

Red Sky Capital Management  
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July 17, 2012

This Brochure provides information about the qualifications and business practices of Red Sky Capital Management. If you have any questions about the contents of this Brochure, please contact us at 301-865-6198 and/or [info@crabbfs.com](mailto:info@crabbfs.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Red Sky Capital Management is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about Red Sky Capital Management also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 – Material Changes**

Red Sky Capital management's last update of this Brochure was dated March 30, 2012.

### **Material changes contained in this brochure:**

As required by changes mandated by the Dodd-Frank Act midsize investment advisory firms (firms with Assets under Management between \$25 Million and \$99 Million) are required to change their primary regulatory authority from the United States Securities and Exchange Commission to the individual States. Due to this regulatory change Red Sky Capital Management is now filing for registration with the State of Maryland and the State of Pennsylvania.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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

Currently, our Brochure may be requested by contacting Jennifer Sadtler, Administrative Assistant at 301-865-6198 ext. 201 or [jennifers@crabbfs.com](mailto:jennifers@crabbfs.com).

Additional information about Brandon R. Crabb is also available via the SEC's web site [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Red Sky Capital Management who are registered, or are required to be registered, as investment advisor representatives of Red Sky Capital Management.

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## **Item 4 – Advisory Business**

### **A. Description of Advisory Business**

Crabb Financial Strategies, Inc., established in 2000 d/b/a Red Sky Capital Management, established 2009, (herein referred to as “Advisor”) is a Maryland corporation and investment advisor registered with State of Maryland.

Additional information about the Applicant is also available on the Internet at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). You can view Applicant’s information on this website by searching for Red Sky Capital Management. You may search for information by using Advisor’s name or by using Advisor’s CRD number. The CRD number for Advisor is 151808. This information has not been verified or approved by the SEC or any state agency.

Our Principals: Brandon R. Crabb is the sole owner and principal of Crabb Financial Strategies and Red Sky Capital Management.

The following narrative describes the advisory services offered through the Applicant and individuals registered with the Applicant as investment advisory representatives (“IARs”).

### **B. Investment Advisory Services**

**Investment management services may be provided through one or more of the following:**

#### **1. Asset Management Services:**

Client may retain the Advisor through a written Asset Management Agreement to provide asset management services directly to the client with respect to certain assets for a percentage of assets fee as specified under “Fees” in Item 5. The Advisor shall actively manage client accounts in accordance with the client’s individual needs, objectives and risk tolerance. Accounts are typically managed on a discretionary basis by the Advisor upon written authorization to do so by the client. At no time will the Advisor take custody of client assets.

Based upon the information provided by the client, Asset Management Services will consist of the creation of an investment portfolio and the regular monitoring and review of Account Assets. The Asset Management Services do not include participant-directed qualified retirement plans. The Account Assets shall consist of cash, cash equivalents, stocks, bonds, mutual funds, and other fixed income securities now or hereafter designated by the client, or which shall become part of the Account Assets as a result of transactions with respect above. The Advisor shall utilize the services of a “qualified custodian” to hold the assets, pursuant to a separate agreement between the Custodian and the Client.

You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

## **2. Sub-Advisory Services**

On occasion, other investment advisory firms (“Firms”) may engage the services of the Advisor to provide management support activity of their Firm’s client accounts. In these instances, the Advisor acts in a sub-advisory capacity and is referred to as the “Sub-Advisor” to the accounts. As part of the sub-advisory relationship, the Firm shall be solely responsible for determining the client’s suitability for participation in the Sub-Advisor’s services. Sub-Advisor shall accept all clients identified by the Firm as suitable for Sub-Advisor’s investment philosophy, determined by the respective Client’s Investor Profile completed by the Firms and provided to the Sub-Advisor. Sub-Advisor retains the right to accept or reject any such new client for provision of services. The Firm engaging the services will provide all clients accepted for these services a copy of the Sub-Advisor’s current Form ADV Part 2 and Privacy Policy. For each client for whose Managed Account Sub-Advisor shall provide sub-advisory management services, the Firm, at Sub-Advisor’s request, will forward an executed copy of the Client Services Agreement and a copy of information regarding the client’s financial situation, including the client’s goals and objectives, along with such other information as the Firm and Sub-Advisor may deem appropriate.

Sub-Advisor shall provide continuous, individualized investment advisory services for each Managed Account, including investment research and management with respect to all securities, investments, cash equivalents or other assets in each Managed Account, according to the Account minimum levels and products/portfolios/investment styles of Sub-Advisor, as amended from time to time. Sub-Advisor shall act for each Managed Account in accordance with the investment objectives, guidelines and restrictions set forth in Client’s Investor Profile, or in such other documents, as the Firm shall forward to Sub-Advisor pertaining to the Managed Accounts. Sub-Advisor shall conduct a continual program of investment evaluation and, if appropriate, sale and reinvestment of each Managed Account’s assets, and will determine, in its sole discretion, the securities to be purchased, sold or exchanged and what portion, if any, of the assets shall be held un-invested. Sub-Advisor shall be solely responsible for determining the suitability of each security that Sub-Advisor purchases for a Managed Account. Sub-Advisor will exercise discretion over each Managed Account pursuant to the written trading authority given by the client in the Client Services Agreement.

## **3. AssetMark/Genworth Accounts**

When determined as suitable and based on the client’s individual personal and financial goals, investment objectives, and risk tolerance, Advisor may place the client with Genworth Financial Wealth Management (“Genworth”). Advisor has entered into a contract with Genworth, an SEC registered investment advisor firm, to provide services through the Genworth Financial Wealth Management Platform.

In the Genworth program you typically **do not** have the ability to impose restrictions on the management of your Genworth accounts, including the ability to instruct us not to purchase certain securities.

The Advisor will provide advice to clients with respect to the selection of allocation models provided by a group of independent investment strategists. The independent investment strategists have no direct relationship with the client, makes no analysis of the clients’ circumstances or objectives, and do not tailor the models to any specific client’s need. The Advisor may, at Advisor’s discretion, change investment strategists and/or risk exposure when Advisor deems that it is appropriate for the client.

The minimum investment required in a Genworth account is generally \$50,000 for Mutual Funds and \$100,000 for ETFs and Privately Managed Accounts. Accounts below these minimums may be accepted on an individual basis at the discretion of Advisor and/or Genworth. Investors participating in the platform will receive, at minimum, quarterly account statements and/or quarterly reports showing the investment performance of their account. The client will also receive confirmation of all transactions in the account and is free to terminate participation in the platform and retain or dispose of any assets in the account at any time. Advisor has no authority to cause any purchase or sale of individual securities in any client account.

A complete description of the Genworth program and related fees and charges will be disclosed to the client in the Genworth ADV Part 2 Appendix 1 Disclosure Brochure, which will be provided to clients prior to, or at, the time an account is established.

#### **4. Financial Planning:**

Advisor offers an array of financial planning and consulting services that includes, but is not limited to:

- Retirement Planning
- Cashflow Analysis
- Portfolio Analysis
- Asset Allocation
- Balance Sheet Analysis
- Development of Investment Policy Statements
- Fiduciary Assessments

Financial planning services may take into consideration each client's objectives, overall financial situation, personal and financial goals, risk tolerance and objectives, risks that they are willing to undertake, investment knowledge, net worth, income, age, projected retirement, unusual or material funding requirements, inheritance possibilities, pensions, social security, children/relative funding issues and living expenses expressed in today's dollars requested for retirement.

Based on data and information compilation, financial planning recommendations are made for the individual client. Consultation services will be provided focusing on specific areas of concern to the client. These services can also include retirement plan consulting services provided to a plan sponsor or to an individual client wanting advice on how their plan investments should be allocated.

Additional Information:

Financial planning services do not include the implementation of transactions on behalf of clients.

Clients wanting Advisor's IAR to implement transactions on their behalf will need to contract with Advisor for one or more of the management services described in this document.

IARs of the Advisor are, in their separate capacities, licensed to transact securities and are Registered Representatives of Cambridge Investment Research, Inc, a registered broker/dealer, member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investors Protection Corporation (“SIPC”). Should clients wish to implement any recommendations regarding the establishment of a brokerage account through Advisor’s IAR, it shall be in his or her separate capacity as a Cambridge Registered Representative. A conflict will exist between the interests of Advisor’s IAR and the interest of the client, as the IAR may earn commissions in this capacity as a registered representative or additional advisory fees for managed accounts in addition to the fees charged for financial planning services.

The Advisor is not qualified to render legal advice or prepare legal documents for the implementation of the Client’s plan. As well, Advisor is not qualified to render accounting advice. Clients and their personal attorney or accountant shall be solely responsible for the rendering and/or preparation of all legal matters and accounting functions. Clients should seek advice from their personal attorney or accountant regarding all legal matters or tax advice.

**Tailor Advisory Services to Individual Needs of Clients**

The Advisor’s advisory and consulting services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an Investment Adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Red Sky Capital Management assets under management as of June 30, 2012 are as follows:

	U.S. Dollar Amount	Total Number of Accounts
Discretionary:	(a) <b>\$36,035,198.76</b>	(d) 252
Non-Discretionary:	(b) \$ 0. 00	(e) 0
Total:	(c) <b>\$36,035,198.76</b>	(f) 252

**Item 5 – Fees and Compensation**

**Investment Advisory Fees:**

*Please refer to Item 4B1 for a detailed description of services provided.*

**Asset Management Services**

Fees:

Client will pay the Advisor an advisory and administrative fee for Asset Management Services every calendar quarter (the “Management Fee”). The fee shall be based upon a flat percentage of assets under management up to (1.95%) percent annually. The Management Fee, by default, is payable in advance on a

quarterly basis and shall be debited directly from the Client's account following the execution of the Asset Management Agreement and an exhibit page, in which the fee is described and accepted by the client. As an alternative the client may elect to receive an invoice in lieu of the direct debit. In this instance a written request from the client will be required and must be reflected in the exhibit page. If invoiced fee payments have not been made within 60 days of the billing date, Red Sky Capital Management reserves the right to debit the account for the overdue fee, upon written authorization from the client. In the event the invoice is not paid in full and on time fee collection will automatically revert to the default option, direct debit. The initial fee may be prorated to cover the period from the date the account is opened through the end of the current calendar quarter. Thereafter, the Management Fee will be based upon the net worth of the account on the last business day of the preceding calendar quarter. In certain cases and under certain circumstances, Management Fees may be reduced and/or tiered by the Advisor. In such a case, an amended fee schedule shall be provided to the client. Fees may be modified at the discretion of the Advisor with at least 30 (thirty) days prior written notice. Advisor is not being compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any other portion of the funds of the Client.

#### Termination:

Either party may terminate the Asset Management Agreement at any time by providing written notice to the other party. Notwithstanding the foregoing, the Client may terminate this Agreement within five (5) business days of its signing and the Client shall be entitled to a refund of any fees paid to the Advisor before such termination date. Upon any termination of the Agreement, after the five (5) business days of its signing, the Client is entitled to a pro rata refund of any prepaid quarterly Management Fees based upon the number of days remaining in the quarter after the date upon which notice of termination is received. Termination of the Agreement does not affect liabilities or obligations incurred or arising from Asset Management Services initiated under the Agreement before such termination.

#### General Information on Asset Management Fees:

Prior to engaging us to provide investment management services, you are required to enter into a formal investment advisory agreement with us setting forth the terms and conditions, including the amount of investment advisory fees, under which we manage your assets.

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees will be prorated (based on the number of days service to be provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in advance at the time the account is established. Fees are based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of a quarter are prorated based on the number of days remaining in the initial quarter.

In the event that a deposit in excess of \$50,000 occurs during a billing period after the fee calculation, the fee for the billing period will be recalculated at the end of the billing period and Red Sky Capital



Management will bill a second fee pro-rata, in arrears, on the additional deposits. In the event that a withdrawal in excess of \$50,000 occurs during a billing period after the fee calculation, the fee for that billing period will be recalculated at the end of the billing period and you will be refunded the pro-rate fee that was attributable to the amount of the withdrawal.

Red Sky Capital Management believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account or you can pay our firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to Red Sky Capital Management. Our firm will send you a billing statement prior to the time that fee deduction instruction is sent to the qualified custodian(s) of your account. The billing statement will detail the formula used to calculate the fee, the assets under management and the time period covered.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. Red Sky Capital Management does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than Red Sky Capital Management in connection with investments made through your account including, but not limited to, transaction charges, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Red Sky Capital Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

Clients are under no obligation to act on the recommendations of Red Sky Capital Management. Clients have the right to place transactions with any Broker Dealer they choose. If you retain Red Sky Capital Management to implement the recommendations provided under this service, your Advisor may recommend load or no-load mutual funds that charge you 12(b)-1 fees. Your Investment Adviser Representative may receive a portion of these 12(b)-1 fees in his or her separate capacity as a Registered Representative of a

securities broker-dealer. The receipt of 12(b)-1 fees could represent an incentive for Red Sky Capital Management or your IAR to recommend mutual funds with 12(b)-1 fees or higher 12(b)-1 fees over mutual funds with no 12(b)-1 fees or lower 12(b)-1 fees and therefore creates a conflict of interest.

All fees paid to Red Sky Capital Management are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by any other investment adviser to implement such recommendations.

It should be noted that lower fees for comparable services may be available from other sources.

*Please refer to Item 4B2 for a detailed description of services provided.*

### **Sub-Advisory Services**

#### **Fees:**

Sub-Advisor shall receive, on a quarterly basis, an amount equal to a percentage of the fair market value (as determined by the Firm) of the assets in the Managed Accounts managed by Sub-Advisor. The fee shall be based upon a flat percentage of assets under management up to (0.75%) annually. The fee shall be charged to each Managed Account on a prorated basis upon inception of the Managed Account and at the beginning of each calendar quarter thereafter, based on the portfolio value as determined in good faith by the Firm as of the last business day of the previous calendar quarter. Sub-Advisor will receive the annual fee rate paid to Sub-Advisor by the Firm dependent on the products/portfolios/investment styles of the respective Managed Accounts as specified in the Firm's Client Services Agreement. In certain cases and under certain circumstances, Management Fees may be reduced by the Advisor.

#### **Termination:**

In the event that a client or Firm terminates management of a Managed Account by Sub-Advisor or otherwise withdraws assets from a Managed Account, and the Firm, in its sole discretion, (i) refunds or credits to the client a portion of the fee previously paid, or (ii) pays another manager a fee with respect to said client's assets, Sub-Advisor shall refund to the Firm, on a quarterly basis, a pro-rata portion of its fee received from the Firm that is attributable to the amount withdrawn from Sub-Advisor's management.

#### **Additional Information:**

Fees paid by clients shall encompass all fees or charges for investment advice rendered by Firm and Sub-Advisor, and may also include execution services provided by Advisor. The fees charged to the Client will not include brokerage commissions for transactions effected by the brokers or dealers acting as custodian for the client account. All such brokerage commission and transaction expenses shall be paid by the Managed Account and shall be in addition to fees charged for sub-advisory services.

*Please refer to Item 4B3 for a detailed description of services provided.*

### **Assetmark/Genworth Accounts**

A complete description of the Genworth program and related fees and charges will be disclosed to the client in the Genworth ADV Part 2 Appendix 1 Disclosure Brochure, which will be provided to clients prior to, or at,

the time an account is established. Fees shall be based upon a flat percentage of assets under management up to (1.95%) annually. In certain cases and under certain circumstances, Management Fees may be reduced and/or tiered by the Advisor.

Red Sky Capital Management will receive a portion of the asset management fees charged by Genworth. Red Sky's portion of these fees will vary dependent upon the asset management agreement between the client and Genworth and may range up to 1% of the fees charged by Genworth.

#### Termination:

Upon any termination of the managed Account Agreement with Genworth, after the five (5) business days of its signing, the Client is entitled to a pro rata refund of any prepaid quarterly Management Fees based upon the number of days remaining in the quarter after the date upon which notice of termination is received. Termination of the Agreement does not affect liabilities or obligations incurred or arising from Asset Management Services initiated under the Agreement before such termination.

*Please refer to Item 4B4 for a detailed description of services provided.*

### **Financial Planning**

#### Fees:

Fees for financial planning and/or consulting services will be charged as an hourly fee not to exceed \$250 per hour. Fees will be assessed and invoiced to the client after services have been rendered.

#### Termination:

Client has five (5) business days from the time of engagement of the Advisor to terminate financial planning or consulting services without penalty. After the five (5) business days, either party may terminate services upon written notice to the other. Any services performed up to the time of termination will be assessed and the client will be invoiced for those services.

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

Red Sky Capital Management does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

Red Sky Capital Management provides portfolio management services to individuals, trusts, endowments, estates, charitable institutions, foundations, corporations and business entities, pension and profit-sharing plans as well as other State and SEC Registered Investment Advisors.

Red Sky Capital Management requires a minimum account size of \$25,000.

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

The investment philosophy of the Red Sky Capital Management seeks to preserve and grow capital by producing absolute returns with reduced volatility and drawdowns. Both fundamental and technical factors are considered in establishing positions and in monitoring their progress. Red Sky Capital Management is very conscious of the difference between secular and cyclical market cycles and will use various fundamental and technical tools in the selection of positions and strategies in order to attempt to increase the probability of investment success. We believe the sale of a position is considered to be as important as its purchase and will utilize a quantitative approach with risk management controls to actively manage the portfolio in an attempt to control downside losses and protect capital.

There is no single source of investment ideas. A great deal of research information and reports comes from outside sources. Red Sky Capital Management also does its own internal research and evaluation of asset classes and strategies. The firm uses outside research as a potential source of investment ideas and as a means of monitoring changing expectations for various asset classes and strategies. The principal sources of information include financial newspapers and magazines, presentations by investment managers, prospectuses and filings with the Securities and Exchange Commission, whitepapers and other technical writings, presentations by companies, company annual reports and news releases, databases (Morningstar), corporate rating services, financial market information services (Reuters and Bloomberg).

Red Sky Capital Management's investment strategies will invest primarily in, but not limited to, Mutual Funds, ETFs, and Stocks representing numerous global asset classes and investment strategies. The strategy makes no effort to forecast future market trends or direction, rather, to seek to capture profits in these trends when and where they develop. The strategy will use quantitative algorithms in an effort to minimize risk and maximize capital preservation. The strategy is diversified across global markets, indicators, and underlying investment strategies with a goal to produce absolute returns with reduced volatility. In addition, the strategy will attempt to hedge against extreme market outcomes.

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

## **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Red Sky Capital Management or the integrity of Red Sky Capital Management's management. Red Sky Capital Management has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Other Business Activities**

IARs of the Advisor may be licensed to sell securities in the capacity as Registered Representatives of Cambridge Investment Research, Inc, a registered broker/dealer, member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"), These individuals have the ability to buy and sell securities for which they may earn a commission. As well, IARs

may be licensed life insurance agents appointed with various insurance companies and may sell insurance products to clients of the Advisor. Therefore, IARs, in the capacity as a licensed life agent, may be able to implement insurance recommendations for advisory clients electing to receive this service. In this event, advisor representatives, in their separate capacities as licensed insurance agents, will receive separate and typical commission compensation for insurance and/or annuity sales.

The Advisor may receive certain “soft dollar” benefits from qualified custodial firm(s). The decision to use certain broker/dealers is based on past experiences, minimizing commissions and other costs, as well as offerings or services provided, such as online access for Advisor, Advisor’s IARs and clients. Other considerations may be, but are not limited to, account custody, trade execution services, clearing services, access to information and, for a fee, electronic trade entry and account information look-up services, record keeping services, exception reporting and access to various financial products.

## **Item 11 – Code of Ethics**

### Participation or Interest in Client Transactions

IARs of the Advisor, acting in their separate capacities as registered representatives of Cambridge, may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to advisory clients. As such, IARs may suggest that advisory clients implement investment advice by purchasing securities products through a commission-based Cambridge account in addition to an advisory account. In the event investment advisory clients elect to purchase these products through Cambridge, Cambridge and the client’s IAR, in the capacity as Cambridge registered representative, will receive the normal and customary commission compensation in connection with the specific product purchased. Advisor does not require its IARs to encourage clients to implement investment advice through Cambridge. Clients of Advisor are free to implement investment advice through any broker/dealer or product sponsor they may select. However, clients should understand that, due to certain regulatory constraints, IARs, in the capacity as a dually registered representative, must place all purchases and sales of securities products in commission-based brokerage accounts through Cambridge or other Cambridge approved institutions.

The firm has drafted and adopted a written Code of Ethics. The Code of Ethics requires access persons to report personal securities transactions and comply with various securities laws and regulations. The Code of Ethics is available to clients and prospective clients upon request.

It is the express policy of the applicant that no person employed by the firm may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, the advisor has established the following restrictions in order to ensure its fiduciary responsibilities to our clients:

1. no associated person of the firm shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the

information is also available to the investing public on reasonable inquiry. No associated person shall prefer his or her own interest to that of the advisory client.

2. Advisor maintains a list of all securities holdings for itself, and anyone associated with this advisory practice. Mr. Brandon R. Crabb reviews these holdings on a regular basis (each quarter end).
3. All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
4. Advisor emphasizes the unrestricted right of the client to decline to implement any advice provided.
5. Advisor emphasizes the unrestricted right of the client to select and choose any broker or dealer and/or insurance company they wish.
6. Advisor requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practice.
7. Any individual not in observance of the above may be subject to sanctions, including termination of employment.

It is further disclosed that the advisor is in full compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, advisor has distributed a firm-wide policy statement and written supervisory procedures statement setting forth what specific steps have been taken to police the dissemination of material nonpublic information.

Red Sky Capital Management clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jennifer Sadtler at 301-865-6198 ext.201 or [jennifers@crabbfs.com](mailto:jennifers@crabbfs.com).

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of Red Sky Capital Management. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surround the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with existing systems of the advisor, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

Our requirement that you maintain your assets in accounts at custodial platforms approved by Cambridge may be based in part on the benefit to us of the availability of some products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the selected custodian. Brokerage Commissions and/or 12(B)1 Fees may be used to pay for the services listed above in lieu of the Advisor paying of such services separately. This creates a potential conflict of interest. We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered.

### ***Directed Brokerage***

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, Red Sky Capital Management may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, Red Sky Capital Management has decided to require our clients to use broker/dealers and other qualified custodians determined by Red Sky Capital Management.

### ***Broker/Dealer Affiliation (Cambridge)***

As stated previously, IARs of the Advisor are Registered Representatives of Cambridge. Clients wishing to implement Advisor's financial planning advice are free to select any broker/dealer or investment advisor they wish and are so informed. When clients decide to implement advice through Advisor, the client will be required to establish an account through a trading platform that is approved by Cambridge. Cambridge offers a number of different brokerage arrangements that allows the flexibility to utilize a number of different broker/dealers from which Advisor may so choose. Advisor considers such factors as track record and reputation in the industry when recommending brokers to clients. While Advisor's IARs have a variety of broker/dealers from which to choose, Advisor's IARs are limited to those brokers/dealers with whom Cambridge has arrangements. Therefore, clients may pay commissions and transaction fees that are higher or lower than what client may have paid if choosing another broker/dealer outside of those with whom Cambridge has arrangements.

Because our representatives are also registered representatives of Cambridge, Cambridge provides compliance support to them. Cambridge also provides our representatives, and therefore us, with back-office operational, technology and other administrative support.

While there is no direct linkage between the investment advice given to you and our recommendation of the trading platforms approved by Cambridge, economic benefits may be provided to us by Cambridge that are not be provided if you select another broker/dealer or account custodian. These benefits may include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services Cambridge participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system

- Electronic download of trades, balances and position information
- Access, for a fee, to an electronic interface with the account custodian's software
- Duplicate and batched client statements, confirmations and year-end reports

As a fiduciary, we endeavor to act in your best interest. Our requirement that you maintain your assets in accounts at custodial platforms approved by Cambridge may be based in part on the benefit to us 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 the selected custodian. This creates a potential conflict of interest.

You are under no obligation to act on our recommendations. You may select a broker/dealer or account custodian other than one made available to Red Sky Capital Management as a requirement of the IA Representatives also being Registered Representatives of Cambridge, although in this case we cannot assist you with asset management services.

Please all see **Item 5, Fees and Compensation**, for additional information about advisory services and implementing recommendations.

#### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

Red Sky Capital Management does not have a soft dollar agreement with a broker-dealer or a third-party.

#### **Handling Trade Errors**

Red Sky Capital Management has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Red Sky Capital Management to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed By Red Sky Capital Management if the error is caused by the firm. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. Red Sky Capital Management may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

Red Sky Capital Management will never benefit or profit from trade errors.

#### **Block Trading Policy**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when RED SKY CAPITAL MANAGEMENT believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to



achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Red Sky Capital Management has uses the pro rata allocation method for transaction allocation.

Under this procedure, pro rata trade allocation means an allocation of the trade at issue among applicable advisory clients in amounts that are proportional to the participating advisory client's intended investable assets. Red Sky Capital Management will calculate the pro rata share of each transaction included in a block order and assigns the appropriate number of shares of each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which Red Sky Capital Management or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

### **Agency Cross Transactions**

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades

### **Item 13 – Review of Accounts**

The process of reviewing accounts with respect to asset management activities, continuous monitoring of client assets shall be undertaken. There shall be no independent triggering mechanisms. All reviews shall be undertaken by Mr. Brandon R. Crabb.

Clients will receive statements directly from the custodian holding the client's account on at least a quarterly basis.

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

Advisor does not have any "soft dollar" arrangement with any Broker Dealer and does receive certain "soft dollar" benefits from qualified custodial firm(s). The decision to use certain broker/dealers is based on past experiences, minimizing commissions and other costs, as well as offerings or services provided, such as online access for Advisor, Advisor's IARs and clients. Other considerations may be, but are not limited to, account custody, trade execution services, clearing services, access to information and, for a fee, electronic trade entry and account information look-up services, record keeping services, exception reporting and access to various financial products.

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

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Red Sky Capital Management urges you to carefully

review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Client's funds and securities will be maintained with a "qualified custodian" as required under SEC Rule 206(4)-2, and Red Sky Capital Management will not act as custodian of any client's funds or securities. Red Sky does deduct fees from client accounts upon written authorization from the client.

### **Item 16 – Investment Discretion**

Red Sky Capital Management receives discretionary authority from the client when the Asset management Agreement that contains a limited power of attorney is executed at the outset of an advisory relationship . This limited power of attorney allows Red Sky Capital Management to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Red Sky Capital Management observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Red Sky Capital Management's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Red Sky Capital Management in writing.

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

Client understands and agrees that Client retains the right to vote all proxies which are solicited for securities held in the Account. Advisor is hereby expressly precluded from voting proxies for securities held in the Account and will not be required to take any action or render advice with respect to the voting of proxies.

Clients will receive proxies directly from the qualified custodian or transfer agent; The Advisor will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

### **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about Red Sky Capital Management's financial condition. Red Sky Capital Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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

## ***Executive Officer and Management Personnel***

**Brandon R. Crabb – President:**

### **Educational Background:**

- University of Delaware - Bachelor of Science in Business Administration (Finance with a focus in International Markets and Investment Real Estate and a minor in Economics , May 30, 1998.

### **Business Experience:**

- 03/2010 – Present, Cambridge Investment Research, Inc. Registered Representative
- 11/2009 – Present, Red Sky Capital Management, Chief Compliance Officer/Adviser Representative
- 10/2006 – Present, Crabb Financial Strategies, Investment Advisor Representative
- 10/2006 - 03/2010, Linsco/Private Ledger Corp. Financial Consultant
- 01/2004 - 10/2006, Patriot Mortgage, Loan Officer
- 06/2002 - 10/2006, H. Beck, Inc., Registered Representative

### **Other Business Activities**

See Item 10 – Other Financial Industry Activities and Affiliations.

### **No Performance Based Fees**

As previously disclosed in Item 6, Red Sky Capital Management does not charge or accept performance-based fees.

### **No Arbitrations**

Brandon R. Crabb has not been the subject of any client arbitrations or similar legal disputes.

## Brochure Supplement

Brandon R. Crabb

Red Sky Capital Management

1 W. Main St. 1<sup>st</sup> Floor, New Market, MD 21774

301-865-6198

July 17, 2012

**This Brochure Supplement provides information about *Brandon R. Crabb* that supplements the Red Sky Capital Management Brochure. You should have received a copy of that Brochure. Please contact Jennifer Sadtler if you did not receive Red Sky Capital Management's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Brandon R. Crabb is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Item 2- Educational Background and Business Experience**

Brandon R. Crabb (Year of birth 1976)

Brandon graduated with a Bachelor of Science in Business Administration from the University of Delaware on May 30, 1998. He majored in Finance with a focus in International Markets and Investment Real Estate and a minor in Economics. Following graduation Brandon was employed with Nationwide Financial from June of 1998 to June of 1999. Beginning in July of 1999 Brandon was employed as a Registered Representative with Berkshire Financial Group where he stayed until opening his own firm, Crabb Financial Strategies, Inc., in December of 2000. As President of Crabb Financial Strategies, Inc. Brandon decided to expand his offerings by establishing Red Sky Capital Management, a Maryland State Registered Investment

Advisor, in 2009. He is currently the President of both Crabb Financial Strategies and Red Sky Capital Management.

### **Item 3- Disciplinary Information**

Brandon R. Crabb has no disciplinary information applicable to this item to disclose.

### **Item 4- Other Business Activities**

Brandon R. Crabb is licensed to sell securities in the capacity as Registered Representatives of Cambridge Investment Research, Inc, a registered broker/dealer, member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"), He has the ability to buy and sell securities for which they may earn a commission. As well, Brandon R. Crabb is a licensed life insurance agent appointed with various insurance companies and may sell insurance products to clients of the Advisor. Therefore, Brandon R. Crabb in the capacity as a licensed life agent, may be able to implement insurance recommendations for advisory clients electing to receive this service. In this event, advisor representatives, in their separate capacities as licensed insurance agents, will receive separate and typical commission compensation for insurance and/or annuity sales. The receipt of additional compensation may create a conflict of interest since the advisor will have an incentive to recommend products and services that may benefit the advisor and may not be in the best interest of the client. Brandon R. Crabb avoids this conflict of interest by always placing the client's needs first.

Brandon R. Crabb may receive certain benefits from qualified custodial firm(s). The decision to use certain broker/dealers is based on past experiences, minimizing commissions and other costs, as well as offerings or services provided, such as online access. Other considerations may be, but are not limited to, account custody, trade execution services, clearing services, access to information and, for a fee, electronic trade entry and account information look-up services, record keeping services, exception reporting and access to various financial products.

### **Item 5- Additional Compensation**

The advisor does not receive any additional compensation other than what is documented in Item 4.

### **Item 6 - Supervision**

Brandon R. Crabb is the President of Red Sky Capital Management and is responsible for the overall supervision of the firm. Red Sky Capital Management has a written Policies and Procedures Manual which is evaluated and updated once a year. The purpose of the Policies and Procedures Manual is to set standards and internal controls for the firm, its employees, and its businesses. These policies and procedures are designed to prevent, detect, and correct any violations of regulatory requirements. They

also include other areas such as an outline of the company's best execution practices, insider trading policy, etc.

As President and Chief Compliance Officer of Red Sky Capital Management, it is Brandon R. Crabb's responsibility to ensure that all employees and investment advisor representatives are familiar with and follow the Policies and Procedures as set forth in the manual. Brandon R. Crabb can be contacted at 301-865-6198.

#### **Item 7    Requirements for State-Registered Advisors**

Brandon R. Crabb has not been the subject of any client arbitrations, similar legal disputes or any bankruptcy filings.