



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

### **Strategic Capital Alternatives LLC**

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This brochure provides information about the qualifications and business practices of Strategic Capital Alternatives LLC ("SCA"). If you have any questions about the contents of this brochure, please contact us at 253-853-4900 or [blarson@scg-llc.com](mailto:blarson@scg-llc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about SCA also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. SCA's CRD number is 153269.

References herein to SCA as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2     Material Changes**

This Firm Brochure, dated November 25, 2013 is our amended disclosure document. The following is a description of the material changes that were made to this Firm Brochure from its last annual amendment dated April 1, 2013. Please be aware that other amendments were made to this brochure, which are not discussed in this summary, and consequently, we encourage you to read this version of our brochure in its entirety.

On August 8, 2013, Aequitas Capital Finance purchased a 25% equity stake in SCA. This purchase by Aequitas is a key component in facilitating SCA's efforts in further developing and growing its investment advisory services and operations by providing the additional capital necessary to facilitate these goals. The remaining 75% ownership of SCA is split evenly between Messrs. Timothy Feehan, N. Gary Price, and Ronald Robertson, who were each previously one-third owners of SCA.

On August 8, 2013, Mr. Feehan, who was previously President, assumed the role of Chief Executive Officer, and Mr. Price, who served as Chief Executive Officer, assumed the role of Chief Investment Officer.

Straight Line Investments Group, LLC in Ammon, Idaho, which previously operated as a dba of SCA, and Jerry Papin and Melissa Davis, who were previously investment adviser representatives of SCA that operated Straight Line Investments Group, LLC, are no longer associated with SCA.

On October 28, 2013, two mutual funds that we recommend to our advisory clients which are managed by our affiliated investment adviser, Genesis Capital LLC, changed their names. The SCA Directional Fund (SCADX) is now called Granite Harbor Tactical Fund (GHTFX) and SCA Absolute Return Fund (SCARX) is now called Granite Harbor Alternative Fund (GHAFX). This Firm Brochure was amended in various areas to reflect these name changes.

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## Item 4 Advisory Business

SCA is a SEC-registered investment adviser with its principal place of business located at 7191 Wagner Way NW, Suite 302, Gig Harbor, Washington 98335. In addition to SCA's home office in Gig Harbor, SCA has offices in Salem, Oregon with John Martin CFP as the lead advisor and in Dana Point, California. SCA began conducting business in 2010.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- Timothy J. Feehan, Managing Member & CEO
- N. Gary Price, Managing Member & CIO
- Ronald J. Robertson, Managing Member
- Aequitas Capital Management, Inc.

SCA offers the following advisory services to its clients:

### **INVESTMENT SUPERVISORY SERVICES** **Model Portfolio Management**

SCA develops model portfolios that are primarily marketed and offered to third-party investment management platforms, which are typically wrap fee programs. Unlike Individual Portfolio Management clients, model portfolios are created and managed according to profiles/parameters that are usually set by the third-party investment management platform and are not tailored to the specific needs, investment objectives, risk tolerances, or preferences of any particular client of the platform. Ongoing monitoring and supervision of the model portfolios is the responsibility of SCA and any changes in the models are communicated at an agreed upon interval to the third-party platform. The third-party platform, however, is responsible for the implementation of these models on behalf of their clients. SCA does not place trade orders or provide execution services for the clients of the platforms. For Model Portfolio Management clients that are wrap fee programs, SCA is compensated for its services by receiving a portion of the wrap fee charged to the end client.

### **Individual Portfolio Management**

SCA provides investment supervisory services, defined as giving continuous advice to a client or making investment decisions for a client based largely on the investment objectives and risk tolerance communicated to SCA by the client or their representative, typically a Registered Investment Advisor or Broker Dealer. SCA will manage accounts primarily on a discretionary basis.

SCA constructs and/or recommends investment portfolios, which can include one or more of SCA's model portfolios which are discussed below, based on discussions with the client or their representative in which the client's financial goals, appetite for risk, liquidity, and investment objectives are communicated to SCA. The client's financial goals, investment objectives, risk tolerance, and desired allocations then serve as the basis for the investment supervisory services provided by SCA. Any subsequent changes to the client's financial goals, investment objectives, risk tolerance, or desired allocations must be communicated to SCA by the client or his/her representative in writing. SCA researches and develops allocation models that are provided to clients or their representatives. The ongoing supervision of client accounts and the application of specific allocation models to client accounts are guided by the stated objectives of the client.

SCA typically utilizes a three dimensional investment approach which can include the use of traditional fixed income and equity securities as well as non-traditional alternative assets, such as hedge funds and limited partnerships. All allocations to private investments require client investment and redemption approval. SCA will not have discretionary investment authority with regard to private investments.

When appropriate to the objectives of a client, SCA may recommend the use of short-term trading (typically securities sold within 30 days), short sales, margin transactions, or option writing. Because these investment strategies involve a heightened degree of risk and are not suitable for all clients, they will be recommended only when consistent with the client's stated tolerance for risk.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities

- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance products
- Variable annuities
- Mutual fund shares
- United States government securities
- Option contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Interests in partnerships investing in other pooled investment vehicles.

As noted, because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. at least annually, contact each client to determine whether there have been any changes in their financial situation or investment objectives, and whether they wish to impose investment restrictions or modify existing restrictions;
2. be reasonably available to consult with the client; and
3. maintain client suitability information in each client's file.

### **Back Office Integration**

SCA offers back office integration to third-party investment management firms. As part of this service, we provide new account establishment and support, transition services, trading services for equity and fixed income securities for accounts in the SCA models that are not included other platforms, custom reporting, and web and application access for advisors and client use.

### **CONSULTING SERVICES**

Individual portfolio management clients can also receive investment advice on a more focused basis. This may include advice on isolated areas of concern such as estate planning or retirement planning. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

### **AMOUNT OF MANAGED ASSETS**

As of September 30, 2013, we were actively managing \$439,754,190 in assets, all on a discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES**

#### **Model Portfolio Management Fees**

Model Portfolio Management clients, which are typically third-party platforms (e.g., wrap fee program sponsors) that make available our investment recommendations to their clients, negotiate SCA's management fees on a platform basis, which are usually in the same range as the Strategy Fees described above. Investors who receive the benefit of our services through one or more of these third-party platforms should refer to that third-

party platform's disclosure brochure (Form ADV, Part 2A or Schedule H of Part 2A) and if applicable, to the disclosure brochure of the investor's representative who recommended the use of the third-party platform and the selection of one or more of SCA's models for information regarding the fees charged by the third-party platform and the total fees that will or may be incurred in the management of their investment advisory account. Third-party platforms typically charge one fee that covers SCA's Model Portfolio Management fees as well as the third-party platform's fees and brokerage costs. The amount of Model Portfolio Management fees paid to SCA is usually calculated by the third-party platform and automatically deducted from the client's custodial account.

### **Individual Portfolio Management Fees**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and are composed of three components, a base fee, a strategy fee, and a platform fee that are billed according to the schedules listed below:

#### **Base Fee**

<u>Assets under Management</u>	<u>Annual Rate</u>
Under \$1,000,000	2.00%
\$1 million - \$3 million	1.50%
\$3 million - \$5 million	.80%
\$5 million - \$20million	.75%
\$20 million and above	Negotiable

#### **Strategy Fee**

The strategy fee is billed according to the amount of the client's assets under management that are allocated to the following underlying strategies. For example, an account with half of its assets invested in the SCA Equity strategy and the other half in the Fixed Income Alternative strategy would be charged 90 basis points on half of the account and 60 basis points on the other half of the account in addition to the base fee and platform fee.

<u>Strategy</u>	<u>Initial Minimum</u>	<u>Fee</u>
<b><u>EQUITY</u></b>		
SCA Equity	\$50,000	90 bps
<b><u>FIXED INCOME</u></b>		
Fixed Income Alternative	\$15,000	60 bps
<b><u>ALTERNATIVES</u></b>		
Granite Harbor Tactical Fund (GHTFX)	\$5,000	20 bps
Granite Harbor Alternative Fund (GHAFX)	\$5,000	20 bps
<b><u>SCA 3 DIMENSIONAL MODEL ALLOCATION</u></b>		
SCA Preservation Strategy		70 bps
SCA Optimal Balanced Strategy		70 bps
SCA Moderate Growth Strategy		70 bps
SCA Opportunistic Growth Strategy		70 bps
<b><u>ADDITIONAL STRATEGIES</u></b>		
Custom Bond		50 bps
SCA HDI		50 bps
SCG Custom Managed Account		70 bps
<b><u>SCA MANAGEMENT OF CURRENT POSITIONS</u></b>		20 bps

SCA may, on occasion, accept amounts below the initial minimums disclosed above for a particular strategy. In such situations, however, clients should be aware that when investing less than the initial minimum, SCA may not be able to manage those assets as efficiently or effectively as other client accounts managed according to the same strategy, achieve the same level of diversification as other client accounts invested in the same

strategy, or generate returns similar to other client accounts managed according to the same strategy, which meet or exceed the initial minimum amount.

### **Platform Fee**

Client shall pay SCA an annual platform fee equal to 10 basis points of the custodial value of their advisory accounts, payable quarterly in advance in accordance with the terms of SCA's Client Services agreement with client.

### **General Information**

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the custodial value of the client's account at the end of the previous quarter computed with the applicable annual percentage rate based on the schedules above. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

The fees highlighted above are exclusive of fees that a client account may pay for allocations to third-party portfolio managers, to placement agents, for transaction costs or commissions, or for the costs associated with an allocation to a private placement deal, such as a hedge or private equity fund, where both management and performance fees are typical. See also the General Information section below for more information regarding fees.

### **CONSULTING SERVICES FEES**

SCA's Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

### **CONFLICTS OF INTEREST**

Transactions in securities, such as fixed income securities, non-traded real estate investment trusts (REITs), and private placements, may be executed by SCA's affiliated broker-dealer, RP Capital, on behalf of advisory clients. RP Capital charges commissions or markups or receives other compensation for effecting these securities transactions. This compensation is in addition to the fees noted in the schedule above. Management persons and employees of SCA that are also licensed as registered representatives of RP Capital may receive a portion of this compensation. Clients should be aware that this may create an incentive for SCA to recommend investment products based on the receipt of additional compensation, rather than the needs of the client or the quality of the investment, which creates a conflict of interest. SCA endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Furthermore, for assets invested in Alternative Strategies (e.g., the Granite Harbor Alternative Fund and Granite Harbor Tactical Fund), SCA, together with one of its affiliates that serves as the investment adviser to those mutual funds, will ultimately receive two sets of advisory fees on those assets, one advisory fee based on a combination of the base, strategy, and platform fees described above, and one advisory fee embedded into the net asset value of those mutual funds that is paid to our affiliate, and thus SCA has a conflict of interest when recommending our affiliated mutual funds to you.

### **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A Client Services Agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

***Mutual Fund Fees:*** All fees paid to SCA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.



Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Wrap Fee Programs:** In a wrap fee arrangement, wrap fee program participants pay a single fee for advisory, brokerage and custodial services. SCA does not sponsor any wrap fee programs, but serves as a portfolio manager for various wrap fee programs who are Model Portfolio Management clients of SCA and in such capacities, receives a portion of the wrap fees received by the wrap fee program sponsor for SCA's advisory services. Transactions for wrap fee program participants are typically executed without commission charges as part of the wrap fee arrangement. In evaluating such an arrangement, wrap fee program participants should evaluate, based on the wrap fee charged and the amount of portfolio activity in their account, whether the wrap fee exceeds the aggregate cost of such services if they were to be provided separately and if so, determine whether continued participation in the wrap fee program is appropriate based on their facts and circumstances.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and/or imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information that may be relevant to this discussion of fees. Clients should also be aware that separate management fees are charged by custodians, independent managers and private investment vehicles selected by the client for investments. Clients' total investment expenses may include SCA's advisory fees, mutual fund fees, third party manager fees, and brokerage commission charges for the execution of securities transactions.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

SCA does not charge performance-based fees. In the past, however, SCA may have recommended that certain clients invest in pooled investment vehicles that were managed by an affiliate of SCA, Genesis Capital LLC. These pooled investment vehicles, which charge performance-based fees, are no longer recommended to advisory clients as they are in the process of winding down. Certain advisory clients, however, may continue to hold interests in these pooled investment vehicles during the wind down process. One or more of SCA's management persons or employees are involved in the management of these pooled investment vehicles. This type of fee arrangement creates an incentive for the pooled investment vehicle's investment manager to recommend or take riskier investment strategies in liquidating the fund. This could expose the pooled investment vehicle's portfolio(s) to additional levels of risk than it would face if such a fee structure were not in place.

## **Item 7 Types of Clients**

SCA provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above
- Other registered investment advisers
- Third-party platforms (e.g., wrap fee program sponsors)

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:



**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to help predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if we believe the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less than optimal investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our analysis is incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within

a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the possibility of selling them quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of impending brief price swings based on our analysis.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we must either take a long-term position in a security that was designed to be a short-term purchase or take a realized loss. In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** We may borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

1. *Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
2. *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
3. *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which time you are vulnerable to margin calls, opportunity costs, etc.
4. *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

**Alternative Investments.** Investment advice and recommendations may also be provided on Real Estate Investment Trusts, Leasing Funds, and Private Note Offerings. Affiliated organizations, in certain instances, may be compensated for the distribution or sales of these investment vehicles, which may create a conflict of interest for SCA.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

**Interest Rate Risk.** Fluctuations in interest rates may cause the value of investments to fluctuate. For *example*, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Conversely, as interest rates fall, the market value of fixed income instruments tends to increase. This risk will be greater for long-term securities than for short-term securities.

**Counterparty Risk.** Certain assets will be exposed to the credit risk of the counterparties when engaging in exchange-traded or off-exchange transactions as such counterparties could fail to deliver or otherwise default on their obligations. There may also be a risk of loss of assets on deposit with or in the custody of a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearinghouse.

**Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. When investing in illiquid securities, it may not be possible to sell such securities at the most opportune times or at prices approximating the value at which they were purchased.

**Market Risk.** The price of any security, including bonds or mutual funds may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events. Furthermore, the prices of securities can be volatile during certain, perhaps prolonged, periods. Market volatility creates the risk that positions held by clients may be highly unprofitable on an interim basis, even if they would ultimately be profitable on a longer term basis. Under certain market conditions, clients potentially may be forced to liquidate positions and to realize significant losses.

**Model Risk.** Certain of the strategies are highly dependent on quantitatively-based pricing theories and valuation models, which we use to evaluate investment opportunities. These models generally seek to forecast future price changes based upon a limited number of factors and inputs. The forecasts generated by these models may differ substantially from actual future price realizations, resulting in major losses. There can be no assurance that the models we use will be effective. Since the models we use may depend upon inputs from various sources, inaccuracies in such inputs may result in unexpected losses. In addition, new models or modifications to existing models may expose clients to losses from a variety of factors, including conceptual errors and implementation failures.

Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

## **Item 9 Disciplinary Information**

On July 5, 2012, an order was issued by the Securities Bureau of the State of Idaho Department of Finance against SCA for providing advisory services in the state prior to filing a notice with the Department of Finance. As a result of such action, SCA agreed to comply with the Idaho Uniform Securities Act and paid a \$5,000 civil penalty.

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

Gary Price is the Managing Member and CEO, and Ron Robertson is a Member of RP Capital, LLC, a FINRA member broker-dealer selling tax shelters or limited partnerships in primary distributions and private placement securities. RP Capital also offers and effects transactions in corporate debt securities, U.S. government securities, municipal securities, and mortgage securities. RP Capital, LLC is an affiliate of SCA, and, to the extent it engages in business dealings with SCA, conflicts of interest will be present and will need to be managed by SCA. Such business dealings could be in the form of RP Capital, LLC being used to transact corporate and municipal bond trades for SCA's advisory clients. RP Capital, LLC earns compensation for providing these services, such as markups/markdowns for debt securities and commissions for private placements. Markups or markdowns on corporate and municipal bond transactions for SCA clients are typically under 2 points. Management persons and employees of SCA that are licensed as registered representatives of RP Capital, LLC may receive a portion of the compensation received by RP Capital, LLC for executing securities transactions on behalf of SCA advisory clients. SCA has a heightened fiduciary duty to its clients when it effects securities transactions on behalf of its clients with or through its affiliates. As a result, SCA (and its affiliates) have implemented policies and procedures that address these conflicts of interest and endeavors to ensure that it achieves best execution for all client transactions. To the extent that SCA engages in principal or, agency cross transactions with or through RP Capital on behalf of advisory clients, such transactions will be consummated in accordance with Section 206(3) of the Advisers Act and, as applicable, Rule 206(3)-2.

Gary Price and Ron Robertson are also managing members of Strategic Capital Group LLC ("SCG"). SCG is an affiliate of SCA and RP Capital. It is also an SEC registered investment adviser that directly manages client accounts which typically consist of equities, mutual funds, fixed income securities, and alternative assets. As part of SCG's investment advisory services, it may recommend that its advisory clients use SCA's investment advisory services. In such situations, clients will pay an advisory fee to SCG or SCA, but not both. There are no referral arrangements between our firm and SCG. No SCA client is obligated to use the advisory services of SCG, as no SCG advisory client is obligated to use our advisory services.

Gary Price and Ron Robertson are also managing members of Genesis Capital LLC ("GC") and Genesis General Partner LLC ("GGP"), also affiliated entities of SCA. GC is a SEC registered investment adviser which provides advisory services to private investment funds. Private investment funds managed by GC may have

previously been recommended to clients but are currently in the process of liquidation. GGP serves as the general partner or managing member of one or more of these private investment funds. Clients invested in private investment funds will pay management fees and may pay performance-based fees, if certain conditions are met, that are in addition to SCA's fees. Consequently, clients invested in these private investment funds will pay two or more layers of management fees, including one fee paid to SCA and one fee paid to GC.

GC is also the investment adviser to the Granite Harbor Alternative Fund and Granite Harbor Tactical Fund (the "Funds"), which are series of the Northern Lights Fund Trust. SCA may recommend investments in the Funds to its advisory clients. GC receives a management fee as the investment manager to the Funds in the amount of 1.95% of each fund's average daily net asset value. Neither GC nor SCA is affiliated with Northern Lights Fund Trust. Investments of these types may involve certain additional degrees of risk and will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability. A conflict of interest is created when SCA recommends that a client invest in a mutual fund for which GC serves as the investment adviser since GC may receive increased advisory fee revenue as a result of that recommendation. Clients choosing to implement SCA's recommendations to invest in mutual funds affiliated with GC should refer to the mutual fund's prospectus for full details regarding the mutual fund's services and fees.

John Martin is an Investment Adviser Representative of SCA based in Salem, Oregon. John is a full time investment adviser representative for SCA and primarily covers a client region from Portland to Eugene, Oregon.

GC, SCG, and RP Capital have an expense sharing agreement with SCA pursuant to which expenses such as office rent, administrative services, and office supplies are shared between the parties.

SCG and SCA share the same investment policy committee, same office space, many of the same employees, and thus the same investment methodology. SCG has developed a track record of success using a three dimensional approach. SCA has adopted the same approach, utilizing the same expertise within the firm that has managed portfolios successfully for over a decade. SCA was created by two of the founders of SCG along with a third partner in order to distribute this investment model to third parties (RIA's and IAR's), and ultimately to their end clients.

We may occasionally trade the same or similar securities in our clients' portfolios that are traded by SCG and GC in their clients' portfolios. When this occurs, our clients may receive a better or worse price or execution than SCG and/or GC clients depending on the order of trade execution, the type of security traded, and the broker-dealer used.

While SCA and its affiliated investment advisers endeavor not to share their portfolio management recommendations amongst one another, such recommendations may, on occasion, be shared with SCG or GC, which creates a potential conflict of interest. We have established written policies and procedures that require, in those circumstances, that SCA treat the advisory clients of any effected affiliated investment adviser on an equal and fair basis with its own clients and vice versa.

Clients should be aware that the receipt of additional compensation by SCA and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. SCA endeavors at all times to put the interest of its clients first. As part of our fiduciary duty as a registered investment adviser; we take the following steps to address the conflicts of interest noted above:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a

- reasonable and independent basis for the investment advice provided to clients; and
- we monitor the personal trading of the employees we've deemed "access persons" (as that term is defined under the Advisers Act) so as to ensure the prevention of abusive trading practices such as front-running and insider trading.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

SCA and our personnel owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code of Ethics.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code of Ethics also provides for oversight, enforcement and recordkeeping provisions.

SCA's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity that violates the law.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by emailing [blarson@scg-llc.com](mailto:blarson@scg-llc.com), or by calling us at 253-853-4900.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts, securities identical to or different from those recommended to our clients. In addition, our affiliated persons may have an interest or position in certain securities which may also be recommended to a client. This may create a potential conflict of interest as SCA or its affiliated persons may have an incentive to trade in certain securities on behalf of their personal accounts before recommending or placing trades for those securities on behalf of clients or an incentive not to recommend or place a sell order for a certain security for clients in order to protect the value of their personal account investment.

SCA has a material financial conflict of interest when it recommends to advisory clients that they invest in registered investment companies/mutual funds (e.g., the Granite Harbor Alternative Fund and Granite Harbor Tactical Fund) that are managed by a related person (e.g., GC) or when it recommends the purchase or sale of securities (e.g., corporate or municipal bonds) to clients and executes those transaction through a related person (e.g., RP Capital) of SCA. The existence of material financial interests in the securities recommended to clients, including, but not limited to, the receipt of additional compensation, creates a conflict of interest in that SCA or its supervised persons have an incentive to recommend these investments over other investments that may also be appropriate for the client. SCA endeavors at all times to manage these conflicts of interest. Please refer to the discussion in Item 10 above for a description of how SCA manages these conflicts of interest.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing SCA's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolios where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account. This prevents such employees from benefiting



from transactions placed on behalf of advisory accounts.

4. Our firm requires prior approval for any IPO or private placement investment by access persons of the firm.
5. We maintain a record of all reportable securities holdings and transactions for our firm and for all access persons. These holdings and transactions are reviewed on a regular basis by SCA's Chief Compliance Officer ("CCO") or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisers.
8. We require delivery to and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our CCO.
10. Any individual who violates any of the above restrictions may be subject to termination.

We may aggregate our employee transactions with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

## **Item 12 Brokerage Practices**

SCA generally does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid. Advisory clients are solely responsible for selecting the custodian(s) to maintain their funds and securities. Where a custodian is selected that is a broker-dealer and no prime brokerage arrangement exists, SCA will generally place all non-fixed income brokerage orders with the custodial broker-dealer for execution. Clients should be aware that under these circumstances, SCA will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients who utilize a different custodial broker-dealer. Fixed income orders may be placed with RP Capital for execution. SCA's Investment Committee periodically reviews the overall qualitative execution received by advisory clients on their securities transactions, including fixed income transactions executed by RP Capital. In considering whether or not clients are receiving best execution on fixed income transactions, the Investment Committee considers a number of factors, including net price, which incorporates the cost of any markups or markdowns applied by broker-dealers such as RP Capital. Please refer to Item 10 above for a further discussion regarding the use of RP Capital to execute securities transactions for our advisory clients, the conflicts of interest that arise as a result of the use of RP Capital to execute advisory client transactions, and how SCA addresses those conflicts of interests.

SCA has implemented policies and procedures that address transactions conducted with affiliates. In the event SCA effects a securities transaction using its affiliated broker-dealer, RP Capital, it will endeavor to achieve best execution and will subsequently perform reviews to assess whether it is obtaining best execution for its clients' transactions. To the extent that SCA or its affiliates engage in principal, agency cross transactions or cross trades, such transactions will be consummated in accordance with Section 206(3) of the Advisers Act and, as applicable, Rule 206(3)-2.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we may recommend the use of one of several brokers, including, but not limited to TD Ameritrade, provided that such recommendation is consistent with our firm's fiduciary duty to the client. Clients are responsible for evaluating any custodial broker-dealer recommended before opening an account. The factors considered by SCA when making these recommendations are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, and the broker's quality of execution services and costs of such services, among other factors. Clients are not under any obligation to effect trades through any recommended broker.

Clients should note, while SCA has a reasonable belief that recommended brokers are able to obtain best execution and competitive prices, our firm will not independently seek best execution price capability through other brokers. Not all advisers require their clients to direct them to use a particular broker-dealer.

SCA will block trades where possible and when advantageous to clients. Block trading, where orders for the purchase or sale of securities for multiple client accounts are aggregated, is permitted by SCA so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block

order.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. SCA will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. SCA's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with SCA, or our firm's order allocation policy.
2. The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that order aggregation will benefit, and will enable SCA to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in light of a "20-20 hindsight" perspective.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold at the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made, in most cases, to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the CCO no later than the morning following the execution of the aggregate trade.
8. SCA's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
9. Funds and securities for aggregated orders are clearly identified on SCA's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

SCA participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. SCA receives some benefits from TD Ameritrade through our participation in the program.

These benefits include the following products and services (provided without cost or at a discount): duplicate client confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to SCA by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by SCA's related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for SGA's personnel to attend conferences or meetings relating to the program or to TD Ameritrade's custody and brokerage services generally.

Some of the products and services made available by TD Ameritrade through the program may benefit SGA, but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. Additionally, some of the products and services made available by TD Ameritrade to us will be used to service all of our clients, including those clients who do not utilize TD Ameritrade as their custodial broker-dealer. The benefits received



by SGA through participation in the institutional customer program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by SCA or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade to our clients for custody and brokerage services.

SCA's receipt of Additional Services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

## **Item 13 Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES**

#### **Model Portfolio Management**

**REVIEWS:** Reviews of the model portfolios will be conducted daily to identify any necessary changes to the allocations based on economic or market factors.

**REPORTS:** Model Portfolio Management clients do not receive any reports from SCA.

### **INVESTMENT SUPERVISORY SERVICES**

#### **Individual Portfolio Management**

**REVIEWS:** Client accounts are reviewed by one of SCA's managing members at least quarterly. This review will consist of the following: assessing the need for any portfolio rebalancing, portfolio reallocation based on any client goal changes, and account performance review, among other things. More frequent reviews may be triggered by material changes in variables, such as the client's individual circumstances, or the market, political or economic environment. Reviews will generally be conducted with the investment adviser or broker-dealer that serves as the client's representative to ensure that SCA understands any changes in the underlying client's circumstances, goals, and risk tolerance.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their custodial broker dealer, SCA will provide quarterly reports consisting of a market outlook, portfolio changes, performance versus an appropriate index, and summaries. These reports will be provided directly to the client or to the client's investment adviser or broker-dealer representative for distribution to the end client.

### **CONSULTING SERVICES**

**REVIEWS:** Reviews of the accounts of Consulting Services clients will be performed at the initiation of the engagement, depending on whether it is necessary in order to perform the service requested.

**REPORTS:** Consulting Services clients will not typically receive reports due to the nature of the service.

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

### **CLIENT REFERRALS**

Our firm may pay referral fees to third parties ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this brochure and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the advisory fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

SCA may use RP Capital to solicit prospective clients, subject to all requirements of applicable law. RP Capital sales personnel may receive compensation for these services, including sales credits. Clients should be aware of the conflicts of interest that arise when RP Capital refers prospective clients to SCA. First, the receipt of additional compensation, in the form of referral fees paid by SCA, to RP Capital and/or its sales personnel

creates a conflict of interest that may impair their objectivity in recommending SCA, which could cause them to refer prospective clients to SCA who may not be suitable for SCA's services. Second, SCA may have an incentive to direct brokerage to RP Capital in order to maintain its referral arrangement or to provide additional compensation to RP Capital or its sales personnel to encourage additional referrals. Receipt of referrals, however, is not a factor considered by SCA when allocating brokerage to RP Capital for execution.

### **OTHER COMPENSATION**

As discussed above in Item 12, SCA receives economic benefits from TD Ameritrade as a result of having advisory client accounts held in its custody. Please see Item 12 for a discussion of the products and/or services that SCA receives from TD Ameritrade and the conflicts of interest associated with SCA's receipt of those products and services.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our Individual Portfolio Management clients on a quarterly basis. We urge those clients to carefully compare the information provided on these statements to the information contained in their custodial statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual custody of client funds or securities.

## **Item 16 Investment Discretion**

Individual Portfolio Management clients may hire us to provide discretionary asset management services, in which case we place trades in the client's account without contacting the client first to obtain their permission. Although we make discretionary changes to our model portfolios, which we provide to our Model Portfolio Management clients, we do not exercise any discretionary authority with respect to their client accounts who utilize our models.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell
- determine the broker to be used to execute client transactions with respect to fixed income and alternative investments

Clients give us discretionary authority when they sign the Client Services Agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by providing us with written instructions.

## **Item 17 Voting Client Securities**

With respect to our Individual Portfolio Management clients whose accounts we manage directly, we vote proxies for all securities held in those client accounts; however, those clients always have the right to vote their own proxies. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a

copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision as to how to vote proxies, and a copy of each written client request for information on how we voted proxies. If our firm has a conflict of interest in voting a particular proxy, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting SCA by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy voting policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in their account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at 7191 Wagner Way NW, Suite 302, Gig Harbor, WA 09335.

## **Item 18 Financial Information**

SCA does not have any financial commitments that might impair our current or future ability to meet our contractual or fiduciary commitments to clients and we have not been the subject of a bankruptcy petition at any time during the past ten years.