

**SANSOTERRA GROUP LLC**

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**August 31, 2012**

**FORM ADV PART 2  
BROCHURE**

This brochure provides information about the qualifications and business practices of Sansoterra Group LLC. If you have any questions about the contents of this brochure, please contact us at (408) 253-3568. 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 Sansoterra Group LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Sansoterra Group LLC is 133586.

Sansoterra Group LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Table of Contents

<b><i>Advisory Business.....</i></b>	<b><i>1</i></b>
<b><i>Fees and Compensation .....</i></b>	<b><i>3</i></b>
<b><i>Performance-Based Fees and Side-By-Side Management.....</i></b>	<b><i>5</i></b>
<b><i>Types of Clients.....</i></b>	<b><i>6</i></b>
<b><i>Methods of Analysis, Investment Strategies and Risk of Loss.....</i></b>	<b><i>7</i></b>
<b><i>Disciplinary Information.....</i></b>	<b><i>8</i></b>
<b><i>Other Financial Industry Activities and Affiliations .....</i></b>	<b><i>10</i></b>
<b><i>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</i></b>	<b><i>11</i></b>
<b><i>Brokerage Practices .....</i></b>	<b><i>12</i></b>
<b><i>Review of Accounts .....</i></b>	<b><i>14</i></b>
<b><i>Client Referrals and Other Compensation.....</i></b>	<b><i>15</i></b>
<b><i>Custody .....</i></b>	<b><i>16</i></b>
<b><i>Investment Discretion.....</i></b>	<b><i>17</i></b>
<b><i>Voting Client Securities.....</i></b>	<b><i>18</i></b>
<b><i>Financial Information.....</i></b>	<b><i>19</i></b>
<b><i>Additional Information and Material Changes .....</i></b>	<b><i>21</i></b>

## Advisory Business

Form ADV Part 2A, Item 4

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

**A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

**Notes:** (1) For purposes of this item, your principal owners include the persons you list as owning 25% or more of your firm on Schedule A of Part 1A of Form ADV (Ownership Codes C, D or E). (2) If you are a publicly held company without a 25% shareholder, simply disclose that you are publicly held. (3) If an individual or company owns 25% or more of your firm through subsidiaries, you must identify the individual or parent company and intermediate subsidiaries. If you are an SEC-registered adviser, you must identify intermediate subsidiaries that are publicly held, but not other intermediate subsidiaries. If you are a state-registered adviser, you must identify all intermediate subsidiaries.

James Sansoterra is the sole owner of the firm. He founded the firm in 2005 shortly after retiring from 36 years with the Trust and Investment Division of Comerica, Incorporated. At Comerica James Sansoterra was Chief Investment Officer of the Trust Division for the final 10 years of his employment. The focus of this firm is on the preservation of existing wealth. This is reflected in an emphasis on very low turnover of investments, ongoing efforts to keep tax and transaction costs as low as practicable and extensive diversification. The firm emphasizes the Fiduciary Standard of managing client assets "only in the client's best interest". An outline of James Sansoterra's education and work experience is on the last page of this document

**B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

The firm places particular emphasis on global macro economic trends so as to determine the extent of investments in stocks, bonds and Exchange Traded Funds (ETF). The firm also maintains ongoing relationships with providers of more non-traditional investments such as venture capital and hedge funds for those clients who specifically express an interest. The firm takes no fee for any use, referral or review of these non traditional products as it views such service as its fiduciary duty. The firm does not "day trade", participate in derivative strategies or employ technical analysis.

The firm publishes a one page weekly commentary on economic events both domestic and global. Additionally the firm publishes a 4 to 6 page quarterly paper on broad topics such as inflation, credit growth or demographic trends. These two items are provided without charge to the clients and any interested others who ask to see them. These two items make NO recommendations as to the purchase or sale of securities, carry a prior approved by the SEC disclaimer that points out clearly that these publications are NOT a solicitation of business, an offer to buy or sell securities and further is an OPINION from sources believed to be reliable but not warranted as complete or accurate.

**C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

Within the universe of bond, stock and ETF management the firm will vary the ratio among these investments to reflect both the relative attractiveness of these asset categories and the specific client tolerance for changes in market value(s). Clients are advised that, for example, a portfolio heavily weighted to short term bonds will have little protection against potential inflation but will, in turn, provide a fairly stable market value. Clients will occasionally express a wish to not own, for example, tobacco stocks and this is promptly reflected in their portfolio. **If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

The firm does not participate in wrap fee programs and views them as contrary to fiduciary standards as they do not fully serve only the client's best interest.

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.

**Note:** Your method for computing the amount of “client assets you manage” can be different from the method for computing “assets under management” required for Item 5.F in Part 1A. However, if you choose to use a different method to compute “client assets you manage,” you must keep documentation describing the method you use. The amount you disclose may be rounded to the nearest \$100,000. Your “as of” date must not be more than 90 days before the date you last updated your brochure in response to this [Item 4.E.](#)

As of August 1<sup>st</sup>, 2012 the firm manages \$16 million of discretionary assets and consults with the client in the management of an additional \$10 million.

## Fees and Compensation

Form ADV Part 2A, Item 5

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

**Note:** If you are an SEC-registered adviser, you do not need to include this information in a brochure that is delivered only to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

The firm fee is based on the client portfolio market value. The fee is taken quarterly, in arrears. A minimum annual fee of \$10,000 is requested but negotiable in certain circumstances such as members of the family of an existing client. Generally, accounts pay 1% of market value on the first \$2,000,000 then 7/10 of 1% on the next \$8,000,000 and 5/10 of 1% on the next \$30,000,000. Fees are negotiated in all cases and negotiated for portfolios only in U.S. Treasury instruments (15/100 of 1%), a portfolio only holding municipal bonds (25/100 of 1%). Fees for consulting on a portfolio without management responsibility or on a portfolio with a single block of stock and other such special situations are negotiated. Lower fees for comparable services may be available from other sources.

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

All discretionary clients authorize, in writing, that only the custodian is to pay the firm fee from portfolio funds. The firm, in a few discretionary account instances, bills the client directly. Non-discretionary and consulting relationships are billed by the firm. Clients are billed quarterly, in arrears, and one client is billed annually.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

Broker and custodian relationships are further discussed elsewhere in this brochure. The only other fees a client will pay are those embedded in a product such as mutual fund internal fees, ETF internal fees or a bond dealer's margin or "markup". The firm pays any custodian fees that may arise and does not pass this on to clients. Clients will incur brokerage transaction costs and in all situations with its major custodian, UBS, a maximum \$50 brokerage fee is in place regardless of how large the transaction may be.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

The firm never requires clients to pay in advance. Clients may terminate a relationship with 45 days notice and will pay only for the time period the firm was employed since the prior billing. There are no "closing" or "extraordinary" fees for closing an account.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

1. Explain that this practice presents a conflict of interest and gives you or your supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to clients. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.

The firm does not receive compensation for selling investment products as it views this, also, as a violation of fiduciary standards. As a matter of practice the firm seeks out, for example, no load mutual funds, from low cost

providers, whenever practicable. The firm believes it can only be successful if the client is and, accordingly, bases the firm's rise or fall in revenue solely on the rise or fall of the client portfolio. The firm believes only this arrangement is in the client's sole best interest and compensation of any kind for selling "product" is an abuse of that client's interests.

2. Explain that clients have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.

Any client may purchase any product the firm advises from other providers.

3. If more than 50% of your revenue from advisory clients results from commissions and other compensation for the sale of investment products you recommend to your clients, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.

Not applicable

4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.

**Note:** If you receive compensation in connection with the purchase or sale of securities, you should carefully consider the applicability of the broker-dealer registration requirements of the Securities Exchange Act of 1934 and any applicable state securities statutes.

Not applicable.

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

Form ADV Part 2A, Item 6

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

The firm does not believe performance based fees (a share of gains) are in the clients best interest as the search for excess return may too easily exceed the clients tolerance for risk and accordingly does not do performance-based management.

### ***Types of Clients***

Form ADV Part 2A, Item 7

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

The firm provides investment advice to trusts, individuals and a few IRA accounts. Generally the minimum fee of \$10,000 annually requires a minimum account of \$1,000,000, but can be negotiated, as described, prior.



## **Methods of Analysis, Investment Strategies and Risk of Loss**

Form ADV Part 2A, Item 8

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

**A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

All investments involve risk of loss. The loss may be a temporary market impact or a permanent loss of capital. The firm believes it is appropriate to reject business when the firm believes the potential client will be unable to cope with, recover from or even calculate their own ability to understand and accept that investing is not a “quick” process, involves time, chance of failure and often unexpected new risks - i.e. a tsunami. Generally loss can be managed but never totally eliminated. Management of loss involves, among other strategies, broad diversification so as to keep any one investment or group of similar investments from creating significant damage to the balance of the portfolio. Simple diversification, however—i.e. a large number of utility stocks—is not always sufficient as the large number of different stocks—in this case utilities—may in fact share a common risk factor. That factor may be a regulatory risk, an interest rate or even a tax risk. The firm works on a “top-down” strategy, therefore, of first trying to best determine the magnitude and direction of the major elements the firm believes ultimately impact investment results. These factors include but are not limited to: 1) the direction of the economy 2) the level and direction of interest rates 3) the direction and level of tax laws 4) the direction and magnitude of changes in broad corporate earnings and dividends 5) the direction and change of these elements on a more global basis, 6) age and other demographic factors. These and others are regularly reviewed in written form and shared with clients. A framework of the likely or expected investment climate is then used to make, in proportion to the likelihood of the expected outcome, commitments to cash, stocks, bonds, etc.

**B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

Material risks can be the “misread” of any of the prior listed factors. Rare or unexpected risks are by definition unknowable so a fiduciary will always stress quality over questionable, diversity over large “bets”, data that is audited or otherwise checked, known investments over “the latest hot idea” and explain to clients that, as always, risk and return are strongly related. It is the nature of this firm’s business to preserve wealth, first, as best we can. Accordingly we seek to avoid significant risks and seek to avoid any strategy we do not fully understand, can explain to clients and have experience with. That said, the firm believes it adds value by studying all areas of investment and using those others may well not be aware of or that may not offer the broker or advisor an incentive to use..

**C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

The firm does not primarily recommend a particular type of security.

## Disciplinary Information

Form ADV Part 2A, Item 9

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Items 9.A, 9.B, and 9.C list specific legal and disciplinary events presumed to be material for this Item. If your advisory firm or a management person has been involved in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in your or the management person's favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date that the final order, judgment, or decree was entered, or the date that any rights of appeal from preliminary orders, judgments or decrees lapsed.

Items 9.A, 9.B, and 9.C do not contain an exclusive list of material disciplinary events. If your advisory firm or a management person has been involved in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, but nonetheless is material to a client's or prospective client's evaluation of your advisory business or the integrity of its management, you must disclose the event. Similarly, even if more than ten years have passed since the date of the event, you must disclose the event if it is so serious that it remains material to a client's or prospective client's evaluation.

**A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management person**

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

Not applicable.

2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;

Not applicable

3. was found to have been involved in a violation of an investment-related statute or regulation; or

Not applicable

4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

Not applicable

**B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person**

1. was found to have caused an investment-related business to lose its authorization to do business; or

Not applicable.

2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority

(a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business;

Not applicable.

(b) barring or suspending your firm's or a management person's association with an investment-related business;

Not applicable.

(c) otherwise significantly limiting your firm's or a management person's investment-related activities; or

Not applicable.

(d) imposing a civil money penalty of more than \$2,500 on your firm or a management person.

Not applicable

C. A self-regulatory organization (SRO) proceeding in which your firm or a management person

Not applicable.

1. was found to have caused an investment-related business to lose its authorization to do business; or

Not applicable

2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership;

(ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

**Note:** You may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, you are not required to disclose it. When you review a legal or disciplinary event involving your firm or a management person to determine whether it is appropriate to rebut the presumption of materiality, you should consider all of the following factors: (1) the proximity of the person involved in the disciplinary event to the advisory function; (2) the nature of the infraction that led to the disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If you conclude that the materiality presumption has been overcome, you must prepare and maintain a file memorandum of your determination in your records. See [SEC rule 204-2\(a\)\(14\)\(iii\)](#).

Not applicable.

## Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

Not applicable.

B. If you or any of your management persons are registered, or 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, disclose this fact.

Not applicable

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.

Not applicable

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

Not applicable.

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

Form ADV Part 2A, Item 11

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to [SEC rule 204A-1](#) or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.

The Code of Ethics for the firm is based on the Trust Fiduciary Duty of doing only that which is in the best interests of the client. This includes but is not limited to 1) avoiding not only acts of self interest at client expense but the appearance of such a conflict and 2) construing conflict of interest in the broadest possible way such that it includes any direct or indirect benefit accruing to the firm resulting from any investment action for a client.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Examples: (1) You or a related person, as principal, buys securities from (or sells securities to) your clients; (2) you or a related person acts as general partner in a partnership in which you solicit client investments; or (3) you or a related person acts as an investment adviser to an investment company that you recommend to clients.

Not applicable.

C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

Not applicable

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

**Note:** The description required by Item 11.A may include information responsive to Item 11.B, C or D. If so, it is not necessary to make repeated disclosures of the same information. You do not have to provide disclosure in response to Item 11.B, 11.C, or 11.D with respect to securities that are not "reportable securities" under [SEC rule 204A-1\(e\)\(10\)](#) and similar state rules.

Not applicable.

## Brokerage Practices

Form ADV Part 2A, Item 12

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

1. **Research and Other Soft Dollar Benefits.** If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.

**Note:** Your disclosure and discussion must include all soft dollar benefits you receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

The 40-plus years of experience of James Sansoterra provides significant insight as to the value of routine public information and other forms of free information available to any who wish to look for it.. Accordingly NO "soft dollar" arrangements of any kind (directing trades to specific brokers or brokerage firms in exchange for research) are used at any time. The primary custodian of the firm's client assets is UBS Paine Webber and they offer to provide this firm, as they do all their clients, their basic research without cost or obligation. All Sansoterra Group research on the economy, stocks and the markets, however, is done internally from publicly available sources. Some specific macro economic and stock and bond research is purchased for cash from various providers.

The selection of UBS was made based on prior experience with their timely settlement of trades, professional reputation, number of years of experience and capital adequacy which is, in particular, evaluated annually. James Sansoterra's prior work experience as Chief Investment Officer of an approximately \$18 billion Trust Company affords numerous insights to broker rates, firm attributes and the general level of service his firm should expect. This firm has, as noted, negotiated an institutional commission structure such that no stock trade, regardless of size, ever exceeds \$50 in commissions.

a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.

Not applicable..no such arrangement exists.

b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.

Not applicable.

c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.

Not applicable.

d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Not applicable.

e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.

**Note:** This description must be specific enough for your clients to understand the types of products or services that you are acquiring and to permit them to evaluate possible conflicts of interest. Your description must be more detailed for products or services that do not qualify for the safe harbor in [section 28\(e\) of the Securities Exchange Act of 1934](#), such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that you obtain various research reports and products is not specific enough.

Not applicable.

f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

Not applicable.

2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.

Not applicable

b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.

Not applicable.

3. Directed Brokerage.

a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.

We believe the existing relationship with our custodian, being free of any soft dollar benefits and encompassing what we believe to be a fair commission structure warrants recommending clients to use UBS. Clients may at any time move custody, brokerage and reporting to any other firm at no additional fee.

b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

**Note:** If your clients only have directed brokerage arrangements subject to most favorable execution of client transactions, you do not need to respond to the last sentence of Item [12.A.3.a.](#) or to the second or third sentences of Item [12.A.3.b.](#)

To date no client has requested we direct brokerage. We would compare, at no cost, the proposed directed brokerage to this firm's existing relationship, should that situation arise. We would inform the client that we believe we have a very good control of these costs and would expand the review to illustrate the "hidden" costs of exceedingly low rates offered. It is our view that securities offered at abnormally low rates are sometime purchased for the customer at the "ask" price or from firm inventory in the case of major brokerage firms.

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

Based on our negotiated maximum commission of \$50 there is virtually no incentive to the client to set aside other considerations i.e. tax issues, to try and block orders. Accordingly, we will always evaluate the potential of aggregating but to date have not found it productive.

## Review of Accounts

Form ADV Part 2A, Item 13

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

**A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

James Sansoterra reviews all accounts at a minimum of weekly. Because the firm tends to limit both the range of investment sectors as noted earlier and further attempts to hold the "approved for purchase" list to a manageable 2 or 3 dozen much of the client review is focused on their specific objectives. In his role as both Chief Investment officer and Compliance officer these reviews center on the client objectives as expressed in portfolio weight of specific, prior-approved investments and the overall mix of bonds, stocks, cash reserves, etc.

**B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

Major economic events will trigger a review of those events on existing firm strategies. Should they be judged significant economic events the client portfolios will be adjusted accordingly. Other significant events - political, weather, etc. are similarly evaluated but it is the firms belief these non-economic events are often only triggers for unnecessary trading and subsequent tax and transaction costs.

**C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

Over and above accounting reports provided by the custodian, the firm writes a weekly commentary/analysis of economic and financial events. These may include comments or analysis on inflation, interest rates, global growth issues, currency issues etc. and opinions as to relative discounts or premiums in various asset classes - i.e. stocks, bonds, currencies, etc. On a quarterly basis the firm writes a broader, longer paper for clients - usually amounting to 3-7 pages, on demographic trends or debt issues, for example. It is the firm's belief clients should be always aware of how strategic decisions are made by the firm, what factors are viewed as important by the firm and, consequently, why the specific client portfolio is invested the way it is.



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

Form ADV Part 2A, Item 14

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

Not applicable.

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

**Note:** If you compensate any person for client referrals, you should consider whether [SEC rule 206\(4\)-3](#) or similar state rules regarding solicitation arrangements and/or state rules requiring registration of investment adviser representatives apply.

Not applicable

## ***Custody***

Form ADV Part 2A, Item 15

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you. The firm has always refused to serve as custodian under any circumstances.

### ***Investment Discretion***

Form ADV Part 2A, Item 16

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

The firm normally operates with discretionary authority and requires the client to both sign an agreement with the firm and the custodian. This authority is strictly limited to the purchase and sale of assets, never includes the authority to make deposits or withdrawals from the portfolio and is non-transferable.

## Voting Client Securities

Form ADV Part 2A, Item 17

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to [SEC rule 206\(4\)-6](#). Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

We do not vote proxies and never request authority to do so nor do we have that authority in any instance..

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

The firm will assist any client who wishes to receive and vote proxies and provides phone, email and postal contact points to receive that assistance. The source of the requested proxy would likely be the custodian.

## Financial Information

Form ADV Part 2A, Item 18

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.

Not applicable.

2. Show parenthetically the market or fair value of securities included at cost.

Not applicable.

3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to [Article 2 of SEC Regulation S-X](#).

**Note:** If you are a sole proprietor, show investment advisory business assets and liabilities separate from other business and personal assets and liabilities. You may aggregate other business and personal assets unless advisory business liabilities exceed advisory business assets.

**Note:** If you have not completed your first fiscal year, include a balance sheet dated not more than 90 days prior to the date of your brochure.

**Exception:** You are not required to respond to Item 18.A of Part 2A if you also are: (i) a qualified custodian as defined in [SEC rule 206\(4\)-2](#) or similar state rules; or (ii) an insurance company.

Not applicable.

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

**Note:** With respect to [Items 18.A](#) and [18.B](#), if you are registered or are registering with one or more of the state securities authorities, the dollar amount reporting threshold for including the required balance sheet and for making the required financial condition disclosures is more than \$500 in fees per client, six months or more in advance.

Not applicable.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

If you are registering or are registered with one or more state securities authorities, you must respond to the following additional Item.

Not applicable.

## Requirements for State-Registered Advisers

Form ADV Part 2A, Item 19

**\*\*If you are registering or are registered with the SEC, remove this section. If you are registering or are registered with one or more state securities authorities, you must respond to the following additional Item.**

**THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.**

A. Identify each of your principal executive officers and management persons, and describe their formal education and business background. If you have supplied this information elsewhere in your Form ADV, you do not need to repeat it in response to this Item.

Material is in the ADV.

B. Describe any business in which you are actively engaged (other than giving investment advice) and the approximate amount of time spent on that business. If you have supplied this information elsewhere in your Form ADV, you do not need to repeat it in response to this Item.

Response is in the ADV—engaged in no other business.

C. In addition to the description of your fees in response to [Item 5 of Part 2A](#), if you or a supervised person are compensated for advisory services with performance-based fees, explain how these fees will be calculated. Disclose specifically that performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

We do not offer performance based fees.

D. If you or a management person has been involved in one of the events listed below, disclose all material facts regarding the event.

1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Never involved in any such events.

2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Never involved in any such events.

E. In addition to any relationship or arrangement described in response to [Item 10.C. of Part 2A](#), describe any relationship or arrangement that you or any of your management persons have with any issuer of securities that is not listed in [Item 10.C. of Part 2A](#).

None—not applicable.

### ***Additional Information***

**Use this section for any additional disclosures needed. Otherwise, delete this section.**

We provide below a recitation of our Privacy Policy, sent annually to clients, a brief biographical summary of James Sansoterra, a notice of Material Change and a comment on conflict of interest.

#### **Privacy Policy: SANSOTERRA GROUP PRIVACY POLICY**

Protecting your personal information is an important priority for the Sansoterra Group. Our privacy policy is designed to support this objective. The Sansoterra Group collects non-public personal information concerning you in the following ways:

- Information provided by you or your representative on applications or other forms furnished to the Sansoterra Group or through other interactions that you or your representative have with the Sansoterra Group or
- Information arising from your investment accounts with the Sansoterra Group.

The Sansoterra Group employs physical, electronic and procedural controls to safeguard your information. Data is maintained on the Custodian's computers and on ours; both systems employ access codes and ongoing backup. The Custodian is also subject to rigid privacy standards. For example, the Sansoterra Group authorizes access to your personal and account information only for personnel who need that information in order to provide products or services to you and only with your written permission.

The Sansoterra Group does not disclose any non-public personal information about you, except as permitted by law.

If you decide to close your account, the Sansoterra Group will continue to adhere to the privacy policies and practices as described in this notice.

#### **Biographical Summary: EXPERIENCE OF JAMES SANSOTERRA**

James Sansoterra is the founder and Chief Executive Officer of Sansoterra Group LLC

Mr. Sansoterra has in excess of 40 years of investment management experience and is first and foremost a portfolio manager.

In his 36 years with Comerica Bank, a \$50 billion Super Regional Bank, Mr. Sansoterra attained the position of Senior Vice President and Chief Investment Officer of the Private Bank Division. This Division was charged with the management of portfolios for individuals which totaled approximately \$18 billion.

In his capacity as Chief Investment Officer, Mr. Sansoterra created all policy and procedures for the investment management of these funds, created 5 risk specific stock strategies, created the first bank sponsored hedge fund in a common fund format and developed other non-traditional investment products including venture capital partnerships and mutual fund optimizer strategies.

As a trained economist, Mr. Sansoterra set all strategies and guided the portfolio managers and their clients through the volatile economic and market climates of the 80's and 90's and into the new millennium. His work includes numerous White Papers on economic matters, energy and interest rate outlooks, and expectations for elements of the economy including consumer and government spending and the capital markets themselves.

He brings significant experience, fiduciary judgment and common sense to the management of client portfolios. His career includes extensive experience with personal trusts, Foundations and Endowments. He holds an Undergraduate Degree in Business and a Masters Degree in Mathematical Economics.

**Material change:** Effective June 30, 2012 Sansoterra Group LLC has implemented a process to change to a state registered firm, specifically, California.

**Conflict of interest:** Sansoterra Group LLC and its sole owner and sole employee James Sansoterra seek totally unbiased, conflict of interest free decisions for firm clients. Accordingly, reflecting his training as a fiduciary, all decisions made by James Sansoterra for his clients reflect solely the clients needs and reflect the most objective advice possible and in no manner create a conflict of interest. The Advisory firm, Sansoterra Group LLC and James Sansoterra, an individual and sole employee of Sansoterra Group LLC view ANY conflict of interest as a breach of fiduciary standards.