

## FULL DISCLOSURE

June,1 2015

### GENERAL DISCLOSURES

IncomeClub, Inc. ("IncomeClub") owns and operates a website at [www.IncomeClub.co](http://www.IncomeClub.co).

IncomeClub is registered investment advisor with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. IncomeClub does not provide individual financial planning to clients, such as retirement planning, tax or estate planning. IncomeClub website should not be construed as a solicitation or offer, or recommendation, to buy or sell any security. Investment advisory services are only provided to investors who become IncomeClub Clients ("Clients") pursuant to a written Client Agreement. Investors are urged to read and carefully consider in determining whether such agreement is suitable for their personal situation and circumstances. Any sample portfolio, demo listings, etc. are shown only for the illustration purpose only and should not be considered as an investment advice.

**Past performance is no guarantee of future results. Any historical returns, expected returns, or probability projections may not reflect actual future performance. All securities involve risk and may result in loss. While bonds may provide an assurance of predictable return, there is a risk of default of particular issuer and there can be no assurance that an investment mix or any projected or actual performance shown on the IncomeClub website will lead to the expected results shown or perform in any predictable manner.**

### INCOMECLUB'S APPROACH DISCLOSURES

IncomeClub offers and considers ourselves to specialize in providing investment management and investment advisory services using a "Dedicated Portfolio" approach. The "Dedicated Portfolio" approach is based on principals of the Dedicated Portfolio Theory, which deals with the characteristics and features of a portfolio built to generate a predictable stream of future cash inflows. This is achieved by purchasing bonds that usually are held to maturity to generate predictable stream from the coupon interest and/or the repayment of the par value of each bond when it matures. "Compounding" is an interest added to the principal of your initial investment plus interest earned on the interest that is received and re-invested in previous periods. Sometimes "Compounding" refers to "Interest on Interest", and makes your investment grow at faster pace than simple interest you could receive from your simple saving account.

IncomeClub utilizes both "Dedicated Portfolio" and "Compounding" approaches as its core investment strategy. Portfolio of individual bonds are immunized from raising of interest rates as each individual bond has an exact date of maturity and paid in full at par if the issuer is not in default.

### INCOMECLUB'S PROCESS DISCLOSURES

Account opening process consists of the following steps: 1. Answer profile questions "know your client" as subjective relation to taking risks, time horizons, objective criteria: age, net worth and net income. Once the decision to invest with IncomeClub is taken, answers are verified, acknowledgement is signed and terms are accepted. Next step in the process is account opening with Interactive Brokers and funding

account. Then investing process begins with allocating customer's funds into fixed income securities: individual bonds. Allocations are done based on individual's financial goals and parameters taken from individual profile answers.

For the time being IncomeClub offers only Auto Investing Tool , which is considered discretionary investment management services. IncomeClub structures parameters of an investment model that is based on the client's investment goals and risk tolerance, and sets a portfolio for the execution. IncomeClub's software is constantly monitoring the availability of available cash on a client's account and searches certain securities matching the parameters of a client's investment model. Once the software finds a suitable security, a purchase order is generated and sent to the partner broker (Interactive Brokers). If there are certain criteria about when securities should be sold in the investment model applied to a portfolio, our software generates a sell order and sends it to the Interactive brokers. IncomeClub is granted discretionary trading authorization to manage its clients' accounts.

#### BONDS SELECTION DISCLOSURES

IncomeClub pre-selects government, municipal and corporate bonds. All bonds are denominated in US dollars. US Treasuries Bills, Notes and Bonds represents the US government bonds selection. Government bonds of other countries are also utilized in investment portfolios. However US agencies bonds are not used. IncomeClub employs only bonds with fixed coupons or zero coupons bonds. There are no any variable coupon bonds or Treasury Inflation Protection Security TIPS used by the IncomeClub platform.

Most municipal bonds are federal and states tax exempt, therefore using Municipal bonds in registered account are not appropriate. Domestic and foreign corporate bonds are used, however Convertible bonds are not offered. IncomeClub selects investment and sub-investment grades bonds with short to medium term maturities, higher coupons and prices close to the par. Bonds with credit ratings "CCC+" or lower are not used. IncomeClub believes that including quality bonds in the portfolio and holding duration of the portfolio as shorter as possible is the only way how to succeed in a rising rates environment.

Instead of using the traditional method of finding bonds for investments, the "Smart Beta" selection approach from IncomeClub chooses the bonds based on fundamental measures. This helps to find bonds that will have better performance with less risk.

**Although IncomeClub has detailed pre-selection process and trusts view and ratings of Moody's and Standard & Poor's , IncomeClub does not guarantee the quality of particular bond or that it will: 1) not be downgraded and notably loose its value; 2) not default until maturity; 3) recover all losses after default event; 4) be liquid or its market will be maintained.**

**Investing in bonds in a raising rates environment, investors must be ready to see continually decreasing bonds prices and their recovering before maturity, and thus must be ready to keep bonds until maturity. IncomeClub reserves the right to change at any time the selection of bonds that it recommends if, in IncomeClub's sole discretion, any bond does not meet requirements for continued listing on the platform. Clients should be aware that changes in the selection of bonds employed by IncomeClub will not result in the sale of their existing holdings and will not subject them to losses and/or additional tax liability.**

## BONDS DISCLOSURES

In general the bond market is volatile, and fixed income securities carry interest rate risk. As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities. Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Diversification does not ensure a profit or guarantee against loss.

Bond prices, yields, and availability are subject to change based upon market conditions. Outside normal market hours our complete inventory is not reflected and trade requests may not be fulfilled.

Yields represent yield to worst maturity or yield to worst call. If securities are sold prior to maturity, you may receive more or less than your initial investment. High yield bonds generally offer higher yields, but also involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

Insurance, if specified, relates to the timely payment of principal and interest. Insurance does not guarantee market value or protect against fluctuations in bond prices resulting from general market fluctuations. No representation is made as to the insurer's ability to meet its financial commitments. Interest from zero coupon securities is subject to taxes annually as ordinary income, even though no income is received. Municipal securities may be subject to federal alternative minimum tax (AMT). Clients should contact their tax advisor regarding suitability of tax-exempt investments for their portfolios.

Ratings are provided by Moody's Investors Services and Standard & Poor's Agency. Designations assigned by an organization to give relative indications of credit quality. In the case of a municipal bond where the repayment of principal or coupon interest is not guaranteed by a third-party, the ratings provided by Moody's and S&P indicate each organization's assessment of the relative credit risk of the issuer of that bond. For municipal bonds where the repayment of the principal and payment of coupon interest is guaranteed by a third-party (insured municipal bond), the rating reflected may be that of the Insurer. In the case of insured bonds, evaluating the rating of the insurer as well as the issuer provides a more complete assessment of the relative credit risk of that bond.

**Ratings are opinions and not recommendations to purchase, hold or sell securities, and they do not address the market value of securities or their suitability for investment purposes. Ratings should not be relied on as investment advice.**

## ETFs SELECTION DISCLOSURES

The Exchange Traded Funds (ETFs) employed in IncomeClub Client accounts generally are registered investment companies under the Investment Company Act of 1940. **For the time being, IncomeClub's uses only defined maturity bond ETFs.**

**Clients should be aware that changes in the selection of ETFs employed by IncomeClub may not result in the sale of their existing holdings and may not subject them to capital loss and /or additional tax liability.**

## ETFs DISCLOSURES

An ETF typically includes expenses that reduce its Net Asset Value (NAV), and therefore directly affect its performance and indirectly affect a Client's portfolio performance. These expenses usually include transaction costs, management fees, custodian fees, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF's issuer. An ETF's performance may not exactly match the performance of the underlying index because: 1) the ETF incurs embedded expenses; 2) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual Net Asset Value (NAV) of the securities owned by the ETF; 3) certain securities included in the underlying index may, from time to time, temporarily be unavailable.

#### PERFORMANCE DISCLOSURES

Information about clients' accounts performance is presented net of all management fees, commissions and expenses unless marked otherwise. The performance information includes the reinvestment of interests and dividends unless otherwise noted.

Projected performance is designed to show only a predictable return based on potential future cash flow and/or on historical average returns and standard deviation of each assets class recommended by IncomeClub, but does not take into consideration the effect of taxes or future investment decisions. Projected performance does not represent actual Client accounts or actual investments and may not reflect the effect of material economic and market factors. The actual transaction costs in Client accounts may be different.

The investment return, composite and performance information shown on the IncomeClub website employs or includes information compiled from third-party sources, including independent market data providers. IncomeClub believes the third-party information comes from reliable sources, but IncomeClub does not assure the accuracy of the IncomeClub website information and may receive incorrect information from third-party providers. The information on the IncomeClub website has been prepared by IncomeClub and has not been reviewed, compiled or audited by any independent third-party accountant, unless otherwise noted.

IncomeClub does not guarantee the execution quality of orders placed with our brokerage partner (Interactive Brokers). However, IncomeClub does monitor the execution quality to ensure that Clients receive the best overall trade execution.

#### FEES DISCLOSURES

IncomeClub is compensated for its software-based investment advisory and portfolio management services by charging a fee based on the net market value of a Client's account. IncomeClub charges an annualized fee of 0.25% on a Client's Asset Under Management (AUM) for accounts with Net Market Value under \$100,000 and an annualized fee of 0.20% on a Client's Asset Under Management (AUM) on accounts with Net Market Value \$100,000 and above. Cash balances and investments in money market funds and certificates of deposit are covered by the account and are included in the fee calculations. Brokerage fees and commissions are applied. Clients should review brokerage fees and commissions at IncomeClub website and/or Interactive Brokers website.

Annual advisory fees are charged on a monthly basis as explained below. IncomeClub's advisory fees are calculated on a continuous basis. The advisory fees are based on the custodian-reported net market value of the Client's account as of the end of each trading day. IncomeClub calculates a daily advisory fee for each trading day, which is equal to the fee rate multiplied by the net market value of the Client's Account for that day and then divided by 252. The advisory fee for a calendar month is equal to the total of the daily fees calculated during that month for every trading day (less any deductions or fee waivers) and is deducted from Client Accounts no later than the fifth business day of the following month by Interactive Brokers.

IncomeClub has the right, in its sole discretion, to negotiate, reduce or waive the advisory fee for certain Client Accounts for any period of time determined by IncomeClub. **First 3 (three) full calendar month IncomeClub manages you money for FREE.**

IncomeClub is independent investment advisor and is not affiliated with any broker/dealer, sponsor of Exchange Trades Fund (ETF), bond's issuer or underwriter. IncomeClub does not receive any commissions, referral fees or rebates outside of charging advisory fees to own clients.

#### TAXES DISCLOSURES

An income generated by corporate bonds and foreign governments bonds is treated as an ordinary income. All Treasury securities are exempt from state and local income taxes, one the interest income generated, but are subject to federal taxation. An interest from zero coupon securities is subject to taxes annually as ordinary income, even though no income is received. An interest paid by municipal bonds are exempt from federal income tax and in some cases from state income tax and local taxes. Some municipal bonds may be subject to federal alternative minimum tax (AMT). Capital gain is taxed differently for bonds depending on how a bond was purchased: at premium or discount. ). Capital gain on equity ETFs is taxed differently depending on how gains are treated: long term or short term. Dividends are also treated differently for tax purpose depend on the "qualification".

**IncomeClub does not provide tax advice in any form or manner. Clients should contact their tax advisors regarding suitability of various types of securities for their investment portfolio. IncomeClub assumes no responsibility to any client for the tax consequences of any transaction.**

To satisfy client's withdrawal request some of their IncomeClub securities might be sold. If investments are sold with gains then this will typically generate a tax liability. However, this liability will be included in their annual tax return and there is no need to pay any taxes at the time of withdrawals.

The both Traditional IRA and Roth IRA accounts are tax sheltered. While contributions up to certain limit in Traditional IRA will also decrease clients annual taxable income, all withdrawals from Roth IRA during their retirement time will be tax-free. Therefore, if clients are growing their retirement funds, it is wise to open registered accounts and fulfill contributions in these accounts before they contribute funds in taxable investment account. However, there are some limitations and penalties for early withdrawals from IRAs.

Interactive Brokers, the custodian firm IncomeClub partners with to custody client's assets, reports all reportable amounts on a consolidated form 1099 which includes specific Forms 1099 for each type of

income. Forms 1099 are issued on or before February 15 of each calendar year. Form 1099-R reports distributions from IRAs and SEP IRA and is issued on or before January 31 each calendar year. Form 5498 reports contributions and rollovers to Traditional IRAs, Roth IRAs, and SEP IRAs as well as the fair market value of the account at December 31 of the prior year. Form 5498s are distributed on or before May 31 of each calendar year.

#### CLIENTS IMAGES DISCLOSURES

IncomeClub may publish clients' images by applying objective selection criteria. The publication of a client's image does not mean that the client recommends IncomeClub as an Investment Advisor. The objective criteria used to make a decision to publish a client's image does not consider any information about the investment performance of a client's account. **No conclusions about the quality of IncomeClub's advisory services should be drawn from the publications of client's images.** IncomeClub has obtained a consent from each client, which images are going to be used. Professional identity information of each client is based on the most recent employment information provided to IncomeClub by the client. Mentioning of companies, where clients are employed, is not considered to be a recommendation by any of mentioned companies, and does not constitute any partnership between IncomeClub and any mentioned company.