two mutual funds – The Q3 All-Weather Tactical Fund and The Q3 All-Weather Sector Rotation Fund (“Funds”). The Funds are registered under the Investment Company Act of 1940. The Funds’ administrator is Ultimus Fund Solutions, LLC and the distributor of the Funds’ shares is Ultimus Fund Distributors, LLC. The Board of Trustees of the Trust has approved Q3 to serve as the Investment Adviser (“Adviser”) to each of the Funds. The arrangement between Q3 and the Funds presents a conflict of interest since Q3 has a financial incentive to recommend investments in the Funds, as described in Item 4 of this Brochure.

The Funds are diversified, open-end series of the Trust. Q3 receives a maximum annual investment management fee of 1.00% of the average daily net assets of each Fund. For more details on trade allocation see Section 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

The Trust’s Board of Trustees has governance responsibility for the Funds. To the extent that the Funds are utilized in accounts of direct clients of Q3, each client will receive a fee credit equivalent to the investment advisory fee paid to the Adviser by the Funds with respect to the client’s assets. This fee credit will be applied no less frequently than quarterly.

There may be times where the Funds hold similar positions when compared to the separately managed accounts described herein. Investors should consider the cost to invest in the Funds versus separately managed accounts. It is possible, based upon the dollar value to be invested, that the Funds may be less or more expensive than the similar

strategies offered in a separately managed account. While Q3 doesn't expect such differences to be significant, they may differ from custodian to custodian based on trading costs and additional factors. Other considerations include the fact that the SMA offers the advantage of more control over harvesting gains and losses for tax purposes. Furthermore, on certain custodial platforms only one or the other may be available for investment. In some circumstances, the Funds offer a lower initial investment requirement.

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

A copy of Q3's Code of Ethics is available upon request. We take the issue of regulatory compliance seriously and are committed to maintaining compliance with applicable federal and state securities laws. Additionally, we have a position of public trust and it is our goal to maintain that trust; provide excellent service and advice that is suitable. Q3 places great value on ethical conduct. Therefore, *the ultimate goal of our internal policies is to challenge our staff to live up to not only the letter of the law, but also to the ideals set forth by the Adviser.*

You may, or may not, be familiar with the roles fiduciaries play in various legal situations and in certain industries. As a Registered Investment Adviser, Q3 is a fiduciary to each and every client.

As fiduciaries, Investment Advisers owe their clients several specific duties. According to the SEC, an Investment Adviser's fiduciary duties include:

- Providing advice that is suitable;
- Providing full disclosure of material facts and potential conflicts of interest (such that the client has complete and honest disclosure in order to make an informed decision about services of the Adviser and about investment recommendations);
- The utmost and exclusive loyalty and good faith;
- Best execution of transactions under the available circumstances;
- The Adviser's reasonable care to avoid ever misleading clients;
- Only acting in the best interests of clients.

It is Q3's policy to protect the interests of each of our clients and to place their interests first and foremost in each and every situation. Q3 will abide by honest and ethical business practices to include, but is not limited to:

- ❖ Q3 will make investment decisions with reasonable grounds to believe that the decisions are suitable for the client on the basis of information furnished by the customer and we will document suitability.
- ❖ Q3 and its Adviser Representatives will not borrow money from clients.
- ❖ Q3 will not recommend the purchase of a security without the reasonable



belief that the security is registered, or the security or transaction is exempt from registration in states where we provide investment advice and based upon information the Adviser receives.

- ❖ Q3 will not recommend that the client place an order to purchase or sell a security through a broker/dealer or agent, or engage the services of a broker/dealer that is not licensed, based upon information available to the Adviser.
- ❖ Q3's staff will report all required personal securities transactions to Bradford Giaimo, President and Chief Compliance Officer of Q3 Asset Management Corporation as required. The following is a list of *exempt* securities at this writing:
  - Transactions effected pursuant to an automatic investment plan;
  - Securities held in accounts over which the access person has no direct or indirect influence or control;
  - Transactions/holdings in direct obligations of the US Government;
  - Money market instruments — bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
  - Shares of money market funds;
  - Transactions and holdings in shares of open-ended mutual funds are not reportable (except for mutual funds advised by Q3), since the Adviser does not have a material relationship with an investment company which would otherwise require reporting;
  - Transactions in units of unit investment trusts are not reportable if the UIT is invested exclusively in unaffiliated mutual funds.

All applicable securities rules and regulations will be strictly enforced. Q3 will not permit and has instituted controls against insider trading. Our representatives and administrative personnel who do not follow the Q3 Code of Ethics, Q3's written policies and procedures, or who in any way violate the rules and regulations of the SEC, or applicable state rules and regulations, will be disciplined or terminated. Such persons could also face action by the SEC and/or a state securities regulator.

Q3 Asset Management emphasizes your unrestricted right to decline to implement any advice rendered, in whole or part. Where Q3 is granted discretionary authority (in writing) of a client's account, the client is welcome to set investment parameters and/or limitations. Such direction is followed until such time the client amends those instructions.

Q3 Asset Management Corporation, or individuals associated with Q3, may have similar investment goals and objectives and (as a result) may buy or sell securities for their personal accounts that may be identical to or different from those recommended to clients. Thus, at times the interests of the Adviser's or staff members' accounts may coincide with the interests

of clients' accounts. However, at no time will Q3, or any related person receive an added benefit or advantage over our clients with respect to these transactions. Q3 and its associated persons will not place itself in a position to have added benefit as a result of advice given to clients. The staff of Q3 shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry.

Bradford Giaimo & Adam Quiring, the Principals of Q3 are responsible for the monitoring of personal trading conducted by staff.

Q3 provides investment advisory services to the Q3 All-Weather Sector Rotation Fund and the Q3 All-Weather Tactical Fund ("the Funds"). The Funds are registered under the Investment Company Act of 1940. Those associated with Q3 may have significant investments in the Funds. For this reason, along with the fact that Q3 is compensated as the contracted Adviser to the Funds, there is a conflict of interest between Q3 and investors since Q3 has a financial incentive to recommend the Funds. As a fiduciary, Q3 must give advice and make investment decisions that are in the best interest of its clients.

Clients of Q3 are welcome but are never obligated to invest in the affiliated funds. Should you prefer not to invest in the Funds for any reason, you are welcome to impose that restriction to Q3 in writing, or as part of your Investment Management Agreement when initiating services.

## Item 12 Brokerage Practices

Consultation/Financial Planning clients are welcome to utilize the service provider(s) of their choice and are welcome to implement recommendations in whole or in part, entirely at their discretion. For clients utilizing Q3's Investment Management Services, Q3 will generally utilize one of their preferred providers. These custodians currently include E\*Trade Advisor Services (formerly Trust Company of America), TD Ameritrade, and Charles Schwab. While clients may request a service provider of their choice, Q3 cannot guarantee best execution in such a case.

Q3 is independently owned and operated and has no affiliation with either of the recommended custodial firms. The Adviser Representatives of Q3 are not registered representatives of any broker/dealer firm.

We believe that excellent customer service and trade execution available through its preferred services providers is competitive when compared to many non-service oriented and internet-based brokers that may otherwise be available to the general public. Q3's selected service providers feature a broad line of products and services for the many types of investors we work with.

At times, for accounts utilizing the preferred platforms, the custodial firm may effect clients' over-the-counter securities transactions on an agency basis. Typically, the service providers execute transactions based upon a number of factors. These factors include: Size of order, trading characteristics of the security, favorable execution prices, access to reliable data,

availability of efficient transaction processing and possible price reductions. In filling these orders, the service provider may transact with a market-making broker-dealer (“market maker”) on the other side of the trade. A market maker may mark-up/down the price of securities for which it makes a market, which is a cost that will be incurred by the client in addition to any agency commissions assessed by the client’s service provider. Normally, best price and execution is obtained for over-the-counter securities transactions by executing directly with the market maker on a principal basis. Therefore, in some cases, clients may incur transaction costs, in addition to any commissions charged by their services provider, when trades in over-the-counter securities are affected on their behalf through that broker on an agency basis. The Adviser does not receive any portion of transaction-related fees. The Adviser’s choice to utilize the service provider’s platform or similarly termed service available through the selected service provider may limit or eliminate the Adviser’s ability to obtain best price and execution in each case. On platforms where Q3’s affiliated Funds are available, platform fees may be paid through a 12b-1 amounting to 0.25% annually, generated through such Funds.

In certain cases, a security may be purchased through another service provider and in such cases, the security purchased is then transferred to the client account at one of our preferred providers, and a “trade away” delivery fee may be assessed to the client account.

Q3 recognizes its duty to obtain best price and execution for its clients under the circumstances available. The decision to recommend the preferred service providers is based upon the customer service provided to investors and the services available to the Adviser and providing such recommendation is consistent with the Adviser’s fiduciary duty to the client. The Adviser may also consider the following:

- ❖ Quality of overall execution services provided;
- ❖ Promptness of execution;
- ❖ Research (if any) provided;
- ❖ Promptness and accuracy of reports on execution;
- ❖ Ability and willingness to correct errors;
- ❖ Promptness and accuracy of confirmation statements;
- ❖ Ability to access various market centers;
- ❖ The broker-dealer's facilities and technology;
- ❖ The market where the security trades;
- ❖ Any expertise in executing trades for the particular type of security;
- ❖ Commission charged;
- ❖ Reliability of the broker-dealer;
- ❖ Ability to use ECNs (Electronic Communication Networks) to gain liquidity, price improvement, lower rates and anonymity;
- ❖ Execution and operational capabilities of the broker-dealer.
- ❖ Creditworthiness, financial condition, and business reputation of the broker-dealer;

While it is possible that clients may pay higher commissions or transaction fees through its preferred service providers, Q3 has determined they currently offer a high level of value to

the Adviser and clients for the brokerage and technology provided. Q3 periodically reviews other alternatives that are available.

Clients are welcome to suggest use of their preferred service provider, in which case the Adviser may not be able to provide best execution, because of limitations that may be placed on the Adviser by the client's service provider. Brokerage direction is provided via the Client Agreement. The Adviser will continue to place trades through the client's selected service provider until such time new, written direction is received.

Where Q3 is contracted as the Sub-Adviser within certain unaffiliated investment programs, Q3 will not have brokerage discretion to determine what service providers are utilized by the program sponsors.

### **Brokerage Recommendations**

Q3 may provide management services via fund investments held at ProFunds, an unaffiliated fund company. In such cases, Q3's investment advisory program is generally available through accounts established through unaffiliated financial services providers. In such a case, Q3's investment advisory services are *only* available in ProFunds' Investor Class account types. ProFunds are not suitable for all investors because of the sophisticated techniques the funds may employ. Some of ProFunds' mutual funds entail certain risks, including risk associated with the use of derivatives (swap agreements, futures contracts and similar instruments), imperfect benchmark correlation, leverage and market price variance, all of which can increase volatility and decrease performance. For more on correlation, leverage and other risks please read each investment prospectus carefully. The frequent exchanges permitted by ProFunds investment policies can decrease performance, increase expenses and cause investors to incur tax consequences. Each investor considering ProFunds offerings should carefully review the investment objectives, risks, charges and expenses of ProFunds before investing.

### **Soft Dollars and Other Considerations**

Q3 is enrolled in its preferred custodial firms' institutional programs which provide custodial and account services to independent Registered Investment Advisers. Generally speaking, soft dollars are benefits (primarily investment research and brokerage services) that Investment Advisers may receive in exchange for directing trade activity to a particular brokerage firm. Q3 receives general research, business-related products and back-office administrative support services in addition to execution from its recommended broker/dealers in connection with client securities transactions. Therefore, the Adviser does receive benefits from its selected custodial firms that it would not otherwise receive if it were not a Registered Investment Adviser.

As fiduciaries, Investment Advisers are obligated to act in the best interest of their clients, and cannot use client assets (including client commissions) to benefit themselves, absent client consent. Advisers who obtain brokerage and research services with client commissions do not have to purchase those services with their own funds, which creates a conflict of interest for

the Advisers. However, Section 28(e) of the Securities Exchange Act of 1934 provides a safe harbor for firms that exercise investment discretion over accounts to pay for research commission dollars generated by account transactions (“soft dollars”).

Q3 receives only general research, management software and back-office administrative support services from its preferred custodial services providers. Q3’s custodial service providers make available certain account trading software to Advisers. Additionally, the Adviser may receive traditional “non-cash benefits” from service providers such as customized statements; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desks servicing Adviser participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees conveniently deducted directly from client accounts; access to an electronic communication network for client order entry and account information; access to mutual funds which generally require significantly high minimum initial investments or those that are otherwise only generally available to institutional investors; reporting features; receipt of regulatory compliance communications; and perhaps discounts or free access to business-related seminars and/or products. While the Adviser’s preferred service providers do not directly provide any research, it may offer discounts on general products. Any general research received is used for the benefit of all clients.

Consistent with obtaining best execution, brokerage transactions may be directed to the preferred certain broker/dealers in return for investment research products and/or services which assist the Adviser in its investment decision-making process. Such research generally will be used to service all of the Adviser’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest.

While there is no direct linkage between the investment advice given and the participation in a custodial firm’s institutional program, economic benefits are received which would not be otherwise, if the Adviser did not give advice to clients. The benefits received are considered by Q3 to be nominal and do not impair the Adviser’s independence. However, any benefits received from these institutions represent a conflict of interest. Clients should be aware however, that the Adviser’s receipt of economic benefits from a broker-dealer or other service provider(s) creates a conflict of interest since these benefits may influence the Adviser’s choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services. However, in fulfilling its duties to its clients, the Adviser endeavors at all times to put the interests of its clients first.

Q3 and its clients may pay slightly more than the lowest rate of commissions available in order to obtain various administrative and research services. However, the Adviser has determined in good faith and after periodic (and ongoing) review, that the fees are reasonable in relation to the full range and quality of the brokerage, administrative and research services provided, viewed in terms of either particular transactions or the Adviser’s overall responsibilities with

respect to the accounts over which it exercises investment discretion. The determinative factor is whether transaction fees represent the best qualitative execution services for our managed accounts.

Services that generally benefit only the Adviser are those other benefits intended to help the Adviser manage and further develop its business enterprise. These services include educational conferences and events as well as access to technology (software). Services include general compliance and business consulting as well as publications and conferences on practice management and business succession. The service providers may also offer access to employee benefits providers, human capital consultants and insurance providers. The custodial firm's institutional programs may provide these services themselves and in other cases, they will arrange for third-party vendors to provide services to the Adviser. These service providers may also discount or waive fees for some services or pay all or a portion of a third-party's fees. These service providers may also provide other benefits such as occasional business entertainment of our personnel.

Unaffiliated third party vendors may offer considerations such as invitations to attend industry-related conferences, seminars or workshops. The Adviser would generally not receive any considerations above paid admission and customary meals. The Adviser's President and Chief Compliance Officer, Bradford Giaimo, is responsible for monitoring and recording considerations received by the Adviser as well as given.

Q3 receives no referrals from a broker/dealer or third party in exchange for using the services offered by that broker/dealer or third party.

### **Trade Allocation Policies for Multiple Client Accounts**

When possible, the Adviser will aggregate securities transactions ("block trading"). Due to the individualized nature of services, however, large orders of securities are not always consistent with the nature of the Adviser's services. Aggregation is undertaken in firms processing large orders of securities in order to realize more effective trade execution and the cost efficiencies that come from executing larger order sizes. In each case, the Adviser strives to allocate investment opportunities or trades among its clients in a manner that is fair and equitable and based upon the client investment objectives.

Normally, under this procedure, transactions will generally be averaged as to price and allocated according to the Adviser's standard allocation procedure. This procedure considers the circumstances of each trade and always strives for fairness and cost-effectiveness to the client. In most cases when the Adviser executes only a partial fill of a targeted buy order, allocations will prioritize complete fills for clients with the most available cash as a percentage of portfolio assets. Likewise, when the Adviser executes only a partial fill of a targeted sell order, allocations will prioritize complete fills for clients with the least available cash as a percent of portfolio assets. To the extent that the Adviser determines to aggregate client orders for the purchase or sale of securities, including securities in which the Adviser's Adviser Representatives may invest, the Adviser shall normally do so in accordance with applicable

rules promulgated under the Advisers Act and no-action guidance provided by the staff of the SEC. An allocation statement will be prepared and any special circumstances or conditions will be outlined in connection with each event. The Adviser shall not receive any additional compensation or remuneration as a result of the aggregation.

Certain issues may impact the Adviser's allocation under the particular circumstances and in such cases, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Clients are encouraged to discuss any questions that may arise regarding investment policies throughout the course of our engagement. The Adviser receives no additional benefit as a result of the proposed aggregation. Within the prime broker program or similar programs available via recommended brokerage firms, the brokerage firm may effect Clients' over-the-counter securities transactions on an agency basis. The brokerage firm executes transactions based upon a number of factors. These include: Size of order, trading characteristics of the security, favorable execution prices, access to reliable data, availability of efficient transaction processing and possible price reductions. In filling these orders, the brokerage firm may transact with a market-making broker-dealer ("market maker") on the other side of the trade. A market maker may mark-up/down the price of securities for which it makes a market, which is a cost that will be incurred by the Client in addition to any agency commissions assessed by the brokerage firm. Normally, best price and execution is obtained for over-the-counter securities transactions by executing directly with the market maker on a principal basis. The Adviser's choice to utilize the service provider's prime broker program available through the selected service provider may limit or eliminate the Adviser's ability to obtain best price and execution in each case. In certain cases, a security may be purchased through another service provider and in such cases, the security purchased is then transferred to the client account at the client's selected custodian, and a "trade away" delivery fee is assessed to the client account. Broker custody of client assets may limit or eliminate the Adviser's ability to obtain best price and execution of transactions in over-the-counter securities.

### **Item 13   Review of Accounts**

Investment Management involves continuous and ongoing services and provides for the monitoring and internal review of portfolio assets. Some individual strategies are reviewed as frequently as daily. Individual portfolios as a whole are generally reviewed no less than

quarterly. Portfolio reviews could occur more frequently, depending upon activity, at the time of new deposits or significant withdrawals, reported material changes in client conditions, at the Adviser's discretion or according to client's stated direction. Reviews entail the analysis of securities, sensitivity to overall markets, economic changes, investment results to ensure the investment strategy and expectations are structured to continue to meet clients' stated objectives. Accounts utilizing the same investment strategy may be reviewed as a group.

Reviews are performed by Adviser Representatives under the supervision of the Chief Compliance Officer, Bradford Giaimo. Each quarter clients will receive a detailed account statement directly from their custodian. Q3 may provide quarterly written market updates to clients. Additionally, on a quarterly basis Q3 will provide clients with the opportunity to impose reasonable restrictions on the management of their account. On an annual basis, Q3 will provide clients with a suitability questionnaire so that they may adjust their risk profile if their situation has changed.

Clients may authorize Q3 to utilize Client's email address for all correspondence, notices, and disclosures. Client may also consent to electronic delivery of all trade confirmations, statements, disclosures, notices, and communications as further indicated on the Custodian's standard account application. While hard copies of notices and other documents may be mailed, should the Investment Adviser or Q3 choose to email the documents instead, they will be sent to the email address set forth on the Investor Profile Questionnaire or such other address as may be provided by Client in writing. At any time, Client may request from Q3 a paper copy of any correspondence, notice, or disclosure sent electronically. Client may also at any time inform Q3 of a decision to receive future correspondence, notices and disclosures in paper format by notifying Investment Adviser and Q3 at the above addresses. Client agrees to inform Investment Adviser and Q3 of changes to Client's email address and keep such information current.

Financial Planning and Consultation Services do not entail ongoing advice and reviews unless the Adviser is engaged for additional services via written agreement.

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

Unaffiliated financial professionals may act as Solicitors on behalf of the Adviser. In such a case, Solicitors will receive ongoing compensation in the form of referral fees, as outlined in the investment management agreement and compensation disclosure document signed by the client. Generally, this compensation amounts to 40% to 60% of the total investment management fee charged to the client.

Solicitors may be utilized as "designated persons" for purposes of complying with Rule 3a-4 under the Investment Company Act. In this regard, the Solicitor will assist Q3 by walking the client through the suitability questionnaire to gather information on the client's financial situation, investment objectives and assist the client in documenting (in this same form), any reasonable restrictions the client wishes to impose in connection with the management of the client's account. At least quarterly, Q3 will communicate with the client to notify the client in



writing of the need to contact Q3 if there have been any changes in the client's financial situation or investment objectives, or if the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing restrictions. In addition, the Solicitor shall make periodic contact with the client, at least annually, to assist them in understanding the investment management services offered by Q3 and to obtain and/or update Client information and forward the same to Q3.

Clients should be aware that there is a conflict of interest when a Solicitor recommends the services of Q3, as the Solicitor receives a portion of the investment advisory fees as long as the client remains with Q3.

Solicitors will ensure Q3's Form ADV 2 and the Solicitor's Compensation Disclosure Document is delivered to the client at the time of their recommendation. Additionally, investors will receive an Investment Management Agreement which outlines the services to be provided by Q3 Asset Management, the fees for services and the compensation disclosure. The fee Q3 pays to the referring solicitor can affect the investment management fee that clients pay. As previously noted, advisory fees are negotiable based upon various circumstances. Because Q3 and/or Solicitors maintain the ability to reduce their fees, it's possible that clients will pay a lower or higher fee rate when compared to others receiving similar services.

Q3 reserves the right to engage or deny services to any investment adviser, Solicitor, financial intermediary or investor for any reason.

In situations where a Solicitor is involved, in order to initiate services, after the Solicitor refers an investor to Q3, the investor executes an Investment Management Agreement with Q3. While there may be cases where the referring Solicitor is retained by the investor as the investor's primary Adviser (via a separate agreement between the client and the soliciting adviser) this does not minimize or change the responsibilities and ongoing investment management services Q3 provides to its clients. The asset management services provided to clients will be based upon the data summarized in the questionnaire portion of the investment management agreement. Client data may change based upon the directives provided to Q3 and any changes in the client's financial situation and modifications in investment strategies as reported to Q3.

The Solicitor is responsible for a variety of ongoing activities as outlined in the Solicitor's Disclosure Document signed by the client. These activities include evaluating the investor's situation, gaining an understanding of investor's objectives, time horizon and risk tolerance; recommending an appropriate portfolio to the investor; communicating necessary directions relating to the portfolio management and changes desired within investor's accounts to Q3; and consulting with the investor periodically to ensure that the recommended portfolio is suitable for the investor based on information the investor provides. The Solicitor is also responsible for the performance reviews of the investor's account, the review of Q3's performance of services, for explaining portfolio strategies and transactions, and to remain available to answer investor questions. Please note that Q3 reviews all data provided by the Solicitor including suitability assessments prior to establishing or making changes to accounts.

Additionally, Q3 is happy to assist clients with questions if they should ever have issues contacting their Solicitor.

In providing Investment Management Services and in accordance with its investment management agreement, Q3 will manage investor funds in accordance with a model portfolio or other investment plan selected by the investor. Thereafter, the Adviser will provide ongoing monitoring and rebalancing of the portfolio in accordance with the directives and data provided.

Every investor is obligated to promptly notify Q3 or their Solicitor, of any changes of a personal or financial nature that may materially affect investor's risk profile and consequently, the investment strategy and/or decisions employed in the managed portfolio. Q3, in conjunction with the Solicitor if applicable, will evaluate such information and make the necessary adjustments.

In addition to referral fees paid to a Solicitor, Q3 and/or its affiliates may provide marketing support or other services to assist Solicitor in promoting Q3 and its services. Marketing support may take the form of payment of certain expenses, such as fees to allow Q3 to participate in sales conferences of Solicitor, expenses of presenting workshops and seminars for prospective and existing clients, or expenses of attendance by the Solicitor at informational meetings held at Q3's offices. Gifts of nominal value and/or promotional incentives may also be provided, when permissible, in accordance with the Soliciting Individual's firm policies on receipt of non-cash compensation by its affiliated advisors. These additional payments will not increase the fees assessed to those client accounts associated with Solicitor.

Unaffiliated Investment Advisers may choose to utilize Q3's services through a direct Sub-Advisory relationship, or through an unaffiliated Turnkey Asset Management Provider (TAMP). Under the terms of these arrangements, Q3 may not execute an Investment Management Agreement directly with the end client as Q3 is acting strictly as a Sub-Adviser within the investment program. The investor's primary Adviser is responsible for reviewing client suitability, strategy selection and handling all client communications.

Unaffiliated Investment Advisers may also choose to utilize Q3's services through a Tri-Party Investment Management Agreement. In such a case, Q3 acts as the Separate Account Manager and is responsible for implementing investment management services, along with other services to the Client, as outlined in the client agreement. The Client's Primary Adviser acts as the Investment Adviser, and as such is responsible for obtaining financial and suitability information from the Client, discussing goals and objectives with the Client, maintaining communication with the Client, as well as other specified services.

### **Solicitors**

Solicitors engaged by Q3 are not employees or Adviser Representatives of Q3. Solicitors therefore, may be otherwise engaged in another investment advisory practice and/or are registered representatives of a broker/dealer. Solicitors may also be engaged in other business

activities (such as insurance, accounting, etc.). Therefore, clients are advised that solicitors earn commissions and/or other fees that are charged to their clients when they provide services in these capacities. The business activities of Q3's contracted solicitors outside of their referral services to Q3 are separate and distinct from the services they provide to Q3.

Q3 offers a seminar reimbursement program to Solicitors that are interested in promoting the services of Q3 to their prospective and current clients. Any seminar and subsequent reimbursement program-related activities require approval by the Adviser Representative's supervising Registered Investment Adviser's compliance department. Clients and prospective clients must be made aware that Q3 is a sponsor of the event. Should a prospective client decide to invest with Q3, that client must be provided with a disclosure document that includes the fact that the solicitor will share in any advisory fees collected by Q3. Acknowledgement of the arrangement will be included in the written agreement between the Client and Adviser.

Generally, Q3 Asset Management will reimburse the Solicitor for up to 50% of the cost of an event. The reimbursement must pass through the Solicitor's supervising Investment Advisory Firm. Generally, reimbursements shall be equal to \$100 for every \$100,000 in new business referred to Q3. For additional information investment professionals may request a copy of Q3's *Seminar Reimbursement Program* overview.

#### **Item 15 Custody**

Q3 does not take custody of client funds or securities with the exception that Q3 will debit client accounts for contractually agreed investment advisory fees but only with the client's authorization. Client assets are held at an unaffiliated qualified custodian of the client's choosing. Q3's preferred custodial service providers are listed in Item 12 herein. Client funds are held separately in the name of each client. Clients can expect to receive regular account statements directly from their selected custodial firm. Clients must promptly notify their custodian and the Adviser if custodial statements are not being directly received by the Client.

#### **Item 16 Investment Discretion**

Q3 Asset Management accepts limited discretionary trading authority when managing securities accounts on behalf of clients as evidenced via the Client Agreement and custodial forms completed by the client. We emphasize the unrestricted right of clients to decline to implement any advice rendered, in whole or part. Where Q3 is granted discretionary authority of the client's accounts, clients are welcome to request investment parameters and/or limitations in writing. Prior to assuming limited discretionary authority, clients must complete our Investment Management Agreement and acknowledge receipt of this Form ADV 2 Brochure.

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

Q3 does not maintain authority to vote client securities (with the exception of our role as

Adviser to the Q3 All-Weather Funds). Clients retain the authority to vote proxies and are responsible for ensuring that proxy materials are sent directly to them or the third-party they may assign. While Q3 does not vote proxies for clients, it is available to assist clients with questions and concerns relating to proxies. The Adviser does not engage in proxy-related discussions with non-clients and does not solicit proxies. In the event Q3's advice is solicited by its clients, the Adviser shall abide by the following conditions:

- Q3 will disclose any significant relationship with the issuer, its affiliates or a security holder proponent of the matter on which proxy voting advice is given, as well as any material interest of our Adviser in the matter.
- The Adviser will not accept special consideration from any person, other than the security holder recipient thereof, in exchange for furnishing voting advice, and;
- Voting advice will not be furnished on behalf of any person soliciting proxies, or on behalf of a participant in an election contest subject to SEC Rule 14a-11.
- Q3 shall not communicate with the press concerning a proxy.
- Q3 does not solicit proxies.

Q3 votes proxies for the Q3 All-Weather Funds and the Fund will report all proxy votes annually, as required. If conflicts of interest arise in regard to proxy voting associated with Q3's affiliated Funds, such conflicts will be disclosed and updated the ADV 2A.

## **Item 18 Financial Information**

Q3 does not require prepayment of more than \$1,200 in fees per client, six months or more in advance. As previously noted, the Adviser does not maintain custody of client funds or securities except for the ability to deduct investment advisory fees via custodial accounts with the client's written authorization. Q3 is not legally affiliated to any custodial or brokerage firms. Therefore, a balance sheet is not required to accompany this disclosure.

## **Privacy Policy**

As an SEC-regulated Registered Investment Adviser, Q3 is covered under the definition of a "financial institution" in the Federal Gramm-Leach-Bliley Act (the "Act") and the SEC's Regulation S-P (the "Privacy Rule"). The Adviser is therefore subject to Act as well as the rules of privacy imposed on Investment Advisers and other financial services firms.

Privacy and the protection of nonpublic personal information is an issue that the staff of Q3 takes seriously.

To maintain compliance with Privacy Rules, every broker, dealer, investment company and investment adviser is required to adopt policies and procedures reasonably designed to

safeguard customer and consumer records and information. Q3 Asset Management has adopted Privacy Policies and Procedures and Identify Theft Red Flag Rules Policies and Procedures in an effort to help protect clients and consumers.

In its role as Investment Adviser, Q3 routinely collects nonpublic personal information from clients and prospective clients. This information generally will include but is not limited to:

- Information provided from applications, forms and other information provided to us either verbally or in writing, and include but are not limited to your name, address, phone number, account information, social security number, assets, employment, income and debt;
- Information about your transactions, accounts, trading activity and parties to transactions; health and beneficiary information (such as may pertain to financial / investment planning issues);
- Information from other outside sources;
- Any other data that is deemed to be nonpublic personal information as defined by the Act and state privacy rules.

Q3 values our clients' trust and confidence. We will never sell the nonpublic personal information we obtain from consumers or clients.

All information provided by clients or prospective clients to Q3, (including the Adviser's personnel), and information and advice furnished by the Adviser to clients, shall be treated as confidential and shall not be disclosed to unaffiliated third parties, except as directed by clients with written authorization, by application to facilitate the investment advisory services offered by the Adviser via an affiliated or unaffiliated financial services provider (such as the client's custodial firm or broker/dealer), or as required by any rule, regulation or law to which the Adviser or its staff may be subject.

Q3 maintains clients' records in a controlled environment and records (electronic and otherwise) are only available to authorized persons of the Adviser who have a need to access client information in order to deliver advisory services, provide administrative support, or to respond to client requests. The Adviser has made reasonable efforts and conducts periodic tests to ensure that its electronic network is protected. The Adviser verifies incoming requests for account changes in an effort to ensure that these requests are coming directly from clients or authorized and legitimate sources.

Q3's position on protecting non-public personal information extends beyond the term of the Advisory Agreement. Client information is retained in a protected manner for the time period required by regulators (five years from the date of last use) and thereafter is safely destroyed via secure deletion, in-house shredding or via a

contracted secure shredding service.

Consumers (defined as those persons or entities who are not clients) who provide information during an initial consultation or for other purposes but do not go on to become clients of the Adviser also receive privacy protection. Original information will be shredded, or if preferred by the individual, promptly returned in person or via the mail, if the Adviser's services are not engaged. Alternatively, if nonpublic personal information is contained in copies of documents, notes or some other media, this information will be securely filed for a period of up to one year (depending upon likelihood of engagement) before being securely deleted, shredded in-house or destroyed via a secure shredding service.

Clients and consumers are encouraged to discuss any questions regarding Q3's privacy and data security policies and procedures with Bradford Giaimo, President and Chief Compliance Officer.