

**Centara Capital Management Group, Inc.**

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**CRD Number 114880**

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This Brochure provides information about the qualifications and business practices of Centara Capital Management Group, Inc. ("CENTARA CAPITAL"). If you have any questions about the contents of this Brochure, please contact us at (619) 398-1700 and/or [www.centaracapital.com](http://www.centaracapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State securities authority.

Centara Capital Management Group, Inc. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide the client with information with which they can use to determine to hire or retain an Adviser.

Additional information about Centara Capital Management Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated September 2011 is a new document prepared according to the SEC’s new requirements and rules. This Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of those changes. We will also reference the date of our last annual update of our Brochure.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and future Brochures within 120 days of the close of our business’ fiscal year. We may also provide other ongoing disclosure information about material changes as necessary.

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

### Material Changes

- Added Form ADV Part 2B to the Brochure
- Item 4 – Advisory Business – Principal ownership percentage changed from 30% to 26%. The remainder of the company is owned by the Centara Capital Group Equity Incentive Program and other minority interest shareholders.
- Item 9 – Disciplinary Information – The complaint has been dismissed with prejudice by all parties.

Currently, our Brochure may be requested by contacting Mark Dossa, Chief Compliance Officer at (619) 398-1700 or [info@centaracapital.com](mailto:info@centaracapital.com). Our Brochure is also available on our web site [www.centaracapital.com](http://www.centaracapital.com), also free of charge.

Additional information about Centara Capital Management Group, Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Centara Capital Management Group, Inc. who are registered, or are required to be registered, as investment advisor representatives of Centara Capital Management Group, Inc.

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## Item 4 – Advisory Business

### Overview

**Centara Capital Management Group, Inc. (“Centara Capital”)** is a Registered Investment Adviser, wholly owned by Centara Capital Group, Inc. Established in 2001, Centara Capital provides investment supervisory services, manages investment advisory accounts, and furnishes investment advice through consultation for investment and non-investment related services to clients.

Registration: SEC

States: AZ, CA, MD, NJ, NV, OR, TX, UT, VA and WA

Assets Under Management: \$65,860,000.00 (as of 12/31/2010)

**Centara Capital Group, Inc. (“CCG”)** is a boutique financial services firm serving both individual and institutional investors via our comprehensive Wealth Management, Alternative Investment and Capital Allocation platforms and is comprised of the following entities:

- Centara Capital Management Group, Inc., Registered Investment Adviser, Tax Planning and Insurance Agency.
- Centara Capital Securities, a Securities Broker/Dealer and Insurance Agency. Member FINRA, SIPC. Insurance offered through Centara Insurance. Member FINRA/SIPC.
- Centara Real Estate Services, Inc., a Real Estate Brokerage Firm.
- Centara Capital Consulting, Inc., General Partner and Managing Member of the Centara Alternative Investment Platform.

The Principal Owners of Centara Capital Group, Inc. are Eduardo Lombardi, Derek Myron and Jeffrey Nash with 26% ownership each. The remainder of the company is owned by the Centara Capital Group Equity Incentive Program and other minority interest shareholders.

### Financial Planning and Consulting Services

Financial Planning and Consulting Services are established in a written agreement between the client and Centara Capital. This service may include review of investment and non-investment related matters. The written agreement will establish the scope of services to be provided, the terms and conditions of the engagement and the fee schedule.

The client is not required to engage the services of Centara Capital or any of its affiliates and retains sole discretion on the implementation of Centara Capital recommendations.

## Centara Portfolio Management

Centara Capital primarily recommends that clients allocate their investable assets among various mutual funds and mutual fund asset allocation programs, and to a lesser extent, Equity Securities, Warrants, Corporate Debt Securities, Certificates of Deposits, Municipal Securities, US Government Securities, Alternative Investments and Options, in accordance with the investment objectives of the client, on a discretionary basis. The assets are placed in a Centara Portfolio Management Account (“Account”) which is primarily maintained at Charles Schwab & Co. (“Schwab”). The minimum account value is \$250,000.

Centara Portfolio Management is a discretionary investment advisory program complying with Rule 3a-4 of the Investment Company Act of 1940 and the following disclosures apply to Centara Capital’s management of the clients’ assets:

- **Initial Interview** – Centara Capital will obtain information from the client to determine the client’s financial situation and investment objectives at account opening;
- **Annual Contact** – Centara Capital shall contact the client to determine if the client’s financial situation or investment objectives have changed or if the client wants to add or update any account restrictions. The client will be reminded quarterly to advise Centara Capital if there is a change in their financial situation and investment objectives through Centara Capital’s quarterly statement;
- **Consultation Available** –Centara Capital shall be reasonably available to consult with the client about the client’s account;
- **Quarterly Statement** – Centara Capital will provide the client with a quarterly report for the account for the preceding period;
- **Ability to Impose Restrictions** – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct Centara Capital not to purchase certain mutual funds and/or securities;
- **No Pooling** – the client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client’s account;
- **Separate Account** - a separate account is maintained for the client with the custodian; and
- **Ownership** – each client retains ownership of the account (e.g., right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Account is established by a written agreement (“Investment Advisory Agreement”) between the client and Centara Capital. This agreement sets forth the terms and conditions under which Centara Capital will manage the client’s investments. All accounts are managed on a discretionary basis allowing Centara Capital to determine, without obtaining client consent, the securities to be bought or sold, the amount of securities to be bought or sold, or the broker or dealer to be used.

The client will also execute Schwab or other custodial documents to open and maintain an account. These documents will set forth the services to be provided and the corresponding applicable custodial fees and/or charges.

Centara Capital and the custodial agreements authorize the custodian to charge the client’s account(s) for Centara Capital’s Portfolio Management Fee (“the Fee”) to Centara Capital.

The Investment Advisory Agreement will remain in effect until terminated by either party. If the agreement is terminated, the Fee shall be prorated through the date of termination and any remaining balance will be refunded to the client.

### **Envestnet Asset Management, Inc.**

Centara Capital may also utilize the investment programs sponsored by Envestnet Asset Management, Inc., in conjunction with the Russell Investment Group of mutual funds. This program requires an account minimum of \$10,000 to \$50,000.

### **Additional Information**

In performing its services, Centara Capital is not required to verify information and may rely on the information provided by the client and/or the client's other professional relationships.

The client should advise Centara Capital if there is any change in their financial situation, investment objectives and/or risk tolerance that may affect the evaluation, recommendation and/or implementation of investment advisory services.

Centara Capital, through its financial planning and investment advisory services, offers advice in all types of investments: equity securities, warrants, corporate debt securities, certificates of deposit, municipal securities, life insurance, annuities, mutual funds, US government securities, options, real estate and interest in partnerships investing in life insurance and/or the beneficial interest associated with life insurance products.

A copy of Centara Capital's Form ADV Part 2 (the "Brochure") will be provided to the client prior to or at the time of execution of the Financial Planning Services Agreement or Investment Advisory Agreement (collectively "Agreement"). Any client, who has not received the Brochure at least forty-eight (48) hours prior to execution of the Agreement, shall have five (5) business days from executing the Agreement to terminate services without penalty.

## **Item 5 – Fees and Compensation**

### **Financial Planning and Consulting Services**

Financial Planning and Consulting Services are established in a written agreement between the client and Centara Capital. The Financial Planning and Consulting Services fee shall be a fixed fee or hourly fee for these services. Depending on the scope and level of services, the fee generally ranges between \$500 and \$50,000 on a fixed fee basis and from \$150 to \$300 on an hourly fee basis. Financial Planning fees and payment schedules are negotiable and are subject to change from time to time upon prior notice.

## **Centara Portfolio Management**

The Portfolio Management Account is established in a written agreement between the client and Centara Capital. The Portfolio Management fee (the “Fee”) is tiered as follows:

<b><u>Account Market Value</u></b>	<b><u>Annual Fee</u></b>
\$0 to \$500,000	1.25%
\$500,000 to \$1,000,000	1.00%
\$1,000,000 to \$2,000,000	0.85%
\$2,000,000 and Greater	Negotiable

Centara Capital charges its Fee in advance on a quarterly basis based on the Account Market Value on the last business day of the previous calendar quarter. The Fee is debited directly from the Account unless otherwise instructed.

Accounts initiated, capital contributions greater than \$5,000, or accounts terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Centara Capital’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as:

- fees charged by managers,
- custodial fees,
- deferred sales charges,
- odd-lot differentials,
- transfer taxes,
- wire transfer and electronic fund fees, and
- other fees and taxes on brokerage accounts and securities transactions.

Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to Centara Capital’s Fee, and Centara Capital does not receive any portion of these commissions, fees or costs.

Centara Capital’s Fee is subject to negotiation. Centara Capital may waive the account minimum and/or charge a lesser management fee based upon certain criteria (e.g., preexisting financial planning relationship, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with clients).

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

If an investment is recommended and executed with an affiliate of Centara Capital, the affiliate and/or supervised personnel may receive part or all of any applicable commission or transaction fees. This presents a conflict of interest and gives Centara Capital, or its affiliated companies, an incentive to recommend investment products based on compensation received rather than a client's needs. Centara Capital and its affiliates, however, go to great lengths to avoid and inform clients of potential conflicts. It is Centara Capital's practice to disclose conflicts and inform clients of compensation terms. Clients have the option to purchase recommended investment products through other brokers or agents that are not affiliated with Centara Capital.

### **Investnet Asset Management, Inc.**

The Investnet Asset Management, Inc. ("Investnet") Account is established in a written agreement between the client, Investnet and Centara Capital. The Investnet Management fee is tiered ranging from 1.06% to 1.12% based on account value. Please refer to the Investnet's disclosure and agreement for detailed information. Investnet is a third-party service provider and is not related to or affiliated with Centara Capital.

### **Additional Information:**

Centara Capital may also provide financial planning or investment advisory services to clients for other investments they may own (e.g., insurance products, annuity products, individual employer-sponsored retirement plans). Centara Capital may direct or recommend the allocation of these assets and may receive a commission or fee. These assets are held directly with the carrier or another custodian. With respect to retirement plans, the client acknowledges and understands that Centara Capital is limited to the investment alternatives permitted by the retirement plan. In the event Centara Capital directs or recommends the allocation of assets and receives a fee, a conflict of interest could arise. Please refer to the section above in this Item regarding Centara Capital and its affiliates, and potential conflicts of interest.

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

Centara Capital does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Centara Capital does not practice side-by-side management.

## **Item 7 – Types of Clients**

Centara Capital provides investment advisory services to the following types of clients:

- Individuals
- High net-worth Individuals
- Pension and Profit Sharing Plans
- Trusts, Estates and Charitable Organizations
- Corporations or other Business Entities



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

### Methods of Analysis

Centara uses several different research tools to make investment selections. Portfolios are developed by first using an asset mix of stocks, bonds and cash. Then an asset allocation system is utilized to spread investments among many different asset classes (growth, value, domestic, international, etc.), to improve diversification. This asset allocation serves as a basis for portfolio construction. Mutual funds are selected using Morningstar<sup>®</sup> software. Each fund is reviewed individually using a pre-determined set of criteria. Individual stock selection is generally limited to large-cap dividend paying equities. Each portfolio is then analyzed by Morningstar<sup>®</sup> software to evaluate diversification, risk, expenses and other factors important to construction.

### Investment Strategies

Centara uses several different asset allocation mixes to invest client funds. These asset allocations include purchasing shares primarily of a diversified mix of mutual funds, individual equities, and exchange traded funds. Centara offers three strategies:

- **Conservative Strategy** – an allocation of approximately 75 percent fixed income and 25 percent equity,
- **Balanced Strategy** – an allocation of approximately 40 percent fixed income and 60 percent equity, and
- **Growth Strategy** – an allocation of approximately 25 percent fixed income and 75 percent equity.

All of the strategies are designed around the use of a diversified mix of holdings. While each portfolio is designed for some level of future capital appreciation, all portfolios are generally invested with a value driven bias (looking at investments selling at a discount relative to their value).

### Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. An investment in a Centara portfolio is subject to risk, and the client could lose money on their investment with Centara. An investor should have a long-term perspective and be able to tolerate market volatility and price fluctuations. Portfolios are subject to market risk and securities will increase or decrease in value due to market movements. The portfolio holdings may also fluctuate due to political, economic or social events around the world. Investments are not guaranteed, nor insured against loss. Please refer to the investment prospectus for a complete disclosure of risks.

## Item 9 – Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Centara Capital or the integrity of Centara Capital's management.

Mr. Myron, among others, were named in a lawsuit filed in the Superior Court of California, San Diego County. The suit was filed in May 2010. The case number is 37-2010-00092890-CU-FR-CTL. The complaint involves the origination and sale of various life insurance policies to a former client. The complaint has been dismissed with prejudice by all parties.

## Item 10 – Other Financial Industry Activities and Affiliations

Centara Capital is part of a group of affiliated companies (see Item 4 – Advisory Business for a list of affiliates) which offer other services.

**Centara Capital Management Group, Inc.** is also an insurance agency and offers tax services to its clients. Centara Capital offers insurance products and tax services where commissions and/or fees are paid to our firm. The advisor may be an insurance agent of the firm and affect insurance transactions on a fully disclosed commission basis.

**Centara Capital Securities, Inc.** ("Centara Securities") is a securities broker-dealer (Member FINRA and SIPC) and insurance agency, Centara Insurance Services. Centara Securities offers products and services that may be similar to those recommended where a commission is paid to Centara Capital and/or the advisor. The advisor may be a registered representative of Centara Securities and/or Insurance agent and may affect securities brokerage transactions on a fully disclosed commission basis.

The client can choose to engage the advisor, in their capacity as a registered principal/representative of Centara Securities to implement investment recommendations on a fully-disclosed commission basis. The brokerage commission charged by Centara Securities may be higher or lower than those charged by other broker-dealers. In addition, Centara Securities and the registered principal/representative may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period the client maintains the mutual fund investment.

**Centara Real Estate Services, Inc.** ("CRES") is a real estate broker. CRES may offer products and services that may generate a commission. The advisor may be a real estate agent or broker of CRES.

### **EquityKey Real Estate Option ("EquityKey")**

Centara Capital, in conjunction with its affiliated real estate services entity, Centara Real Estate Services, Inc., may also recommend that certain clients consider participating in the EquityKey program. The EquityKey program is designed to provide participants with

the opportunity to receive an option payment in exchange for granting an option to EquityKey to participate in any future appreciation or growth in value of the property subject to the option. The terms and conditions for participation in the program are set forth in the EquityKey program documents.

**Centara Capital Consulting, Inc.** ("CCC") is the general partner and managing member of various funds. These funds may generate fees and/or commissions to the Centara Capital Group of companies.

#### **EquityKey Fund**

Centara Capital Consulting, Inc. is the general partner of EK Investments, L.P., which is the operating company for the business activities associated with the EquityKey business. The EquityKey business includes real estate management and advisory companies charged with providing certain management and advisory services to EquityKey Real Estate Investment, L.P. EquityKey Real Estate Investments, L.P. is a real estate fund that invests in residential real estate through EquityKey transactions. EquityKey transactions involve the investment by the fund in residential real estate, via options entered into between homeowners and EquityKey Real Estate Investments, L.P. Centara Capital Consulting, Inc. also serves as the general partner for EquityKey Real Estate Investments, L.P.

#### **Ellis Fund**

Three One Capital, LLC, an affiliate of CCG and CCC, is the general partner of Ellis Opportunity Fund, L.P. Ellis Opportunity Fund, L.P. invests in life insurance contracts and/or beneficial interests associated with life insurance contracts.

**Centara Legal Group, APC**, is a third-party estate planning law firm and is not owned or controlled by Centara Capital Group, Inc. For Legal Services, each client will sign an engagement with Centara Legal Group, APC.

#### **Additional Information**

Centara Capital, the advisor, and Centara affiliates may recommend investments, insurance products, or other services to the client that may result in additional compensation. The client is under no obligation to purchase or invest in any product, service, or investment offered by Centara or its affiliates, or as recommended by the advisor. If the client does choose to purchase or invest in such a product, service or investment, Centara, its affiliates, and/or the advisor may earn fees or commissions in addition to the fees and paid for the Investment Advisory services.

In connection with any investments or securities recommended by Centara Capital or a related person, in which a related party has a financial interest, Centara Capital or a related person, as applicable, performs a number of activities and provides specific disclosures. Specifically, Centara Capital or a related party as applicable performs, among other things, due diligence in connection with the investment of securities, confirms the investor is accredited and satisfies the requirements of the investment/ security, that the investment/security is suitable for the investor, and provides the investor a solicitor's statement and/or private placement memorandum prior to any investment. The solicitor's statement specifically discloses the relationship between Centara Capital or its affiliate and the issuer, as well as the compensation earned and any potential

conflict of interest. This statement is signed by the prospective investor prior to an investment. The private placement memorandum discloses, among other things, ownership of the issuer, affiliates, conflicts of interest, and other risks and terms associated with the investment offering.

The payment of fees or commissions presents a conflict of interest and gives Centara Capital, or its affiliated companies, an incentive to recommend investment products based on compensation received rather than a client's needs. Centara Capital and its affiliates, however, go to great lengths to avoid and inform clients of potential conflicts. It is Centara Capital's practice to disclose conflicts and inform clients of compensation terms. Clients have the option to purchase recommended investment products through other brokers or agents that are not affiliated with Centara Capital.

## **Item 11 – Code of Ethics**

Centara Capital has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Centara Capital must acknowledge the terms of the Code of Ethics annually, or as amended.

Centara Capital anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Centara Capital has management authority to affect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Centara Capital, its affiliates and/or clients, directly or indirectly, have a position of interest. This presents a conflict of interest and gives Centara Capital, or its affiliated companies, an incentive to recommend investment products based on Centara's interest rather than a client's needs. Centara Capital and its affiliates, however, go to great lengths to avoid and inform clients of potential conflicts. It is Centara Capital's practice to disclose conflicts and inform clients of Centara's interests. Clients have the option to decline or purchase recommended investment products through other brokers or agents that are not affiliated with Centara Capital.

Additionally, Centara Capital's employees and persons associated with Centara Capital are required to follow Centara Capital's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Centara Capital and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Centara Capital's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Centara Capital will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Centara Capital's

clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Centara Capital and its clients.

Centara Capital's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Mark Dossa, Chief Compliance Officer.

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

## **Item 12 – Brokerage Practices**

### **The Custodian and Brokers We Use**

Centara Capital does not maintain custody of your assets that we manage/on which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker dealer or bank. We require that our clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we/you instruct them to do so.

While we require that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with Schwab, then we cannot manage your account.

### **How We Select Brokers/Custodians**

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

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us from Schwab*”)

## **Your Brokerage and Custody Costs**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the Schwab account.

Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that is executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account.

These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for our clients.

We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

## **Products and Services Available to Us from Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us.

Schwab provides us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab’s support services:

## **Services That Benefit Our Clients**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

## **Services That May Not Directly Benefit Our Clients**

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements)
- Facilitates trade execution
- Provides pricing and other market data
- Facilitates payment of our fees from our clients' accounts
- Assists with back-office functions, recordkeeping, and client reporting

## **Services That Generally Benefit Only Centara Capital**

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

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

## **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab.

Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to require that our clients maintain their accounts with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on our clients' interest in receiving the best value in custody services and the most favorable execution of our clients' transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interest of our clients. Our selection

is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/ Custodians*") and not Schwab's services that benefit only us.

We have \$65,860,000.00 in client assets under management, and we do not believe that requiring our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

### **Item 13 – Review of Accounts**

Centara Capital's clients' accounts or financial plans are reviewed on an ongoing basis by the Senior Portfolio Manager, Registered Principal and/or Associated Persons. It is the client's responsibility to advise Centara Capital of any changes in their investment objectives and/or financial situation. All clients are encouraged to review financial planning issues, investment objectives and account performance with Centara Capital on an annual basis, as applicable.

Each client will receive account statements directly from Schwab at least quarterly and a quarterly portfolio report from Centara Capital.

We also urge our clients to compare Schwab's account statements to the quarterly portfolio reports they receive from Centara Capital. Centara Capital statements may vary from the custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Any variations between statements should immediately be brought to Centara Capital's attention.

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

Centara Capital receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab.

These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Centara Capital does not retain any third-party solicitor to refer clients to Centara Capital. Centara May from time to time engage in a client referral program and provide participating clients certain compensation (e.g., gift certificates) in connection with the referral program.

### **Item 15 – Custody**

Under government regulations, we are deemed to have custody of a client's assets if, for example, a client authorizes us to instruct Schwab (or other custodian) to deduct advisory fees directly from the client's account. Schwab maintains actual custody of your assets.



Clients will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address provided to Schwab. The statements should be carefully reviewed promptly when received.

We also urge Clients to compare Schwab's account statements to the quarterly portfolio reports received from Centara Capital. Centara Capital statements may vary from the custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Any variations between statements should immediately be brought to Centara Capital's attention.

## **Item 16 – Investment Discretion**

Centara Capital usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought and sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts for the account, Centara Capital observes the investment policies, limitations and restrictions of each client. Investment guidelines and restrictions must be provided to Centara Capital in writing.

Centara Capital is not authorized to send any money, securities or other property in the name of the Client to a third-party without the express written authorization of the Client.

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

Centara Capital has adopted and implemented written Proxy Voting Policies and Procedures ("Proxy Voting Procedures") which are designed to reasonably ensure that Centara Capital votes proxies in the best interest of its clients where the adviser has voting authority.

The Proxy Voting Procedures describe how Centara Capital addresses voting authority, material conflicts of interest, voting decisions, notification to the client, and books and records requirements.

Centara Capital acknowledges and agrees that it has a fiduciary obligation to its clients to ensure that any proxies for which it has voting authority are voted solely in the best interests and for the exclusive benefit of its clients. The Proxy Voting Procedures are intended to guide Centara Capital and its personnel in ensuring that proxies are voted in such manner without limiting Centara Capital or its personnel in specific situations to vote in a predetermined manner.

These policies are designed to assist Centara Capital in identifying and resolving any conflicts of interest it may have in voting client proxies.

Clients may obtain a copy of Centara Capital's complete Proxy Voting Procedures upon request. Clients may also obtain information from Centara Capital about how Centara Capital voted any proxies on behalf of their account(s) by contacting Centara Capital at (619) 398-1700.

## **Item 18 – Financial Information**

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

## **Item 19 – Requirements for State-Registered Advisers**

Not Applicable