



# STRATEGIC

## FINANCIAL SERVICES

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### **Part 2A of Form ADV: Firm Brochure**

**March 15, 2012**

*This Brochure provides information about the qualifications and business practices of Strategic Financial Services. If you have any questions about the contents of this brochure, please contact us at (315) 724-1776 / (800) 937-4461 and/or at [privacy@investstrategic.com](mailto:privacy@investstrategic.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.*

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

*Where a reference is made to being a "registered investment adviser" throughout this document, the term "registered" does not imply a certain level of skill or training. "Registered" means that the company has filed the necessary documentation to maintain registration as an investment advisor with the Securities and Exchange Commission.*

## **Material Changes**

Since the last filing of the brochure on July 15, 2011 Strategic Financial Services has consolidated its SEC filings. Historically Strategic filed three separate registrations for its financial planning, investment management, and retirement plan divisions.

In September 2011, a group of individuals left the firm to join a start-up organization. One member of the investment committee and three members of the management committee were included in that group .

Since the last filing, Strategic has added four new members to the firm's Investment Committee. Robert Hanft has been added as an Equity Research Advisor. David Lemire has been added as a Senior Market Strategist. Aaron Evans and Andy Thurston have been added as Research Analysts.

In the retirement plan division, Laura Hailston was promoted to Director and Clint Kane was added as an Associate.

Iris Buczkowski joined David Lemire and Robert Hanft as new members of the Management Committee.

# Table of Contents

Advisory Business	1
Fees and Compensation	4
Performance-Base Fees and Side-By-Side Management	8
Types of Clients	8
Methods of Analysis, Investment Strategies and Risk of Loss	8
Disciplinary Information	11
Other Financial Industry Activities and Affiliations	11
Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Brokerage Practices	13
Review of Accounts	15
Client Referrals and Other Compensation	16
Custody	17
Investment Discretion	17
Voting Clients Securities	17
Financial Information	17

## **Advisory Business**

Strategic Financial Services, hereinto referred to as Strategic, is a registered investment advisor with the United States Securities and Exchange Commission. Strategic has been in business since 1979.

The principal ownership structure of Strategic Financial Services is as follows:

Alan R. Leist Jr. – 65% Owner  
Judith Vicks Sweet – 35% Owner

Strategic Financial Services offers three main advisory services to clients; financial planning, investment management, and retirement plan services. Strategic's advisory services may be utilized independently or interdependently. Clients have the discretion to determine the nature of the services they receive.

## **Financial Planning**

The financial planning services Strategic provide include:

- Review of estate planning documents, investments and insurance
- Evaluation of estate tax strategies.
- Design of an investment portfolio structured to meet educational, retirement and other financial goals.
- Discussion of prudent protection for a family in the event of a premature death, the inability to work due to an accident or illness, or unanticipated extended care.
- Consultation for owners of businesses including advice regarding corporate finance and ownership transition issues.
- Recommendations on investment products.
- Recommendations on the discretionary management of investment accounts.
- Irrevocable Life Insurance Trust administration services.

Each client's financial plan is designed according to the specific needs and objectives of the client. During an initial consultation the client and an advisor of Strategic will discuss the client's needs and desired goals of the financial planning process. A financial plan will be developed based upon the client's stated needs, desired goals and risk tolerance. Plans may involve consultation with other professionals, such as attorneys and accountants. Based on the client's needs the financial plan may or may not be written.

Clients may implement security recommendations by establishing an investment advisory account with our investment management division. Clients are under no obligation to implement such recommendations through this division.

Clients may implement security recommendations by establishing an investment advisory account with an investment advisor representative of Strategic who also serves as an investment advisor representative of Cadaret, Grant & Co. under their TIMS (The Investment Management System) platform. Clients are under no obligation to implement such recommendations through Cadaret, Grant's TIMS platform. A Form ADV Part 2 Brochure for Cadaret, Grant & Co. is available upon request. Please refer to the section on *Other Financial Industry Activities and Affiliations* for more information on the relationship between Strategic and Cadaret, Grant & Co.

Clients may also implement securities recommendations and insurance recommendations through a Strategic advisor who is also a registered representative of Cadaret, Grant & Co., a broker dealer, or a licensed insurance agent of various insurance companies. Please refer to *Other Financial Industry Activities and Affiliations* for more information on Strategic advisors who are also registered

representatives of Cadaret, Grant & Co., or a licensed insurance agent. Clients are under no obligation to implement such recommendations through a Strategic advisor.

Clients can also choose to implement any investment product recommendation with the financial institution of their choice.

Strategic's financial planning division does not provide continuous and regular supervisory management of clients' assets or investment accounts. Strategic, when required, presents an initial investment strategy and asset allocation to clients. Transactions can be executed through an Strategic advisor who is also registered representative of Cadaret, Grant. Please refer to the section on *Other Financial Industry Activities and Affiliations* for more information on the relationship between Strategic and Cadaret, Grant. Following the initial investment transaction the client will be provided advice on a periodic basis, such as upon client request, in response to a market event, or on a specific date (e.g. quarterly, annually).

Strategic does not enforce a minimum account size to receive financial planning services.

Financial plans will be based solely on the information clients provide to Strategic.

Strategic does not accept discretionary authority to manage securities on behalf of clients. All transactions executed in relation to a client's financial plan will be done with prior client consent.

Strategic does not have the authority to vote client securities for financial planning clients. Clients can request the opinion of Strategic as it relates to a particular solicitation. Strategic will provide an independent unbiased opinion that is in our perceived best interest of the client. Strategic will not offer an opinion if a conflict of interest is identified. Strategic will notify the client of the conflict of interest and refuse an opinion.

### **Investment Management**

Strategic's investment management division's primary advisory service is the discretionary management of client accounts. Client accounts are managed on a separate basis. Strategic manages balanced, fixed income and equity accounts. Clients equity positions are generally invested in our Strategic Growth, Equity Income, and/or Specialized Equity strategies. Client fixed income positions are generally invested into high-quality bonds, fixed income exchange traded funds, and fixed income mutual funds. Bonds purchased include, but are not limited to, U.S. Treasuries, U.S. Agency Bonds, Municipal Bonds and Corporate Bonds. Please see the section on *Methods of Analysis, Investment Strategies and Risk of Loss* for more information on our equity and fixed income investment strategies.

Strategic also provides advisory services to non-discretionary managed and monitored accounts. Clients can request the non-discretionary management and monitoring of accounts or assets. Services are primarily offered for inherited and/or restricted securities, educational accounts, personal trading accounts, mutual fund accounts and low basis stock.

Strategic does tailor advisory services to the individual needs of clients. Strategic tailors each client's asset allocation to meet the client's specific needs. Clients can place restrictions on investing in certain securities or types of securities. Clients are responsible for communicating any imposed investing restrictions to Strategic.

Employees do not accept compensation for the sale of securities or other investment products under our investment management services.

Strategic does not enforce a minimum account size to open an account. Strategic generally requires a minimum account balance of \$100,000 to invest in one of our actively managed stock portfolios.

Strategic currently offers Strategic Growth and Equity Income as our two actively managed stock portfolios. Clients that do not meet the \$100,000 minimum balance will be invested in an alternative portfolio comprised of exchange traded funds and/or mutual funds.

Strategic's investment advisory agreement grants Strategic the authority to vote client. Strategic recognizes the importance of this role as a driver in enhancing shareholder value. Strategic has adopted Proxy Voting Guidelines that provide a framework for supporting proposals that insure sound corporate governance and that align the long-term interests of the shareholder with company management. Strategic will evaluate each proposal on an individual basis and vote in a manner determined to be in the best interest of the shareholders. Although not a preferred option, clients can direct Strategic's vote in particular solicitations by providing instructions to Strategic. Strategic addresses potential conflicts of interest thru the Strategic Investment Committee. The Strategic Investment Committee is comprised of Judith V. Sweet, Alan Leist III, David Lemire, Max Berkovich, Vinayak Rao, Andrew Thurston, Aaron Evans, Robert Hanft and Kasey Williams. Responsibility and input of any conflicted party in regards to proxy voting would be eliminated if it is determined there is a conflict of interest. Clients are provided a copy of proxy voting records and Proxy Voting Guidelines upon request.

As of December 31, 2011, discretionary assets under management totaled \$502,578,985 and non-discretionary assets under management totaled \$8,805,554.

### **Retirement Plan Services**

Strategic's retirement plan division's primary advisory service is to provide pension consulting and retirement plan design, education and solutions to clients. Strategic may provide one or more of the following services:

- Assisting plan sponsors in developing a customized retirement and investment plan that attempts to fit the needs of individual plan participants.
- Investment selection, ongoing monitoring and performance reviews. Strategic may use various investment options, including mutual fund company shares and asset allocation models or a combination of the two. The mix and weightings of investments will be based on the available plan options.
- Planning and coordination for plan transfer and/or conversion.
- Assist human resource staff with items regarding plan administration.
- Individual employee meetings, retirement planning, investment advice and distribution consultation.
- Group education and enrollment meetings
- Assistance with plan administrative tasks such as loan, distribution and rollover processing.
- General information on legislative, Department of Labor and Internal Revenue Service matters relating to qualified plans.
- Preparation of plan investment policy statement.

Each client's pension consulting and retirement plan service needs are different. The services Strategic provide to each client with depend on the specific needs and objectives of that client.

All recommendations or investment advice provided by Strategic will be based upon the information provided by the plan sponsor and/or plan participant where applicable.

Our firm provides participant directed accounts the option of offering Asset Allocation Model Portfolios designed by Strategic. These models offer a selection of managed model portfolios representing different asset allocation strategies based on factors such as time horizon, risk tolerance and other personal circumstances. The model portfolios consist of mutual funds selected from the universe of available no-load or load waived funds with a goal of consistent investment results. To

the extent that a provider will allow, Strategic will monitor, manage, and rebalance the model portfolios according to the goals of each model and not according to the individual needs of plan participants.

Strategic may suggest clients establish an investment advisory account with our investment management division. Clients are under no obligation to implement such recommendations through this division.

Strategic has investment advisor representatives that are also registered representatives of Cadaret, Grant & Co., a broker dealer. Strategic may suggest establishing a retirement account through Cadaret, Grant & Co. with one of these registered representatives as agent on the account. Clients are under no obligation to implement such recommendations a registered representative of Cadaret, Grant. For more information on this relationship please refer to the section on *Other Financial Industry Activities and Affiliations*.

Strategic's retirement plan division does not have the discretionary authority of the retirement plan assets or of the accounts of plan participants. Strategic will recommend investment securities and asset allocation models to plan sponsors and plan participants. Depending on the client arrangement Strategic may have the discretionary authority to add/replace funds and rebalance our Asset Allocation Models. In the event a retirement plan and pension consulting client were to establish an investment management account with Strategic, Strategic would have discretionary authority of the account.

Strategic does not participate in a wrap fee program.

Strategic does not enforce a minimum account size to open an account or to receive pension consulting and retirement plan services.

Strategic does not have the authority to vote client securities. Clients can request the opinion of Strategic as it relates to a particular solicitation. Strategic will provide an independent unbiased opinion that is in our perceived best interest of the client. Strategic will not offer an opinion if a conflict of interest is identified. Strategic will notify the client of the conflict of interest and refuse an opinion.

## **Fees and Compensation**

Fee schedules are based on the type of advisory service provided to a client. All applicable fee schedules are described below. Fees may be negotiated at the discretion of Strategic.

### **Financial Planning**

Strategic does not have a set fee schedule for the creation and implementation of a financial plan. Any initial fee charged for the creation of a financial plan will be negotiated with the client. Clients requiring reoccurring financial planning services may be charged a monthly, quarterly, or yearly fee that is negotiated with the client when the relationship is established. All fees are negotiable.

Strategic's clients are mailed a bill for financial planning service fees incurred.

Strategic's financial plans may recommend, among other things, security transactions and the purchase of life, disability and/or long term care insurance. Clients have complete discretion to implement any aspect of the recommended financial plan. Clients that implement securities and insurance recommendations from the financial plan, regardless of who the transactions are conducted through, may pay commissions and fees that are separate and distinct from Strategic's financial planning fees. Clients should, and are encouraged to, inquire about the additional

transactions fees that are associated with implementing a financial plan. Each client's financial planning scenarios are different as are the transactions fees associated with implementing the plan.

Clients pay financial planning fees at the end of their billing period. Clients can terminate their relationship with Strategic at any time. Clients will be billed a pro-rated fee for the billing period in which the relationship is terminated.

Clients may implement securities recommendations and insurance recommendations through a Strategic advisor who is also a registered representative of Cadaret, Grant & Co., a broker dealer or various insurance agencies. Clients are under no obligation to implement such recommendations through a Strategic advisor who is also a registered representative of Cadaret, Grant & Co or an agent for various insurance agencies. If securities and insurance recommendations are implemented through a Strategic advisor, the advisor may receive additional commissions and/or fees for executing the client's transactions.

1. The practice of accepting compensation for the sale of securities or other investment products creates a potential conflict of interest because the advisor will receive both the original financial planning fee (if any) and the commissions or fees associated with the securities and/or insurance transactions of the client. This relationship gives Strategic a financial incentive to recommend purchases and sales in a client's account based on the commissions received, rather than a recommendation based solely on the client's best interest. Strategic addresses this conflict by fully disclosing the fees or fee schedules associated with any client transactions. In addition all trades are monitored and reviewed in an effort to identify trading that is inconsistent with client's investment objectives, risk tolerance or account restrictions, or is otherwise not in the client's best interest. Clients are urged to monitor trading in their own accounts by reviewing written trade confirmations delivered to them and by reviewing account statements delivered to them directly from the custodian.
2. Clients have complete discretion to implement any aspect of the recommended financial plan. Clients also have complete discretion to purchase investment products recommended by Strategic through other brokers or agents that are not affiliated with Strategic.
3. Commissions and other compensation for the sale of investment products we recommend to our clients is Strategic's financial planning division's primary compensation source.
4. Clients that choose to purchase investment products through a Strategic advisor who is also a registered representative, can request to have their financial planning fees reduced or waived.

### **Investment Management**

Clients of Strategic's investment management division pay a management fee for advisory services. Our primary fee structure is:

1.1% on the first \$1,000,000 in market value;  
0.85% on the next \$4,000,000; and  
0.70% on amounts greater than \$5,000,000

Clients can negotiate their fee structure.

Strategic does not have a set fee structure for non-discretionary managed accounts. The fee is negotiated with the client and is based upon the level of activity in the account and the complexity of assets.

Strategic deducts advisory fees directly from client accounts. Fees are deducted quarterly, in advance, and are based upon the asset value of the client's managed accounts. Fee deductions are reflected on custodial statements.

Clients can negotiate how fees are paid. Clients may choose to be billed directly for their management fees. If this method is agreed upon the quarterly management fee is mailed to the client. The quarterly bill will include the fee period, fee amount, client's asset value on which the fee is calculated, and the manner in which the fee is calculated. The client is responsible for mailing Strategic a check to pay their quarterly fee.

In addition to Strategic's management fees, clients pay a management fee on the portion of their assets that are invested in a money market, mutual fund or exchange traded fund. Money market, mutual fund and exchange traded fund companies set their fees and they are not negotiable. Strategic will provide the client with the fee schedules of money market, mutual fund, and exchange traded funds upon request.

Clients pay a custodial fee to the account custodian. Strategic recommends, but does not require, that clients use State Street Bank and Trust Company as their account custodian. State Street Bank and Trust Company's current fee structure is:

- 0.07% on assets below \$2,000,000;
- 0.05% on assets between \$2,000,000 and \$5,000,000; and
- 0.03% on assets above \$5,000,000

Minimal fee of \$200  
Additional annual fee of \$150 for accounts requiring a tax reporting package.

State Street Bank and Trust Company's fee structure is not negotiable.

Clients who choose to use other custodians will pay fees according to that custodian's fee schedule. Clients receive a copy of a custodian's fee schedule prior to establishing an account.

Clients pay transactions fees to brokers. Strategic selects the brokers that execute trades for client accounts. Brokerage fees vary per broker. Please refer to the section on *Brokerage Practices* for information on how Strategic selects brokers. Clients can request which brokers are used to execute trades for their accounts.

Clients can terminate their relationship with Strategic at anytime. A terminated client is rebated a portion of their last paid management fee if the advisory contract is terminated before the end of the billing period. Strategic will rebate the management fee from the date it receives its termination notice to the end of the current billing quarter. The client will receive the rebate via the same method the client pays their management fee.

### **Retirement Plan Services**

Strategic does not have a set management fee schedule for retirement plan services; however annual fees generally do not exceed 1% of plan assets. Fees are negotiated with the plan sponsor and are largely dependent on the servicing needs of the client.

Clients are generally billed on either a monthly or quarterly basis from the plan custodian and record keeper. The plan sponsor and Strategic, in a written agreement, will authorize the custodian to

calculate the management fee based on plan assets on the first day of the billing month. Clients are generally required to pay the management fee prior to the end of the billing month.

If a client pays a fee in advance and the advisory contract is terminated prior to the delivery of services the client can request a rebate of unearned fees. Upon request, Strategic will rebate the management fee from the date it receives its termination notice to the end of the current billing period.

Clients can negotiate the frequency and method of calculating and paying of management fee bills.

Clients that establish retirement plans and execute plan transaction through a Strategic employee who is also a registered representative are only charged the mutual fund company share commissions. Commissions are charged according to the rates disclosed in the prospectus of each mutual fund or a level-fee across each fund. Clients will be provided access to mutual fund prospectuses prior to investment and upon request thereafter. Mutual fund commission rates are not negotiable. Fee-level clients will be provided with an explanation if the fee-level arrangement. Commissions are paid through Cadaret, Grant as described in each fund's prospectus.

Strategic may recommend, among other things, plan record keepers, custodians and third party administrators. Clients have complete discretion to select these additional service providers. Clients may pay record keeping, custodial and administrative fees that are transactions separate and distinct from Strategic's management fees. Clients should, and are encouraged to, inquire about the additional fees that are associated with their retirement plan. Each client's retirement planning scenarios are different as are the fees associated with their plan.

Clients that establish retirement accounts through an investment advisor representative that is a registered representative of Cadaret, Grant & Co. are charged commissions on their mutual fund transactions.

1. The practice of accepting compensation for the sale of securities or other investment products creates a conflict of interest because this relationship gives Strategic a financial incentive to recommend purchases and sales in a client's account based on the commissions we receive, rather than based solely on the client's best interest. Strategic addresses this conflict by fully disclosing the fees or fee schedules associated with any client transactions. In addition all trades are monitored and reviewed in an effort to identify trading that is inconsistent with client's investment objectives, risk tolerance or account restrictions, or is otherwise not in the client's best interest. Clients are urged to monitor trading in their own accounts by reviewing a written trade confirmations delivered to them and by reviewing account statements delivered to them directly from the custodian.
2. Clients also have complete discretion to establish retirement plans and execute trades through other brokers or agents that are not affiliated with Strategic.
3. Commissions and other compensation for the sale of investment products we recommend to our clients is not Strategic's retirement plan division's primary compensation source.
4. Clients that choose to purchase investment products through a Strategic advisor who is also a registered representative will not pay any management fees to Strategic.

**Performance-Based and Side-By-Side Management**

Strategic does not charge a performance-based fee.

**Types of Clients**

Strategic generally provides investment advice to the following types of client:

- Individuals
- Trusts, Estates, Foundations or Charitable Organizations
- State or Municipality Entities
- Corporations
- Non-Profit Institutions
- Pension, Profit Sharing Plans, 401(k) Plans and other Qualified Retirement Plans
- Other Business Entities

Strategic requests certain information from clients before preparing a financial plan, retirement plan, or opening an account. Strategic may request the following information from clients (if applicable):

- Name
- Address, Telephone Number, and Email Address
- Date of Birth
- Social Security Number or Tax ID number
- Occupation and Employer
- Net Worth and Annual Income
- Source of Wealth
- Copy of unexpired Driver's License or U.S. Passport
- Trust and Estate Documents
- Long-term care, life and disability insurance
- Financial goals
- Other financial documents
- Corporate Resolution, List of Authorized Signers and Organizational Documents or Business License

**Methods of Analysis, Investment Strategies and Risk of Loss****Financial Planning**

Strategic will conduct an initial consulting meeting with prospective financial planning customers. During the initial consultation the client and an advisor of Strategic will discuss the client's needs and desired goals of the financial planning process. Based upon that meeting and the determined desired financial plan, the client will be asked to provide (if applicable to the desired plan) the following information:

- Most Recent Income Tax Returns
- Copies of current estate documents
- List of assets and liabilities
- Copies of current investment accounts and cost basis
- Copies of retirement accounts and estimated annual contributions
- Life insurance and disability insurance policies
- Estimated annual living expenses
- Annual social security statements
- Any business contracts

- Summary statements on company provided benefits

Strategic will design a financial plan based upon the information provided by the client and the client's desired goals and objectives. Strategic may perform various techniques in analyzing and designing a financial plan. Techniques may include, but are not limited to forecasting, budgeting, data analysis and financial models. The client is advised that there is no guarantee, stated or implied, that the client's financial planning goals or objectives will be achieved.

All methods of analysis and financial planning involve material risks, including the risk of loss. Forecasting, data analysis and budgeting rely on information provided by the client and relies on historical economical data in an attempt to create a forward looking financial plan. As a result, forecasting and budgeting include the risk of using historical data which is not indicative of future economic trends or future needs of clients. Financial models focus on developing an overall investment asset allocation that is designed to meet the client's objectives and goals. Financial models are subject to material risks, such as loss, and rely on specific economic conditions so that investment accounts may perform in a manner that meets the client's objectives and needs. As a result, financial modeling includes the risk of not taking into consideration the overall state of the economy and markets.

The majority of investment recommendations made by Strategic involve the use of mutual funds. Investing in mutual funds involves material risks, including the risk of loss. One of these material risks is the cost of sales charges, annual fees and other expenses impairing fund performance. Lack of control is also a risk that investors encounter. Investors and investment advisor representatives typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. Another risk is price uncertainty. Mutual fund investors face this risk because the price at which shares are purchased and sold is based on the fund's net asset value, which may not be calculated until hours after the transaction has already been processed. Clients should read a fund's prospectus and shareholder reports to learn about its investment strategy for potential risks.

### **Investment Management**

Strategic employs an investment process centered on fundamental research. Fundamental analysis can be considered in macro ("top down") and micro ("bottom up") contexts. Macro analysis includes, but is not limited to, review of major economic activity reports, labor market, interest rate, inflation, commodity, currency data, and central bank policies. Micro analysis, primarily at the level of an industry or individual security, considers current and expected conditions in such variables as sales, earnings, business strategies, credit spreads, and debt coverage. In both macro and micro analysis, we review the level of asset prices, and form judgments as to their worth, both in an absolute, as well as a relative, context.

We design our investment strategies combining top-down analysis, bottom-up selection and secular themes. Asset classes and individual securities that fit favorably among those three criteria are emphasized within our investment strategies.

Clients are advised that investing in any securities involves risk of loss, and should be prepared to bear this risk when investing.

With respect to our fundamental economic and security analysis, it is possible that we could err materially in assessing the attractiveness of an asset, or the overall thrust of an investment strategy, resulting in loss for an investor.

We generally aim to avoid frequent trading of securities and keep portfolio turnover reasonable in order to control transaction costs.

Strategic, depending on the suitability to each client's portfolio, may utilize a mix of individual securities, mutual funds, exchange-traded funds, and cash equivalents to construct a diversified portfolio.

The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as adverse economic conditions, changes in the outlook for corporate earnings, and adverse investor sentiment. A security's market value may also decline because of factors that affect a particular sector or industry.

When investing in fixed income, there are many risks to be considered, including, but not limited to, interest rate risk, inflation risk, credit risk, principal risk, duration risk and reinvestment risk.

Some of the risks investing in mutual funds include, but are not limited to, material underperformance, high fees and expenses, trading limitations, tax consequences, capital gains distributions, excessive trading, investment style drift, lack of control over fund transactions, and management turnover.

Risks of investing in exchange-traded funds include cost of trading, availability, liquidity, and tracking error to the respective benchmark.

An investment in a cash-equivalent money market fund or stable value fund is not a bank deposit, and is not insured or guaranteed by the FDIC or any other government agency. The value of investment in the fund can fluctuate, sometimes resulting in a loss of principal.

The risks outlined above are not exhaustive and client portfolios may be subject to material losses, including a complete loss of principal, that result from factors beyond the scope of this discussion.

### **Retirement Plan Services**

Strategic will conduct an initial consulting meeting with a prospective client. During the initial consultation the client and an advisor of Strategic will discuss the client's needs in areas such as plan design, administration and investments. This discussion and consultation will serve as the basis for an in-depth screening process aimed at launching a full range of retirement plan services for the client.

Strategic's primary method of analysis and investment strategy is mutual fund analysis and the implementation of Asset Allocation Model Portfolios designed by Strategic. These models offer a selection of managed model portfolios representing different asset allocation strategies based on factors such as age, risk tolerance and personal circumstances. The model portfolios consist of mutual funds selected from the universe of available no-load or load waived funds with a goal of consistent investment results. To the extent that a provider will allow, Strategic will monitor, manage, and rebalance the model portfolios according to the goals of each model and not according to the individual needs of plan participants.

All methods of analysis and investment strategy involve material risks, including the risk of loss. Financial models focus on developing an overall investment asset allocation that is designed to meet the objectives and goals of a certain model allocation. Financial models are subject to material risks, such as loss, and rely on specific economic conditions to perform in a manner that meets the objectives of the model. As a result, financial modeling includes the risk of not taking into consideration the overall state of the economy and markets. In addition the use of modeling may take into account the historic performance of certain asset classes either throughout history or during specific economic conditions. Historical performance is not an indicator and cannot predict future performance. As a result relying on historically performance to make decisions is flawed and can result in loss.

The majority of investment recommendations made by Strategic involve the use of mutual funds. Investing in mutual funds involves material risks, including the risk of loss. One of these material risks is the cost of sales charges, annual fees and other expenses impairing fund performance. Lack of control is also a risk that investors encounter. Investors and investment advisor representatives typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. Another risk is price uncertainty. Mutual fund investors face this risk because the price at which shares are purchased and sold is based on the fund's net asset value, which may not be calculated until hours after the transaction has already been processed. Clients should read a fund's prospectus and shareholder reports to learn about its investment strategy for potential risks.

### **Disciplinary Information**

Strategic Financial Services does not have any pending, or historical, legal or disciplinary events.

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

Alan R. Leist, Jr., Iris L. Buczkowski, and Alan R. Leist, III, investment advisor representatives of Strategic, are also registered representatives of Cadaret, Grant & Co., a broker dealer. In their capacity as registered representatives they may sell general securities for which they may receive commissions. Investment advisor representatives of Strategic recommend, but do not require, that clients implement aspects of their financial plan one of the above mentioned registered representatives of Cadaret, Grant & Co. A potential conflict of interest is created because the registered rep may receive commissions on the financial products sold that are separate and distinct from the financial planning fees. Clients are under no obligation to implement such recommendations through a Strategic advisor who is also a registered representative of Cadaret, Grant & Co. Nancy Meininger, Operations Manager of Strategic, is also a registered representative of Cadaret, Grant & Co. At this time Ms. Meininger does not actively seek to sell general securities.

Laura Hailston, investment advisor representative of Strategic, is also a limited registered representative of Cadaret, Grant & Co., a broker dealer. In her capacity as a limited registered representative she may sell mutual funds and variable annuities for which she may receive commissions. A conflict of interest exists to the extent that Ms. Hailston recommends the purchase and/or sale of securities or investment products where she receives a commissions or other additional compensation as a result of the recommendations she makes. At this time Ms. Hailston does not actively seek to sell mutual funds or variable annuities.

Strategic does not employ any individuals who are registered, or who have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Alan R. Leist, Jr. and Iris L. Buczkowski, investment advisor representatives of Strategic may also conduct business as investment advisor representatives of Cadaret, Grant & Co., Inc, through its TIMS (The Investment Management System) platform. The TIMS platform is a fee-based asset management program that uses a large selection of no load and load waived mutual funds, general securities, and other investments to achieve the client objectives. The current management fees our investment advisor representatives currently charge for the TIMS program is 1.1% annually on all assets. This fee can be negotiated. Clients can refer to Cadaret, Grant & Co., Inc. Form ADV II for more information on the TIMS program.

Alan Leist, Jr. and Iris Buczkowski are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. A conflict of interest exists to the extent that Mr. Leist and

Mrs. Buczkowski recommends the purchase of insurance products where he receives insurance commissions or other additional compensation.

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

Strategic enforces rules of conduct for all their employees under a Code of Ethics. The Code of Ethics is designed to, among other things; govern personal securities trading activities in the accounts of employees, immediate family/household accounts and accounts in which an employee has a beneficial interest. The Code is based upon the principle that Strategic and its employees owe a fiduciary duty to Strategic's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid:

- a. serving their own personal interests ahead of clients,
- b. taking inappropriate advantage of their position with the firm, and
- c. any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Strategic continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

A copy of Strategic's Code of Ethics will be presented to any client or prospective client upon request.

Strategic does not recommend to clients, or buy or sell for client accounts, securities in which Strategic or an employee of Strategic has a material financial interest.

Employees of Strategic may invest in the same securities that are recommended to clients. This activity may create a conflict of interest because employees may perform personal security transactions before, or after, clients' transactions are executed to obtain a more favorable outcome. Strategic takes several steps to ensure that:

- a. The interest of clients accounts will at all times be placed first;
- b. All personal securities transactions will be conducted in such a manner to avoid any actual or potential conflict of interest or any abuse of an individuals position of trust and responsibility; and
- c. Employees must not take inappropriate advantage of their positions.

To address the potential risks, Strategic's Code of Ethics requires reporting requirements that allow Strategic access to review and monitor employee personal trading activity. Transactions that are deemed inconsistent with Strategic's Code of Ethics are subject to cancellation or correction at the employee's expense.

## **Brokerage Practices**

### **Financial Planning**

Factors that Strategic considers when recommending broker/dealers to clients include their financial strength, reputation, execution, pricing and service.

Strategic does recommended clients use Cadaret, Grant & Co. as a broker/dealer for financial plans that recommend the purchase of mutual funds, general securities, and variable annuities. Please see the section on *Other Financial Industry Activities and Affiliations* for more information on the relationship between investment advisor representatives of Strategic and Cadaret, Grant. If a client chooses to establish an account with Cadaret, Grant they may incur a higher transaction costs in the form of commissions or account service fees than if the account were held elsewhere. Strategic does not receive any soft-dollar benefits from Cadaret, Grant. Sale and purchase orders executed through Cadaret, Grant are not aggregated and as a result the client may pay a higher transaction fee than if the orders were aggregated.

Clients can also choose to implement any investment product aspect of their financial plan with the broker dealer of their choice. Clients should be aware that this practice can limit the ability of Strategic or its investment advisors representatives from negotiating commissions or other transaction fees.

### **Investment Management**

Strategic's objective is to obtain the lowest commission rates that commensurate with the research and brokerage services made available to Strategic Investment Advisors. Strategic considers the following factors when selecting and determining the reasonableness of broker-dealer commissions.

- a. Ability to execute orders
- b. Ability to execute orders in volatile markets
- c. Commissions rate
- d. Knowledge of market
- e. Financial Strength
- f. Service quality
- g. Confidentiality
- h. Familiarity with firm
- i. Soft Dollar Arrangements
- j. Research offerings and quality

Strategic may pay a broker dealer an amount greater than the compensation that could be obtained from another broker or dealer if the research or other services are superior.

### **Soft Dollar**

Strategic maintains a written soft dollar agreement with Dominick and Dominick LLC. Strategic may instruct Dominick and Dominick to make payments, from the pool of available commissions funds, toward the use of a Bloomberg Terminal. The soft dollar benefits from this arrangement benefit all accounts. Strategic, at times, may pay Dominick and Dominick more than the lowest available commission rate because of the benefits provided under the soft dollar agreement. Strategic benefits from the use of soft dollar to access the research capabilities of a Bloomberg Terminal because it relieves Strategic from using hard dollars to

obtain such research or products. Strategic, at times, may have an incentive to select brokers based on soft dollar arrangement and the added benefit received, rather than getting the most favorable execution.

### ***Brokerage for Client Referrals***

When selecting or recommending brokers, Strategic does not consider whether it or an employee of Strategic receives client referrals from the broker.

### ***Directed Brokerage***

Strategic does not routinely recommend, request, or require that a client direct us to execute transactions through a specified broker dealer. Strategic is granted, by the client, discretionary authority to enter orders for securities transactions with the brokers, dealers, or issuers as Strategic selects. This authority is granted in the Discretionary Investment Advisory Agreement. As stated above we have a soft dollar arrangement with Ticonderoga Securities. Please see this section for potential conflicts of interest.

Clients are permitted to direct brokerage. Clients who choose to direct brokerage are required to complete a Directed Brokerage Agreement. Clients who select directed brokerage may limit Strategic's ability to achieve best execution. Directed brokerage may cost clients more money because Strategic may not be able to aggregate orders to reduce transactions costs, or the client may receive a less favorable price. In addition, these trades may be placed behind aggregated orders resulting in a less favorable price.

Strategic maintains a Trade Allocation Policy for the purchase and sales of securities. The allocation policy states Strategic will aggregate trades when it is consistent with the duties of best execution. Trades will be aggregated when the opportunity is present and clients have not entered into a Directed Brokerage Agreement. Clients that participate in an aggregated trade will participate at the average share price of the transaction. Clients will be presented with a copy of Strategic's Trade Allocation Policy upon request.

### **Retirement Plan Services**

Strategic may recommend Cadaret, Grant as a broker dealer for client transactions and may also suggest plan providers such as record keepers, custodians, and administrators.

Clients have the discretion to select the plan providers and broker dealers of their choice. Selection of certain plan providers and broker-dealers may restrict Strategic's ability to negotiate costs and restrict our investment selection.

Strategic does recommend a variety of different plan providers to clients. Recommendations are given based on the plan sponsor's objectives and servicing requirements.

Strategic does not receive soft dollar benefits from any of the recommended plan providers or broker dealers. Rather, the plan providers and broker dealers are recommended based upon industry reputation, customer service, financial strength, and all around service offerings.

Strategic may also recommend clients establish an investment advisory account with our investment management division.

## **Review of Accounts**

### **Financial Planning**

Strategic does not have a set periodic review of clients' accounts or financial plans. Strategic does, however, recommend quarterly review meetings and at the very least yearly investment review meetings with clients. At review meetings accounts and financial plans are reviewed for investment suitability and performance against predetermined benchmarks. Accounts are reviewed by:

Alan R. Leist, Jr., CFP – CEO  
Judith Vicks Sweet, CFA - CFO  
Alan R. Leist, III, CFA – Managing Director  
Iris Buczkowski – Managing Director  
Aaron Evans - Analyst  
Melissa Fernald- Financial Planning Associate  
Mike McGraw – Financial Planning Associate

Frequency of review meetings is at the discretion of the client and is subject to the ongoing to the planning arrangement.

Volatile markets and other market conditions, such as security or sector performance, may trigger reviews of client accounts and financial plans. Changes in client objectives, financial standing or constraints may also trigger additional reviews. Clients can also request more frequent reviews.

Clients receive a monthly or quarterly account statement directly from the custodian, broker dealer, or Mutual Fund Company. Strategic generated reports, such as a portfolio summary, portfolio appraisal, portfolio performance, insurance summaries and financial plan overviews are also offered on a case by case basis as we meet with clients throughout the year or at the client's request. Clients can request more specific reports. Strategic provides clients with the option of accessing electronic reports from a secured online portal. Clients need to request online access before it will be granted.

### **Investment Management**

Strategic periodically reviews clients' accounts. Accounts are reviewed at a minimum on a yearly basis. Account reviews are more frequent when the client requests multiple review meetings throughout the year. Strategic does recommend quarterly review meetings and at the very least yearly investment review meetings with clients. Accounts are reviewed for investment suitability and performance against predetermined benchmarks. Accounts are reviewed by:

Alan R. Leist, Jr., CFP – CEO  
Judith Vicks Sweet, CFA - CFO  
Alan R. Leist, III, CFA – Managing Director  
David Lemire – Managing Director  
Max Berkovich – Portfolio Analyst  
Vinayak Rao – Portfolio Manager  
Iris Buczkowski – Managing Director  
Kasey Williams – Analyst  
Andrew Thurston – Analyst  
Aaron Evans - Analyst

Volatile markets and other market conditions, such as security or sector performance, may trigger more periodic reviews of client accounts. Client changes in objectives or constraints may also trigger additional and more frequent reviews. Clients can also request more frequent reviews.

Clients receive a monthly or quarterly (at client's discretion) custodial statement directly from the custodian. Strategic will, at a minimum, send the client a realized gain and loss report on an annual basis (if not included on clients 1099). Reports, such as a portfolio summary, portfolio appraisal, and fee statement are mailed to the client quarterly. Performance reports are also offered on a case by case basis as we meet with clients throughout the year or at the client's request. Clients can request more specific reports. Strategic provides clients with the option of accessing electronic reports from a secured online portal. Clients need to request online access before it will be granted. The majority of Strategic reports are generated from Advent's Axys® portfolio management and reporting software.

### **Retirement Plan Services**

Strategic monitors the performance of plan investment options and Strategic Asset Allocation Models on a quarterly basis or as market conditions require. Strategic does recommend semi-annual or annual review meetings for plan sponsors. These meeting allow Strategic to determine if there are any material changes in the overall retirement planning needs of the client. In addition plan investment offerings will be reviewed for suitability and adequate performance. Frequency of review meetings is at the discretion of the client.

Strategic is available to plan participants for additional reviews as needed.

Retirement plans and investment options are reviewed by:

Alan R. Leist, Jr., CFP – CEO  
Judith Vicks Sweet, CFA - CFO  
Alan R. Leist, III, CFA – Managing Director  
David Lemire – Managing Director  
Kasey Williams – Analyst  
Laura Hailston – Director of Retirement Plan Services

Volatile markets and other market conditions, such as security or sector performance, may trigger reviews of investment options and Strategic Asset Allocation Models. Changes in client objectives, financial standing or constraints may also trigger additional reviews. Clients can also request more frequent reviews.

Plan sponsor and plan participants (where applicable) receive a monthly or quarterly account statement directly from the custodian, broker dealer, or Mutual Fund Company. Strategic generates reports, such as a portfolio summary, portfolio appraisal, and portfolio performance are also offered on a case by case basis as we meet with clients throughout the year or at the client's request. Clients can request more specific reports. Custodians and plan providers may offer electronic account access to plan participants and plan sponsors.

### **Client Referrals and Other Compensation**

Strategic does not have any arrangement where an individual or organization is provided an economic benefit for referring clients to Strategic.

Strategic does not directly or indirectly compensate any person for client referrals.

**Custody**

Strategic does not have custody of client funds or securities. The client will select a qualified custodian that will maintain custody of client funds and securities. Clients directly receive custodial account statements on a monthly basis, or at least quarterly. Clients that request and receive monthly or quarterly statements directly from Strategic are urged to compare the statements they receive from Strategic and the statements they receive from the qualified custodian.

**Investment Discretion**

Information on investment discretion can be found in the section of this brochure entitled Advisory Business.

**Voting Client Securities**

Information on voting client securities can be found in the section of this brochure entitled Advisory Business.

**Financial Information**

This section is not applicable to Strategic.