



## FORM ADV PART 2A\* SEC-Required Brochure

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## **MATERIAL CHANGES FROM PRIOR FORM ADV PART 2A**

This updated Form ADV Part 2A contains the following changes from the prior version:

- Routine revisions and updates to formatting.
- Non-material edits to the existing descriptions of prior disclosures.
- Updated assets under management information at Item 1.

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## 1. ADVISORY BUSINESS

Registration Status -	Registered with the SEC on January 23, 2008 <sup>1</sup>
Principal Owners -	Brian T. Corley Daniel J. Grover Breitfuss Family Trust

### ADVISORY SERVICES

#### Portfolio Management Services

Astera is a registered investment advisor providing investment management, financial planning and other investment and planning consultation services to its clients. The Firm offers its clients an extremely sophisticated, open architecture investment advisory platform. Acting as a client's investment manager, we provide the following services:

1. Determine each client's unique investment objectives, expected cash flows, investment experience and both emotional and financial risk tolerance.
2. Develop a formal written Investment Policy Statement, a strategic asset allocation policy and a target rate of return goal that most effectively meets the client's needs and objectives.
3. Design and implement a customized investment portfolio which utilizes our open architecture platform in order to build a "best of breed" portfolio utilizing separate account managers, actively managed mutual funds, low cost index funds, individual securities and alternative investments such as hedge funds and private real estate investments if appropriate.
4. Provide ongoing, monitoring and reporting of the client's portfolio and its performance relative to expectations and various relative market benchmarks.
5. Provide timely investment and capital markets updates as well as a detailed quarterly Astera investment strategy overview.

The Firm's services are provided in accordance with either or both an investment management agreement or a financial planning or other consultation agreement. Financial planning and other investment or financial consultation clients are not obligated to retain the services of the Firm for investment management services and investment management clients are not required to retain the Firm for financial planning or consultation services.

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<sup>1</sup> "Registration" means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply that the SEC guarantees the quality of our services or recommends them.

A client may make additions to and withdrawals from the client's portfolio account at any time, subject to the Firm's right to terminate an account if the amount of assets drops below our account size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design client portfolios as long-term investments and caution our clients that asset withdrawals may impair the achievement of the client's investment objectives.

Additions to an account may be in cash or securities provided that we may decline to accept particular securities into a client's account or may recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### **Personal Wealth Planning Advisory Services**

Certain of our clients retain Astera to provide wealth planning and advisory services in addition to investment management of portfolio assets. In these relationships, Astera engages a team of both internal and external financial, tax and legal professional advisors in order to help its wealth advisory clients design and execute a comprehensive, multi-generational wealth management plans. These plans are highly customized and address integrated financial, estate, tax & charitable planning, investment and asset management (including real estate and alternative assets), liability, liquidity and cash management, interest rate risk management strategies, intergenerational and charitable wealth transfer solutions, and asset protection and risk mitigation solutions.

### **Financial Planning/Consulting Services**

Astera may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). Prior to engaging Astera to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to Astera commencing services.

Either party may terminate the agreement by written notice to the other. In the event the client terminates Astera's financial planning and/or consulting services, any unearned fees will be refunded to the client, or if a retainer is depleted and fees are owed, will be due from the client. If termination occurs within five business days of entering into an agreement for such services the client shall be entitled to a full refund.

### **Stillwater Total Return Fund, LP**

Astera also is the general partner and investment manager to Stillwater Total Returns Fund, LP, a private investment limited partnership (the "Partnership"). As the general

partner of the Partnership, Astera has a proprietary interest in the Partnership and is entitled to certain fees and the reimbursement of expenses, if any are assessed, in accordance with the terms of the Partnership subscription agreements entered into with its investors. The Partnership operates as a pooled investment vehicle intended to provide diversification, management expertise and other advantages to clients. In order to invest in the Partnership, an investor must meet certain requirements, including qualifying as a “qualified client (as defined in Rule 205-3(d)(1) of the Advisers Act) and an “accredited investor” (as defined in Regulation D under the Securities Act of 1933 (“Securities Act”).

### **General Notice**

In performing its services, Astera relies upon the information received from its client or from their other professional legal and accounting advisors, and is not required to independently verify such information. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client’s portfolio and/or financial plan.

Astera does not undertake to provide clients with tax, legal or accounting advice and clients are advised to consult their own attorneys and accountants for determining the tax, legal and accounting consequences of investments made on their behalf.

### **ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 2011**

Discretionary Assets - \$320,000,000

Non-discretionary Assets - \$ 13,000,000

### **TERMINATION OF AGREEMENT**

#### **Portfolio Management Services**

The investment management agreement will continue in effect until terminated by either party pursuant to its terms. Any earned fees owed to Astera will be paid from the client’s account on a pro rata basis determined on the amount of time expired in the billing period.

#### **Financial Planning/Consulting Services**

Either party may terminate the agreement by written notice to the other. In the event the client terminates Astera’s financial planning and/or consulting services, the balance of Astera’s unearned fees (if any) shall be refunded to the client.

If a copy of this Form ADV Part 2A disclosure statement was not delivered to the client prior to or simultaneous with a client entering into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client

will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

## **2. FEES AND COMPENSATION**

### **ADVISORY FEES**

Depending upon the nature of the engagement, Astera offers its services on a fee basis which may include a fee based upon the amount of assets under management or fixed fees for planning and consulting services.

#### **Portfolio Management Services**

For its portfolio management services, Astera charges an annual fee based on a percentage of assets under management. Astera's annual investment management fee is prorated and charged monthly, in arrears, based upon the market value of the assets on the last trading day of the previous month. For new accounts, Astera charges a fee based on the value of assets placed in the account, prorated to the portion of the calendar month during which the assets were under management by the Firm. The Firm's standard fee schedule is as follows.

#### **Individual Investment Management Services Fee Schedule**

<b>Account Value of Assets Under Management</b>	<b>Annual Fee as a % of Assets</b>
First \$2,000,000	1.25%, plus
Next \$3,000,000	1.00%, plus
Next \$5,000,000	0.75%, plus
Above \$10,000,000	Custom

Astera also charges fees for supervising client investment assets. Supervision includes reporting on such assets, but not ongoing management. The annual fee varies (between 0.05% and 0.25%) depending upon the market value of the assets under supervision and the type of services rendered.

We generally require a minimum annual management fee of \$2,500 per account (\$10,000 per household) for its investment management services. We also charge a minimum annual fee of \$250 for certain clients whose assets are under supervision only. Astera, in its sole discretion, may negotiate to charge a lesser minimum annual fee based upon, among other criteria, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention and/or pro bono activities.

To the extent that a client authorizes the use of margin, and margin is thereafter employed by our portfolio managers in the management of the client's portfolio, the

market value of the client's account and corresponding fee payable by the client to Astera may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Firm. Accordingly, the decision as to whether to employ margin is left to the sole discretion of client.

### **Personal Wealth Planning Advisory Services**

The Firm's standard fixed fee schedule for its clients that receive financial planning services is as follows:

Initial Engagement Fee	\$5,000 - \$25,000
Ongoing Annual Advisory Fee	\$2,500 - \$10,000

The fixed fee is based upon the nature of the planning services to be provided, the complexity of the client's financial circumstances and objectives and the extent to which outside professional advisors are retained. Fees assessed by outside professional advisors will be in addition to fees assessed by Astera. Personal Wealth Advisory Services fees are in addition to any investment management fees earned by Astera for its management of client investment assets.

### **Financial Planning/Consulting Services Fees**

Astera's financial planning and consulting fees are negotiable, but generally range from \$5,000 to \$200,000 on a fixed fee basis, depending upon the level and scope of the services and the professional staff that renders services. If the client engages the Firm for additional investment advisory services, the Firm, in its sole discretion, may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Generally, Astera requires one-half of the financial planning / consulting fee (estimated fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### **GENERAL FEE DISCLOSURE**

The client's fee is determined in accordance with the above fee structure, with exceptions negotiated on a case-by-case basis at Astera's discretion. Any deviations from the fee structure are based upon a number of factors including the amount of work involved, the amount of assets placed under management and the attention needed to manage the account.

We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay and the Monterey Bay areas for



comparable services. However, comparable services may be available from other sources for lower fees than those charged by Astera.

We do not provide clients advice as to the tax deductibility of our advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

#### **CUSTODIAN AND BROKERAGE FEES**

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

#### **FUND DISCLOSURES**

Mutual funds, closed-end funds, exchange traded funds ("ETS"s) and alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by Astera, clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by Astera. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

#### **BOND DISCLOSURE**

Clients whose assets are invested in bonds purchased directly from an underwriter may pay a sales credit or sales concession to the underwriter on the trade (in lieu of a sales commission) ranging from 0% - 2% of the par value of the bond.

### **3. PERFORMANCE-BASED FEES**

#### **Portfolio Management Services**

For certain of its high net worth clients who are “qualified clients” under Section 205 of the Investment Advisers Act of 1940, as amended, Astera may charge an additional fee, known as a “performance fee” based upon a percentage of the capital appreciation of the client’s investment account. For those clients, Astera will charge a performance fee up to twenty-five percent (25%) of the unrealized and realized annual gains over the hurdle rate. The hurdle rate is negotiated. Astera also charges a base fee which varies (between 0.20% and 1.00%) depending upon the market value of the assets under management and the type of investment management services rendered.

The Firm’s performance fee is charged monthly, in arrears, based on the net gains of the client’s portfolio at the end of the calendar period. Any performance fee charged is dependent upon asset values reaching and exceeding a high water mark set for each subject portfolio.

Under this fee arrangement, there is the potential for a conflict of interest in that the performance fee may be an incentive for Advisor to make investment decisions that differ from those it would make in the absence of a performance fee arrangement.

#### **Stillwater Total Returns Fund, LP**

Astera charges the Partnership investment management fees totaling one percent (1%) of the net asset value of the Partnership’s assets as well as a performance fee of up to 20% of the unrealized and realized annual gains of the Partnership. Astera in its sole discretion, may waive or reduce the performance fee with respect to any limited partner for any period of time, or agree to apply a different fee for that limited partner. All fees paid by limited partners are more fully described in the offering memorandum and subscription agreements for the Partnership.

### **4. TYPES OF CLIENTS**

Our clients include individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities and a private investment fund.

Astera does not impose an account size minimum for opening or maintaining an account; however, as stated above, we do impose a minimum annual management fee for portfolio management services. As a result of the minimum fee requirement, Astera’s services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisors may provide similar services for lower compensation, although still others may charge more for similar services.

## **5. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

### **METHODS OF ANALYSIS**

Depending upon the type of investment, Astera utilizes a combination of fundamental and technical analysis. Fundamental analysis involves analyzing real data, including overall economic and investment-specific information available to determine the value of a particular investment. Technical analysis involves analyzing statistics provided by market activity such as past prices and volume to identify patterns that can be used to predict future activity. In performing these analyses, the Firm consults third-party research materials, company annual reports and other regulatory filings, and financial newspapers and periodicals.

### **INVESTMENT STRATEGY**

Astera assists each of its investment management clients in identifying a strategic asset allocation that is consistent with the client's investment objectives. Investment management decisions are based on a number of factors, including without limitation, the client's risk tolerance, asset class preferences, time horizons, liquidity needs and expected returns.

Our portfolio managers leverage our open architecture platform in order to build portfolios which utilize separate account managers, actively managed mutual funds, low cost index funds, individual securities, and alternative investments such as hedge funds and private real estate investments as appropriate.

As market conditions are constantly changing, we typically don't adopt a buy and hold approach; rather we seek opportunities through every market cycle. We feel that asset allocation is the most important factor in determining investment returns, so we go where we find solid investment opportunities.

We use a variety of models to analyze and forecast markets, including current relative and absolute valuations, inflation and interest rates, and other economic influences. We seek to maintain well-diversified portfolio to produce less volatile returns than may occur in a portfolio made of investments that rise and fall together.

Astera offers advice regarding and is authorized to effect securities transactions in equities, municipal or corporate debt, investment company products (i.e. mutual funds, variable annuities, exchange traded funds), commercial paper, certificates of deposit, warrants, and securities options among others as discussed below.

Astera may also provide advice about any type of investment not otherwise identified that is held in a client's portfolio at the beginning of the advisory relationship.

### **Alternative Investments**

In addition to these types of investments the Firm also provides investment advice regarding alternative investments to qualified clients for whom such investments are

deemed suitable. These alternative investments may include, but are not limited to, venture capital limited partnerships, oil and gas limited partnerships, real estate partnerships, private equity, managed future funds, hedge funds and third party funds of funds.

### **Initial Public Offerings (“IPOs”)**

While not a substantial part of its investment style, Astera does from time to time invest in initial public offerings (“IPO”) on behalf of client accounts for which such investments are suitable. Some client accounts do not participate in IPOs at all or do not participate in certain volatile IPOs, either due to client instructions, risk tolerance, financial condition or investment objectives. When client accounts are determined to be eligible to participate in a purchase of an IPO, and there is an insufficient amount of shares of the IPO for all accounts eligible to participate in the trade, Astera uses a random generator to select participating accounts so that all eligible accounts are selected from fairly.

### **INVESTMENT RISKS**

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

Here are some of the general risks associated with parts of our investment strategy:

**Short-term purchases** - on occasion, generally only for tax management purposes, we may determine to buy or sell securities in a client’s account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security’s value.

**Bond Pricing** - The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

**Inflation** - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

**Price Fluctuation** - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

**Reinvestment of Dividends** - An investor can choose to reinvest interest, dividends and capital gains to accumulate wealth. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate than was initially earned.

**Mutual Funds with Foreign Asset Holdings** - Any investments in mutual funds that make foreign investments are subject to the uncertainty with changes in the foreign currency value. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

**Short Sale Trading** - Short Sale Trading, or “shorting” involves a great amount of risk and is not advocated by Astera, nor is it a part of our investment strategy. In rare cases, short selling may be used as directed by client to achieve specific goals.

**Margin Trading** - Astera does not advocate leverage as a part of its investment strategy. In rare cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client’s custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by the custodian. Consequently, all margin decisions are left to the client.

**Option Trading** - Certain Astera clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

**Alternative Asset Classes** - Many alternative investments are illiquid, which means that the investments can be difficult to trade. Consequently, such holdings may limit a client's ability to dispose of such investments in a timely manner and at an advantageous price.

**IPOs** - Are generally investments in companies with limited operational histories and non-existent or weak earnings and are highly subject to market sentiment. Shares purchased through an IPO can often trade down immediately from their offer price or can be subject to wild fluctuations in performance at certain time periods after their entry to the public markets and, as such, carry increased risks of investment loss.

**Private Equities** - Astera may purchase or recommend the inclusion of shares in non-publicly traded equities in the accounts of accredited clients. These companies will generally have little available information on their financial status, capital structure or revenues, resulting in increased risk of loss, including total loss. In addition, these

securities may be highly illiquid or may experience losses of liquidity - resulting in an inability to sell said equities or sales prices that are substantially below the purchase or market price. Astera, unless otherwise expressly agreed, will value these positions at their purchase price for any accounting purposes, which may not reflect losses that would be realized if the position was sold. Of particular risk is that Astera will base its account values for billing purposes on these positions' purchase price (unless another methodology is agreed upon with the client), leading to a potential motivation to overvalue said equities. Finally, Astera may have clients who are executives of said firms or have other financial relationships that may create conflicts of interest. Where such conflicts exist, Astera will disclose these conflicts in written format to the clients who hold such securities or whom we intend to purchase such securities under our discretion prior to any transactions.

## **6. DISCIPLINARY INFORMATION**

Astera has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

## **7. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Charles Schwab & Co., Inc. and Pershing, LLC**

We typically recommend that our clients custody their investment accounts either at Charles Schwab & Co., Inc. or Pershing, LLC to maintain custody of their assets and to effect trades for their accounts. Both are SEC registered broker-dealers and members of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). We have no legal affiliation with Schwab or Pershing, do not supervise their brokerage activities and are not subject to their supervision.

Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm.

### **M Holdings Securities, Inc.**

Certain of Astera's professional employees are registered representatives of M Holdings Securities, Inc. ("M Securities"), a broker-dealer registered by the SEC and members of FINRA and SIPC. A client may engage such registered representative to render securities brokerage services under a commission arrangement. Under this arrangement, the client may implement securities transactions through such Astera employees, in their respective individual capacities as registered representatives of M Securities. Brokerage commissions may be charged by M Securities to effect these securities transactions and thereafter, a portion of these commissions may be paid by M Securities to such registered employees.

While Astera does not sell such securities products to its investment advisory clients, the Firm does permit its employees who are registered representatives with M Securities, in their individual capacities as registered representatives of M Securities, to sell securities products to its investment advisory clients. A conflict of interest exists to the extent that Astera recommends the purchase of securities where such registered employee may receive commissions or other additional compensation as a result of such recommendation.

Prior to effecting any transactions, the client will be required to enter into a new account agreement with M Securities. The brokerage commissions charged by M Securities may be higher or lower than those charged by other broker-dealers. In addition, in connection with any such brokerage services, the registered representative may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

For accounts covered by ERISA (and such others that Astera, in its sole discretion deems appropriate), the Firm may modify the foregoing commission arrangement to allow for its investment advisory services to be rendered on a fee-offset basis. In this scenario, Astera may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by its employees that are also registered representatives in their individual capacities as registered representatives of M Securities.

#### **Astera Insurance Solutions**

Astera Insurance Solutions, a division (dba) of Astera Financial Group, LLC, is a California licensed insurance agency (CA corporate insurance license No. 0G44967). Astera Insurance Solutions the Firm offers insurance clients a broad range of insurance products, including variable life and annuity products. Astera employees may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products through Astera Insurance Solutions. A potential conflict of interest exists to the extent that Astera recommends the purchase of insurance products where the Firm or its licensed employees receive sales commissions or other additional compensation for the sales of such insurance products. In cases where insurance recommendations are made and executed on behalf of Astera investment advisory clients, no investment advisory fee is charged against such insurance assets.

In order to offer its clients variable life/annuity or other insurance products, certain of the Firm's professional employees are registered agents of certain insurance issuers, qualified to sell insurance products under a commission arrangement. During the course of managing a client's account, these registered employees may recommend variable life/annuity or other insurance products.

#### **Jones Commodities, Inc.**

A minority owner of Astera, Curt Breitfuss, is an owner and officer of Jones Commodities, Inc., another SEC registered investment advisory firm (CRD No. 135200).

Mr. Breitfuss does not participate in the day-to-day investment management or business operations of Astera. He is active in the management and advisory activities of Jones Commodities, Inc. Jones Commodities, Inc. is the general partner and/or investment advisor to several limited partnership funds, known collectively here as the High Sierra Partnerships. For its services, Jones Commodities, Inc. receives management, administrative and performance fees from the investors in the partnerships. To the extent that Astera recommends that some of its qualified clients make investments in one or more of the High Sierra Partnerships, a conflict of interest could be said to exist because client investments in those partnerships would result in financial gain to Mr. Breitfuss.

## **8. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Astera, its members, officers and employees and their immediate families (sometimes collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. Employees are required to report all personal securities transactions on a regular basis. Employees are required to sign a certification agreeing to abide by the Firm’s personal trading practices and code of ethics. A copy of Astera’s employee trading policies and code of ethics is made available to clients and prospective clients upon request.

Employees may trade in the same securities traded for clients. However, it is the expressed policy of the Firm that no employee shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients. Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts.

From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If a security is purchased or sold for client accounts and employees on the same day, either the Firm and/or employee trades will be aggregated with those of participating client accounts, or will be traded at the end of the trade day. If purchased or sold on different days, it is possible that employees’ personal transactions might be executed at more or less favorable prices that were obtained for clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to



buy or sell for clients. This can occur when securities that are not suitable for clients at the time of purchase (e.g., speculative stocks, micro-cap stocks, penny stocks), are purchased by employees.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a stock sale necessary for individual financial planning reasons.

## **9. BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB AND PERSHING AS CUSTODIANS AND EXECUTING BROKERS**

Astera generally recommends that clients establish brokerage accounts with Schwab or with Pershing. Schwab and Pershing are independently owned and operated and not affiliated with Astera and do not supervise or otherwise monitor Astera's investment management services to its clients. Schwab and Pershing provide Astera with access to its institutional trading and custody services, which typically are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a required minimum of the advisor's clients' assets is maintained in accounts at the respective custodian, but are not otherwise contingent upon Astera committing to any specific amount of business (in the form of either assets in custody or trading). The services offered by Schwab and/or Pershing include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institution investors or would require a significantly higher minimum initial investment.

Schwab and Pershing also make available to Astera other products and services that benefit Astera but may not benefit its clients. Some of these other products and services assist Astera in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Astera's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Astera's accounts. Schwab and Pershing also make available to Astera other services intended to help Astera manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, they may make available, arrange and/or pay for these types of services to Astera by independent third parties. Schwab or Pershing may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to Astera.

Astera's recommendation that clients maintain their assets in accounts at Schwab or Pershing may be based in part on the benefit to Astera of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab and Pershing, which may create a potential conflict of interest.

#### **M Holdings Securities , Inc.**

As discussed above, certain Firm employees in their respective individual capacities are registered representatives of M Securities. These employees are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless M Securities provides written consent. Therefore, clients are advised that these employees may be restricted to conducting securities transactions through M Securities unless they first secure written consent from M Securities to execute securities transactions through a different broker-dealer. Absent such written consent or separation from M Securities, these employees are prohibited from executing securities transactions through any broker-dealer other than M Securities under M Securities' internal supervisory policies. Astera is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

#### **DIRECTED BROKERAGE**

In a limited number of cases, clients may direct Astera to place all orders for securities transactions with a specific broker-dealer (directed brokerage). In these cases, Astera is not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client. As such, the client may pay higher commission costs, higher security prices and transaction costs than it otherwise would have had it not directed Astera to trade through a specific broker. In addition, the client may be unable to obtain the most favorable price on transactions executed by Astera as a result of Astera's inability to aggregate/bunch the trades from this account with other client trades.

Furthermore, the client may not be able to participate in the allocation of a security of limited availability (such as an IPO) for various reasons, including if those new issue shares are provided by another broker or dealer. As a result of the special instruction, Astera may not execute client securities transactions with brokers that have been directed by clients until non-directed brokerage orders are completed. Accordingly, clients directing brokerage may not generate returns equal to clients that do not direct brokerage.

Due to these circumstances, there may be a disparity in commission rates charged to a client who directs Astera to use a particular broker and performance and other differences from other similarly managed accounts. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

## **BEST EXECUTION**

Astera is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, Astera's primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealers willingness to commit capital, the broker-dealers reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, Astera may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. Astera may select broker-dealers whose fees may be greater than those charged for similar investments if Astera determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

Astera reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom Astera executes transactions on behalf of clients.

## **SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS**

Astera may receive from an executing broker or allow a broker to pay for certain research or brokerage services, known as "soft dollar" brokerage services and research. Currently, the Firm receives research from Pershing through informal soft dollar arrangements. "Soft dollars" refers to the use of brokerage commissions on client trades to pay for the soft dollar research or brokerage services received. Because many of these services benefit Astera in conducting its advisory business, and because the soft dollars used to acquire them are assets of its clients (in the form of commissions), Astera could be considered to have a conflict of interest in allocating client brokerage business, in light of a potential incentive to effect more transactions than it might otherwise in order to obtain those benefits.

Although Astera receives soft dollar services and research, it is the Firm's policy is to limit its use of soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. To be protected under Section 28(e), Astera must, among other things, determine that commissions paid are reasonable in light of the value of the brokerage and "research" services and products acquired. Section 28(e)'s "safe harbor" protects the use of client soft dollars

even when the research and brokerage services and products acquired are used in making and implementing investment decisions and transactions for other clients. Only *bona fide* research and brokerage products and services that provide assistance to Astera in the performance of its investment decision-making responsibilities are permitted.

Soft dollar research and services may include among others, economic and market information, portfolio strategy advice, proxy voting services, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire charges, quotation services, computer hardware and software. Astera may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms or direct a brokerage firm that executes transactions to share some of its commissions with a brokerage firm that provides soft dollar benefits to Astera.

With respect to certain computer equipment and software used for both research and non-research purposes, Astera may allocate the costs of such products between their research and non-research uses, and use soft dollars to pay only for the portion allocated to research uses.

Astera may pay a broker a brokerage commission in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships that broker provides. In such a case, however, Astera determines in good faith that such commission is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, viewed in terms of either the specific transaction or Astera's overall responsibilities to the portfolios over which it exercises investment authority. An account may, however, pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. In addition, the research and other benefits resulting from a brokerage relationship benefit all accounts managed by Astera or Astera's operations as a whole, including clients who direct Astera to use a broker that does not provide soft-dollar benefits. Astera's relationships with brokerage firms that provide soft dollar services may create conflicts of interest, both in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. These conflicts of interest may be influential to the extent that Astera uses soft dollars to pay expenses it otherwise would be required to pay itself.

Astera may, on occasion, be the recipient of unsolicited discounts on software and other services. The discounts are generally offered to all firms who fit a common profile and Astera is not offered such discounts because of a particular event or request. Such discounts are accepted with the intent to benefit all clients and the value of these discounts is not considered in the process of selecting securities to purchase for client accounts.

Astera routinely considers the amount and nature of the research products and services provided by brokers as well as the extent to which such products and services are relied upon, and will attempt to allocate a portion of its brokerage business on the basis of that consideration. In addition, broker-dealers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocations, but may be expected to exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. In no instance will a broker-dealer be precluded from receiving business simply because it has not been identified as providing research products and services, although Astera may not be willing to pay the same commission to such broker as Astera would have paid had the broker provided research products and services.

#### **AGGREGATION OF TRADES AND POTENTIAL CONFLICTS**

Astera may combine transaction orders on behalf of multiple clients and allocate the securities or proceeds on an average price basis among the various participants in the transactions. Astera and/or its associated persons may participate in such aggregated orders.

While Astera believes combining transaction orders in this way should, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to a particular client than if such client had been the only client effecting the transaction or had completed its transaction before the other participants. There may be circumstances in which transactions on behalf of Astera or its associated persons may not, under certain laws and regulations, be combined with those of some of Astera's other clients. In such cases, neither Astera nor any associated person will effect transactions in a security on the same day as clients until after the clients' transactions have been executed.

In the event that Astera determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimus* allocation in one or more accounts, Astera may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades are not allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship in consideration of "trade away" charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

## **ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS**

Because we manage more than one client account, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. We attempt to resolve all such conflicts in a manner that is generally fair to all of clients over time. We may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is our policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

## **10. REVIEW OF ACCOUNTS**

For those clients to whom Astera provides investment management services, the Firm monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Astera provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by Brian Corley, Managing Member or Daniel Grover, President.

All investment advisory clients are encouraged to discuss their needs, goals and objectives with Astera and to keep the Firm informed of any changes thereto. Astera contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Astera provides investment advisory services will also receive a report from Astera that may include such relevant account and/or market-related information such as an inventory of account holdings

and account performance on at least a quarterly basis. Those clients to whom Astera provides financial planning and/or consulting services will receive reports from the Firm summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Astera.

## **11. CLIENT REFERRALS AND OTHER COMPENSATION**

If a client is introduced to Astera by either an unaffiliated or an affiliated solicitor, Astera may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Astera's investment management fee, and shall not result in any additional charge to the client.

If the client is introduced to Astera by an unaffiliated solicitor, the solicitor shall provide the client with a copy of Astera's written disclosure statement which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement that contains the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Astera shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Astera's written disclosure statement at the time of the solicitation.

Occasionally, Astera may enter into relationships with unaffiliated legal firms, accounting firms, mortgage brokers, insurance brokers and other consultants. When Astera determines that clients may be in need of the services provided by these outside entities, clients will be referred to an applicable firm that provides the necessary professional services. In addition, if clients of these outside firms are in need of investment advisory services, the outside professionals may refer clients to Astera. Clients are not obligated to use the services of any of these entities. If any referral fee arrangements are made with such third parties, the fee arrangement will be disclosed to each affected client at the time of the referral.

Astera employees are not paid "sales awards" or other prizes for referring clients to the Firm.

## **12. CUSTODY OF CLIENT ASSETS**

### **Portfolio Management Services for Separately Managed Clients**

Astera does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer, bank or trust company. Astera is unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary. The Firm is given the

authority to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or to transfer money out of the account to a third party.

Schwab and Pershing act as custodians and executing broker-dealers for Astera separately managed clients. For Astera client accounts maintained in their custody, they generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through them or that settle into client accounts that are held with them. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab, and for those held at Pershing by Pershing to avoid “trade away” charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab and Pershing send account statements directly to the client (or to an independent third party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client’s account, including the payment to Astera of its investment management fees.

#### **Disclosures for Custody of Partnership Assets**

Although it is the general partner and investment manager for the Partnership, Astera does not have physical custody of Partnership funds and securities. Physical custody of all Partnership funds and securities is maintained by Pershing, Schwab or by other limited partnerships in which the Partnership invests. Not less frequently than quarterly, Pershing and Schwab issue individual account statements to each member of the Partnership. The funds and securities held by Partnership are verified by an annual financial audit conducted by a qualified, independent public accountant. The annual financial audit report is distributed to Partnership investors.

### **13. INVESTMENT DISCRETION**

Clients generally appoint Astera as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm’s investment strategy and the client’s investment objectives, our portfolio managers are given full discretion to determine:

1. Types of investments;
2. Which securities to buy;
3. Which securities to sell;
4. The timing of any buys or sells;
5. The amount of securities to buy or sell; and
6. The broker-dealer to be used in the transaction; and



This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining the most favorable price and market execution for each transaction.

Except in the case of directed brokerage instructions, client securities transactions generally are executed through the custodian of their account.

In some cases, clients may place assets with Astera on a non-discretionary basis whereby the client retains the authority to approve each contemplated securities transaction. Astera also may render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer sponsored retirement plans. In so doing, Astera either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

#### **14. VOTING CLIENT SECURITIES**

It is Astera policy not to vote proxy solicitations received on behalf of clients from the issuers of securities held in client's account. All such solicitations can be forwarded to client for voting upon receipt of a client request. Any client wishing to review our proxy voting policies in full may request a copy.

#### **15. STATEMENT OF FINANCIAL CONDITION**

Astera does not require or solicit prepayment of its management fees from clients six or more months in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.