

# PDM INVESTMENT SERVICES, LLC INVESTMENT ADVISORY AGREEMENT

(Portfolio Management, Wealth Plans, Focused Growth Investor Newsletter – Q3 2018)

This Investment Advisory Agreement (the “Agreement”) is entered into between **David & Deborah Smith** (the “Client”), and PDM Investment Services, LLC (the “Advisor”), a Michigan company, having an office at 5131 Standish Drive, Troy Michigan 48085. PDM Investment Services is a Registered Investment Advisor acting as a fiduciary under ERISA code, putting client’s interest first.

## CLIENT AND PDM INVESTMENT SERVICES AGREE AS FOLLOWS:

1. **SERVICES:** Client confirms employment of PDM Investment Services as Investment Advisor to render services in the management of the assets in its investment account, and PDM Investment Services wishes to render such services to Client.

2. **CUSTODY OF ASSETS:** Unless instructed by Client to the contrary, **TD Ameritrade and Merrill Lynch 401(k)**, (hereinafter referred to as the "Custodian") has been appointed under separate agreement to maintain and hold as custodian all assets of the Portfolio, together with all additions, substitutions, and alterations thereto. Client understands that PDM Investment Services shall not at any time have physical possession of any of Client’s investment account assets, whether they are cash, securities, or other assets. Client understands their choice of custodian/broker-dealer may preclude the ability to obtain volume discounts, limit the ability to negotiate commissions and result in a disparity in commission charges among clients.

3. **AUTHORITY TO MANAGE INVESTMENT ACCOUNT:** The scope of PDM Investment Services authority as investment advisor, to act on the Client’s behalf in the management of the Client’s investment account shall be that PDM Investment Services shall have limited power-of-attorney rights to exercise discretion with the assets in the account. The Advisor shall otherwise have discretion as to the nature, amount, and timing of all such transactions, subject only to the limitations set forth herein or otherwise provided by law.

The Advisor, as agent and attorney-in-fact with respect to Client, shall place orders, negotiate commissions (if any) or otherwise give instructions without prior consultations or notification to Client for the purchase, sale, acquisition, lending, conversion, exercise or disposal of the securities or other assets of the Portfolio.

### Portfolio Management (TD Ameritrade Custodian)

This advisor agreement and TD Ameritrade account application authorizes PDM Investment Services to trade in your TD Ameritrade accounts and debit portfolio management fees quarterly from your TD Ameritrade account.

Portfolio management includes tactical asset allocation, strategic asset allocation, investment selection and unlimited investment choices. Wealth Plans, Focused Growth Investor Newsletter, 401(k) designs and quarterly performance and analysis reports are free.

### Portfolio Management (401k Plan Custodian)

This advisor agreement authorizes PDM Investment Services to trade in your 401(k) account (s) and debit portfolio management fees quarterly from your TD Ameritrade account. Data is also obtained to update your Wealth Plan.

Portfolio management includes one to two designs and implementations per year and quarterly performance reports. Investment choices are limited to the plan choices.

Your assigned Investment Advisor Representative Philip Michalek, will remain in effect unless PDM Investment Services receives written approval from the Client for a change.

It is agreed and understood that PDM Investment Services shall invest the assets of the Portfolio pursuant to the guidelines and policies established with Client in writing on proposal or wealth plan reviewed annually. The Investment Proposal, wealth plan and quarterly reports contain Client goals and objectives and portfolio type.

### Goals & Objectives

**David to retire around 60 years old in 2027.**

**Employ a strategic GROWTH strategy with a MODERATE risk. (Base Allocation: 75% Stocks/25% Bonds & Cash).**

**Tactical adjustments may be made to risk level.**

**Fixed or Diversified Mutual Fund and Sector Portfolios. (See Wealth Plan for portfolio detail)**

Risk tolerance is the amount of price volatility and investment loss you are willing to withstand before changing your behavior. Risk comes in the form of market risk, security risk, financial risk, valuation risk, economic risk, currency risk, political risk, interest rate risk, inflation risk and liquidity risk. Most investors are not trained to tell an advisor their risk tolerance. At market tops, most people will say their risk tolerance is high. At market bottoms’ they will say they have no tolerance for risk. The longer your time horizon, the higher the risk you can take. Volatility is only a problem if you sell. There is long-term risk in not owning equities. Consider your need to take risk to reach your goals. How did you react in the past bear markets and corrections?

- If you have a large pension, you may be able to take on more investment risk.
- If your job earned income is very stable into your sixties, you may be able to take on more risk.
- If the investment will be passed on to heirs, you may be able to take on their level of risk.
- If you have no debt, you may be able to take on more risk.
- The more you understand the markets, the more likely you will be comfortable with more risk.

Select a portfolio type based on your goals, risk tolerance and time horizon from the table below.

Fidelity Asset Manager Funds	40% FFANX	50% FASMIX	60% FSANX	70% FASGX	85% FAMRX	100% PREIX
Risk Category	INCOME	CONSERVATIVE	MODERATE CONSERVATIVE	MODERATE	MODERATE AGGRESSIVE	AGGRESSIVE
Fund % Stocks / % Bonds & Cash	40% / 60%	50% / 50%	60% / 40%	75% / 25%	80% / 20%	100% / 0%
Risk Description	Low	Low	Medium	Medium	High	High
Beta, Standard Deviation (5 / 10 year)	B=0.8 / 0.8, SD=5 / 8	B=0.9 / 1.0, SD=6 / 10	B=1.1 / 1.2, SD=7 / 11	B=1.2 / 1.3, SD=8 / 13	B=1.4 / 1.5, SD=9 / 15	B=1.0 / 1.0, SD=10 / 15
Time Horizon	0 years	0 years	5 years	10 years	15 years	20 years
Annual Return (Past 5 / 10 years)	6.8% / 5.2%	7.9% / 5.6%	9.0% / 6.0%	10.1% / 6.0%	11.9% / 6.4%	15.9% / 8.2%
Best Year Return (Past 10 years)	26%	31%	33%	36%	39%	32%
Worst Year Return (Past 10 years)	-23%	-28%	-30%	-35%	-39%	-37%

The Risk Category, Risk Description and Time Horizon are defined by PDM Investment Services. The other numbers are from Morningstar ending December 2017. Beta is volatility relative to the S&P 500 of 1.0 and Standard Deviation is return variation from the mean. Past returns are used for comparison between risk categories only. Future returns may be significantly different and are not guaranteed in the future.

Client also authorizes PDM Investment Services, in its sole discretion and as it sees fit, to direct the Custodian and such brokers as it may select from time to time, to purchase, sell, invest, reinvest, retain, exchange or otherwise trade any or all the assets of the Client's investment account.

**4. INVESTMENT DUTIES:** PDM Investment Services shall promptly analyze the Portfolio and provide continuous review thereof, together with all additions, substitutions, and alterations thereto, as is appropriate for the purpose of investments of the Portfolio. PDM Investment Services shall evaluate such information relating to the economy, industries, businesses, securities markets and securities and consult such sub-advisors as it may deem necessary or useful in the rendering of its services hereunder. While PDM Investment Services believes such information is accurate, it does not guarantee the accuracy thereof.

Our tactical model sets up our stock, bond and cash allocation of the portfolio around the base allocation of your defined risk level. The stock allocation may be raised above the base by up to 30% when our tactical model shows a strong market environment and lowered from the base by up to 30% in a weak market environment. Our Focused Growth Investor Newsletter notifies clients each month of tactical allocation recommendations. Our asset allocation model sets up our sector and asset allocation and is reviewed each month. Our stock and mutual fund rating systems tell us the best stocks and mutual funds to invest in.

For portfolio optimization, PDM Investment Services shall promptly analyze your portfolio options and design a new optimal asset allocation for your portfolio to meet your goals, risk tolerance and time horizon.

**5. INVESTMENT PERFORMANCE & RESPONSIBILITY:** It is understood and agreed by Client that PDM Investment Services does not in any way guarantee the Portfolio from loss or depreciation, nor does PDM Investment Services guarantee any minimum investment performance for the Portfolio. PDM Investment Services shall be responsible only for the satisfactory performance of all duties expressly assumed by PDM Investment Services. While PDM Investment Services believes' research information is accurate, it does not guarantee the accuracy thereof. Past performance is no assurance of future results. All investments involve investment and market risk. Advice is documented in plans on client action lists. It is up to the client to follow such advice like save more for retirement to meet the stated goals. Basic financial planning topics like insurance and trusts are suggested, but it is up to the client to research and implement.

**6. CONFIDENTIALITY:** All Client information is considered strictly confidential and will not be divulged, except as required by law or with specific authorization of the Client. We restrict access to non-public personal information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information. Any violation of this agreement could result in the prompt termination of employment with our firm.

**7. SERVICES TO OTHER CLIENTS:** Client understands and agrees that PDM Investment Services may act as investment advisor for other Clients with similar or identical securities. The Advisor shall incur no liability if another account under its management buys or sells securities at different times or for different prices than Client.

**8. REPORTS:** For portfolio management, the Advisor shall provide the Client with periodic reports of investment holdings and performance of the Portfolio at minimum on a quarterly basis. The frequency, format and content of such reports shall be mutually agreed upon by the Client and Advisor. Each periodic report shall be deemed to have been approved by Client if no written objection is received by the Advisor within 30 days after such report has been provided to Client. Statements from the custodian are available on the custodian website or client can elect to receive statements by mail.

9. **COMMUNICATION:** Client agrees to provide Advisor with reasonable prior notice of any material addition or withdrawal of assets from the Portfolio for portfolio management. Information may include goals, risk tolerance, current portfolio allocation and mutual fund choices in their 401 (k).

10. **TERMINATION AND ASSIGNMENT:** No assignment of this Agreement shall be made by PDM Investment Services without the consent of Client. Either the Client or Advisor may terminate this Agreement at any time by telephone and confirmed in writing. In the event this Agreement is cancelled, the fee payable by the Client shall be prorated for the current quarter. Upon Advisor receipt of written notice of termination from Client, Advisor shall terminate portfolio management on an agreed upon date by the client and collect the prorated final fee.

11. **FEES:** For portfolio management, the annual compensation for PDM Investment Services for its services as investment advisor is set forth as follows:

**Portfolio Management TD Ameritrade: 0.8% of the asset value, 0.20% applied quarterly based on a household portfolio of \$300,000 to \$500,000.**

**Portfolio Management (401k): \$800 annual flat fee, \$200 per quarter.**

Wealth Building Plans, Retirement Plans and the Focused Growth Investor Newsletter are free with portfolio management services. See the table below.

**The minimum requirement for portfolio management is \$300,000 per family. We may waive the minimum if the family appears to have significant potential for increasing their assets under management, the management is for one larger portfolio or the portfolio management is for client's children.**

PDM Investment Services will receive an asset-based fee on a quarterly basis for investment supervision and management of the Portfolio. Advisory fees for Portfolio Management are based on the market value of assets under management at the beginning of each quarter. Fees are payable on a quarterly basis after each quarter for the prior quarter.

For new clients, fees are prorated for the time the account was active within the quarter.

For existing clients, the fee percent is reviewed quarterly and adjusted to schedule based on the assets under management at the beginning of the quarter. The fee structure is not prorated for money movements during the quarter.

**Money added** to a portfolio during the quarter will not be prorated and will be adjusted in at the beginning of the next quarter unless amount is significant. For a significant amount, use best method for client. All at beginning of the quarter, split or all at end of quarter.

**Money removed** from a portfolio during the quarter, will not be adjusted out of that quarter's fees unless the amount is significant. (Significant is if the adjustment of the withdrawal results in \$100 or more reduction in fee)

If assets under management drop pushing the client into a higher fee bracket from significant withdrawals and assets are expected to stay in this higher fee bracket for at least 12 months, the client fee will be adjusted for the next quarter.

If the assets under management drop pushing the client into a higher fee bracket from a market decline or regular retiree income withdrawals, the fee will remain the same.

The Advisor shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of the client. The advisor does not receive any compensation from the securities selected. Client will be responsible for paying (i) all expenses of transfer, receipt, safekeeping, servicing, and accounting for the Portfolio, including all custodial fees charged by the Custodian, (ii) all broker's commissions and other charges incident to the purchase, sale or lending of the Portfolio, and (iii) all taxes or other fees payable by or with respect to Client to federal, state or other governmental agencies.

The client is responsible for brokerage transaction fees and any other charges incurred by the custodian on the client's behalf. Clients are billed quarterly and can pay by check or custodian deduction. Clients are sent an invoice 7-days before the fee is processed with their credit card or deducted from their account by the custodian. This gives the client a chance to review the calculation. The quarterly fee is 25% of the annual fee listed below. Fees may vary from schedule for prior clients. The fee schedule below is for combined family assets under management. The fee schedule is effective for new clients and existing clients adding 401(k) management services starting April 2018. Portfolio management fees for my immediate family may be lower.

**Portfolio Management Fee Table (TD Ameritrade Custodian)**

Assets Under Management	Annual Fee	Paid Quarterly
\$300,000 minimum per family.		
<b>\$300,000 to \$499,000</b>	<b>0.8%</b>	<b>0.200%</b>
\$500,000 to \$699,000	0.7%	0.175%
\$700,000 to \$1,499,000	0.6%	0.150%
\$1,500,000 and higher	0.5%	0.125%

**Portfolio Management Fee Table (401k Plan Custodian)**

\$200,000 minimum family TD Ameritrade accounts required. 401(k) fees will be debited from your TD Ameriprise account.

**\$800 annual flat fee, \$200 per quarter. (All size portfolios)**

Effective Rates: \$200,000 (0.40%), \$300,000 (0.27%), \$500,000 (0.16%), \$600,000 (0.13%), \$700,000 (0.11%), \$1,000,000 (0.08%)

12. **REPRESENTATION AND DISCLOSURE:** By execution of this Agreement, Client acknowledges receipt and review of our brochure containing a written disclosure of the background and business practices of PDM Investment Services. The Advisor purchases many of the securities purchased for the Client in his own personal accounts before or after client purchases. Client also understands that this Agreement may be voided without penalty at any time during the next five (5) business days.

Account Name: **David Smith**      Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Account Name: **Deborah Smith**      Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Client received a copy of the latest ADV2 and Disclosure Privacy Policy:      Initials: \_\_\_\_\_

PDM Investment Services, LLC, **Philip Michalek – President**

Signature: \_\_\_\_\_ President      Date: \_\_\_\_\_

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