

SANSOTERRA GROUP LLC

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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. 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.

SANSOTERRA GROUP LLC IS AS OF JULY 23, 2012 APPLYING FOR REGISTRATION IN THE STATE OF CALIFORNIA AND ON APPROVAL WILL NO LONGER BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC). INFORMATION ABOUT THAT STATES REQUIREMENT IS CONTAINED HEREIN.

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Advisory Business

Form ADV Part 2A, Item 4

Advisory Firm and Owners:

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 with portfolios designed for each client's unique objectives. Portfolio management services are 1) an emphasis on very low turnover of investments, 2) ongoing efforts to keep tax and transaction costs as low as practicable and 3) 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

Types of Advisory Services:

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 provide portfolio management services like "day trading", nor does it participate in derivative strategies or employ technical analysis.

The firm publishes a one page Weekly Outlook 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 specifically 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, NOT 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.

Within the universe of cash, bond, stock and ETF asset 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) often called client risk tolerance, where risk is defined as change in market value. 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.

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.

As of August 1st, 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

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. In compliance with CCR Section 260.238(j) we note in our contracts that lower fees for comparable services may be available from other sources.

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.

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.

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.

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.

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

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

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

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

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.

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..

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

Disciplinary Information

Form ADV Part 2A, Item 9

The Firm does not have any legal or disciplinary events to disclose.

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

The Firm does not have any other financial industry activities or affiliations.

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

Form ADV Part 2A, Item 11

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. The Firm will provide a copy of your code of ethics to any client or prospective client upon request.

The Firm and related person do not recommend to clients, or buy or sell for client accounts, securities in which the Firm or a related person has a material financial interest, therefore there is no conflict of interest.

The Firm and related person do not invest in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, therefore there is no conflict of interest.

The Firm does not recommend 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, therefore there is no conflict of interest .

Brokerage Practices

Form ADV Part 2A, Item 12

Research and Other Soft Dollar Benefits.

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.

The Firm does not use client brokerage commissions (or markups or markdowns) to obtain research or other products or services.

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.

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.

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

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.

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.

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

The Firm does not receive any other compensation for providing investment advice or other advisory services to clients.

The Firm does not directly or indirectly compensate any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

Custody

Form ADV Part 2A, Item 15

The firm has always refused to serve as custodian under any circumstances.

Investment Discretion

Form ADV Part 2A, Item 16

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

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

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

The Firm does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

There is no financial condition that is reasonably likely to impair the Firm's ability to meet contractual commitments to clients.

The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

Requirements for State-Registered Advisers

Form ADV Part 2A, Item 19

The formal education and business background for Mr. Sansoterra is in the ADV Part 1 and also in Item #4 of this brochure and also on the last two pages of this brochure.

Sansoterra Group LLC is engaged in no other business.

We do not offer performance based fees.

Neither Sansoterra Group LLC, nor Mr. Sansoterra have ever been involved in any of the events listed below:

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.

The Firm does not have any relationship or arrangement with any issuer of securities.

Additional Information

We provide below 1) a recitation of our Privacy Policy, sent annually to clients, 2) a brief biographical summary of James Sansoterra, 3) a notice of Material Change, specifically a notice of application for registration in the State of California and elimination of Securities and Exchange Commission (SEC) registration, 4) 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: Under California Statute CCR Section 260.238 (k), Sansoterra Group LLC and its sole owner and sole employee James Sansoterra state that they provide unbiased, conflict of interest free decisions to firm clients. Reflecting his training as a fiduciary, all decisions made by James Sansoterra for his clients reflect solely the clients needs and interests and reflect the most objective advice possible. 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 standard. We further state we have now, have always had and will have had NO material OR non-material conflicts or potential conflicts of interest of any kind

Brochure Supplement: James Sansoterra is the sole owner and sole employee of Sansoterra Group LLC. He is also classified by regulation as an Investment Advisor Representative of the firm. The data, background information etc. ascribed to James Sansoterra as a Representative of the firm is identical to the data ascribed to him and the firm in the preceding pages.