

# **AWM Global Advisors**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of AWM Global Advisors. If you have any questions about the contents of this brochure, please contact us at 619-225-7600. 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 AWM Global Advisors is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

AWM Global Advisors is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

The following is a Summary of the Material Changes to the Part 2A disclosure brochure for AWM Global Advisors which have occurred since the filing of our last annual updating amendment on February 1, 2012.

- (1) We disclosed that Independent Managers we utilize may have sub-advisory relationships with our firm and that we may pay a portion of our fee to the Independent Manager.
- (2) We disclosed that, in most case, we have the authority to hire and fire Independent Managers.
- (3) We disclosed that we may utilize model portfolios/strategies when providing investment management services.
- (4) We added disclosure describing the retirement plan advisory services we offer.
- (5) We no longer serve as portfolio manager and sponsor to a wrap fee program.
- (6) We disclosed that we may combine accounts values for related accounts to determine the applicable advisory fee charged.
- (7) We disclosed that we engage in long term purchases, short term purchases, margin and option writing as investments strategies.
- (8) We disclosed that in cases where we share in the fee charged by an Independent Manager, we have an incentive to recommend that manager.
- (9) Under Item 12 - Brokerage Practices, we more specifically disclosed our relationship with Schwab, who we primarily recommend clients use as the qualified custodian, as well as the benefits we receive from Schwab.
- (10) We disclosed that financial plans are not normally updated unless specifically requested by you or unless we determined it is necessary.
- (11) We disclosed that may directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals.
- (12) We disclosed our policy on trade errors and disclosed that we do not provide advice on any matter pertaining to class action lawsuits.

## Item 3 Table of Contents

Item 1 Cover Page	Page 1
Item 2 Summary of Material Changes	Page 2
Item 3 Table of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 6
Item 6 Performance-Based Fees and Side-By-Side Management	Page 8
Item 7 Types of Clients	Page 8
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 9
Item 9 Disciplinary Information	Page 17
Item 10 Other Financial Industry Activities and Affiliations	Page 17
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 18
Item 12 Brokerage Practices	Page 18
Item 13 Review of Accounts	Page 21
Item 14 Client Referrals and Other Compensation	Page 21
Item 15 Custody	Page 22
Item 16 Investment Discretion	Page 23
Item 17 Voting Client Securities	Page 23
Item 18. Financial Information	Page 23
Item 19. Requirements for State-Registered Advisers	Page 23
Item 20. Additional Information	Page 23

## Item 4 Advisory Business

AWM Global Advisors is a registered investment adviser based in San Diego California. We have been providing investment advisory services since November, 2011. Ali Alsari is our principal owner and has over 20 years of experience in the financial services industry, working with clients worldwide in wealth management, capital markets, and private banking.

This Disclosure Brochure describes the business of our firm. As used in this brochure, the words "we", "our" and "us" refer to AWM Global Advisors, and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Certain sections will also describe the activities of our Supervised Persons and Associated Persons. Supervised Persons and Associated Persons are any of our officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on our firm's behalf and who is subject to our supervision or control.

Our firm provides wealth management services encompassing financial planning and asset management services, as well as limited services to retirement plans. Our investment advisory services are personalized and tailored to your individual needs.

Prior to engaging our firm to provide any investment advisory services, you are required to enter into one or more written agreements with us setting forth the terms and conditions under which we render our services (collectively the "*Agreement*").

### **Wealth Management Services**

We provide wealth management services which includes a broad range of comprehensive financial planning services, portfolio construction, risk management, as well as the discretionary and/or non-discretionary management of investment portfolios.

We consult with you initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact your investment needs. Our firm ensures that investments are suitable for your investment needs, goals, objectives and risk tolerance.

As part of our investment management services, we may customize an investment portfolio for you according to your risk tolerance and investing objectives. We may also invest your assets according to one or more model portfolios/strategies developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio/strategy, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

We also may provide investment advice relative to variable life/annuity products, individual employer-sponsored retirement plans, or other products that may not be held by your primary custodian. In so doing, we either direct or recommend the allocation of your assets among the various investment options that are available with the product. Your assets are maintained at the specific insurance company or custodian designated by the product.

Although our firm generally obtains your approval prior to placing any transactions, in order to provide investment management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the

amount of securities to be purchased or sold for your account without your approval prior to each transaction, if necessary. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm or through trading authorization forms.

You may impose reasonable restrictions or mandates on the management of your account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in our sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to our management efforts.

### **Use of Independent Managers**

We may recommend to certain clients that they authorize the active discretionary management of a portion of their assets on a discretionary basis by and/or among certain independent investment managers ("*Independent Managers*"), based upon their stated investment objectives. The terms and conditions under which you engage the *Independent Managers* are set forth in a separate written agreement between our firm and the Independent Manager (sub-advisory relationship), or between you and the *Independent Managers*. We render services to you relative to the discretionary selection or replacement of *Independent Managers* and/or make recommendations regarding *Independent Managers*. In most, if not all cases, we have discretion to hire and fire the *Independent Manager* without prior consultation with you. We also monitor and review the account performance and your investment objectives. The assets managed by the *Independent Manager* are included for purposes of calculating our advisory fee and we will pay a portion of the advisory fee we charge to the *Independent Manager*. You are not charged a higher fee in the event an *Independent Manager* is utilized.

When selecting or recommending an *Independent Manager*, we review information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that we consider in recommending an *Independent Manager* include your stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment advisory fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of your assets, may be exclusive of, and in addition to, our firm's investment advisory fee as set forth below. As discussed below, you may incur fees in addition to those charged by our firm, the designated *Independent Managers*, and the corresponding broker-dealer and custodian.

In addition to this written disclosure brochure, you will also receive the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than our firm. In such instances, we may alter our corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

In certain limited cases, we may share in the fee charged by the *Independent Manager*. If our firm refers you to an *Independent Manager* where our compensation is included in the advisory fee charged by such *Independent Manager* and you engage the *Independent Manager*, we are compensated for our services by receipt of a fee to paid directly by the *Independent Manager* to us in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the *Independent Manager's* investment management fee, and does not result in any additional charge to you.

### **Retirement Plan Advisory Services**

We offer limited services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services are limited to developing an investment policy statement and recommendations and periodic monitoring of the Plan's menu of investments. These services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

We may also provide additional types of services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries, (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

Retirement Plan Advisory Services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Participants under the Employee Retirement Income Securities Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor under ERISA Section 408(b)(2), we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan are described above, and in the service agreement that you have signed with our firm. Our compensation for these services is described below, at Item 5, and also in the service agreement. We may, with consent of the Plan, and in accordance with Plan documents, bill out-of pocket expenses (such as overnight mailings, messenger, translation fees, etc.) at cost. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan or Participants.

In providing services to the Plan and Participants, our status is that of an investment adviser registered under the Investment Advisers Act of 1940, and we are not subject to any disqualifications under Section 411 of ERISA. In performing ERISA fiduciary services, we are acting as a non-discretionary fiduciary of the Plan as defined in Section 3(21)(A)(ii), only.

### **Types of Investments**

Our firm primarily allocates your assets among *Independent Managers* (as defined above), mutual funds, and exchange-traded funds ("ETFs") in accordance with your investment objectives.

### **Assets Under Management**

As of January 14, 2013, we had \$137,649,769 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

### **Wealth Management Fees**

We provide wealth management services for a negotiable annual fee based upon a percentage of the market value of the assets under management. Our firm's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by you. We do not receive any portion of these additional commissions, fees, and costs. Our annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets under management on the last day of the previous quarter. The annual fee varies between 1.50% and 2.00% depending upon the nature of the assets under management and the complexity of your financial circumstances.

We may, at our sole discretion, negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

If you executed the client agreement any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

### **Retirement Plan Advisory Services**

For Retirement Plan Advisory Services, we charge a negotiable fixed fee ranging up to 2% per year of the value of the Plan's assets. Our fee is due and payable quarterly in advance. The Plan custodian generally calculates and deducts our fee out of the Plan's accounts and remits the fee to us.

Our advisory fees for customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis.

### **Additional Fees and Expenses**

As further discussed in response to Item 12 (below), we generally recommend that you utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*"), among others.

We may only implement our wealth management recommendations after you have arranged for and furnished us with all information and authorization regarding the accounts with the appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab* and any other broker-dealer recommended by us, the broker-dealer directed by you, or trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

You may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined above), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.



### **Fees for Management During Partial Quarters of Service**

For the initial period of wealth management services, the fees are calculated on a *pro rata* basis.

The Agreement between you and our firm will continue in effect until terminated by either party upon notice to the other pursuant to the terms of the Agreement. You will incur a *pro rata* charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

You may make additions to and withdrawals from your account at any time, subject to our right to terminate an account. Additions may be in cash or securities provided that we reserve the right to liquidate any transferred securities or decline to accept particular securities into your account. You may withdraw account assets upon notification to our firm, subject to the usual and customary securities settlement procedures. However, you are informed that we design our portfolios as long-term investments and the withdrawal of assets may impair the achievement of your investment objectives. We may consult with you about the options and ramifications of transferring securities. However, you are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed \$100,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

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

We do not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 Types of Clients**

We generally provide our services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. We also provide services to international clients.

### **Minimum Account Size**

As a condition for starting and maintaining a relationship, we generally impose a minimum portfolio size of \$1,000,000. We may, at our sole discretion, accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. Our firm only accepts clients with less than the minimum portfolio size if, in our sole opinion, the smaller portfolio size will not cause a substantial increase of investment risk beyond your identified risk tolerance. We may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than we do. In such instances, we may alter our corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.



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

### Investment Philosophy and Strategies

When providing wealth management services to our clients, we strive to understand your individual needs, goals, and risk tolerance. Our firm strives to avoid conflicts of interest, and seeks to provide you with the greatest probability for wealth accumulation and/or capital preservation. Our firm aims to develop and implement an investment strategy specific to your present financial circumstance and your long-term financial needs. We believe that a successful investment adviser never forgets to view the market on both sides of the aisle, through our own eyes as well as yours.

In addition to our specialized investment philosophy, certain fundamental principles are as follows:

- We will evaluate your unique financial objectives;
- We will develop an investment portfolio based around your financial objectives and risk tolerance, which we believe is equally critical in pursuing long-term success;
- The objective of allocation exposure is directed towards investment opportunities that we believe will provide the greatest probability of portfolio growth, preferably outperforming your target goal;
- Complete oversight by our firm, in terms of portfolio control and liquidity, is essential in seeking to obtain monetary gains while investing in any financial market;
- Investment selection, in addition to unrealized or realized gains from said investments, is evaluated by us on an after-tax and net-of-fees basis.

We may also use one or more of the following investment strategies when providing investment advice to you:

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

**Short-Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

**Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

**Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

**Risk:** If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

**Option Writing** - a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

**Risk:** Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

We will consider the tax implications of different types of transactions on your portfolio. However, we do not provide tax advice or tax management services as part of our advisory services to you. You should always consult with your tax advisor for any specific tax advice.

As a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Our firm's proprietary wealth management process provides plan-led advice which focuses on mitigating downside deviation. Simply stated, when markets falter and decrease in value, our main goal is to minimize the amount of capital you can lose during such volatile periods. Construction of investment portfolios varies from client to client therefore we take your risk tolerance as well as current market circumstances into great consideration when determining the necessary asset allocation.

For example, lower risk portfolios with higher fixed income allocations are derived from a combination of client-specific objective and subjective inputs, in addition to relevant expectations concerning interest rate fluctuations and economic forecasting. In comparison, higher risk portfolios with higher equity and other alternative allocations are assembled through market-weighted expectations that are adjusted to ensure your desired opportunities for investment are not missed, and that market-specific considerations are taken into proper account.

With each individual asset allocation that results from independent risk tolerance analysis, you can be confident that we will strive to promote an investment strategy that is disciplined for long term wealth management, and tax-efficient capital accumulation.

#### *Financial Planning and Investment*

Upon establishing an interest in an investment relationship with our firm, you will meet with one or more of our professional financial advisors. During this meeting, information regarding your present financial situation and future financial goals are discussed. These discussions may include, but are not limited to: you and your immediate family members' profession, your current and expected success in your professional field, the origin of your wealth, your investment experience, review of your current investments, expected future cash flows, your current tax situation, and any personal goals or unique circumstances you find financially relevant to express to us. Also, extensive reviews of your relevant financial records are necessary to verify your current financial standing. These records may include, but are not limited to past brokerage statements, trust and estate documents, tax returns, business receipts, mortgage statements, and all other financial information we deem necessary to obtain a complete understanding of your financial circumstances.

### *Preferred Plan*

In conjunction to these primary discussions, you generally will also complete our firm's "Preferred Plan" (the "*Plan*"). The Plan is an essential part in seeking to accurately determine your current financial situation and future investment goals. The Plan is aimed at evaluating your assets, income and expenses as discussed below.

- **Assets** - It is imperative that we be informed of all assets you own, which may include, but are not limited to: residential and commercial real estate, businesses, automobiles, outstanding IRAs or 401Ks, unique valuables or collectibles, and any other outside investments not previously mentioned which provide you and/or your family with considerable wealth.
- **Income** - In establishing the proper investment portfolio, we must be made aware of all sources of income that you currently or expect to receive. The amount of income expected per year from these individual sources and the number of years it can be expected from each source is fundamental in deriving your expected cash flow. These factors can have a significant impact on the correct asset allocation for your investments.
- **Expenses** - Any current or future expenses must be taken into account and compared directly to expected cash flow when determining the proper asset allocation in your portfolio. This can include, but is not limited to: mortgage payments, car payments, funding for your children's college education / room and board, expected travel expenses, etc. It is of great importance to our firm that you are always able to cover your expenses by ensuring that the cash flow derived from income significantly outweighs any expenses you may incur, whether planned or not.
- **Planning** - Perhaps the most important section; the Plan is founded upon the specific financial goals you wish to reach in the future years ahead. Specific aspects such as desired age of retirement, any pension received after retirement, amount of income needed per year to live comfortably after retirement, amount of income for desired travel, and the like, are taken into account in determining the proper combination of risk tolerance and asset allocation to achieve those financial goals. Also, in the unfortunate circumstance of your passing, planning for your surviving immediate family members can be taken into account at your discretion.

Once all of the provided information is completely analyzed and free of any financial discrepancies, we will document our understanding of your present financial situation and commence on the construction of a portfolio with a desirable asset allocation. This allocation will effectively represent your risk tolerance, while simultaneously pursuing your desired financial goals.

Our recommendations are based on your financial situation at the time we present them to you, and on the financial information you provide to us. Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

### *Portfolio Reviews*

It is our objective to conduct quarterly investment reviews with you. Between these reviews, it is our firm's due diligence to ensure each your portfolio continues to perform in accordance with your stated goals and objectives.

## **Portfolio Construction, Asset Allocation and Risk Management, and Methods of Analysis**

### *Portfolio Construction*

We strive to provide you with an asset allocation in line with your risk tolerance, current and future financial goals. In addition, when constructing the portfolio, both macroeconomic and fundamental factors are researched and analyzed to ensure the greatest probability for investment success, to maximizing your potential for wealth accumulation. We utilize a top-down approach, with a strong focus on profit-cycles.

Profit cycle analysis is founded upon the idea that, within the general stock market, there are asset classes, as well as industries, that synchronize with a rise and decline of a "profit cycle." Whether the profit cycle is accelerating or decelerating, certain equities, sectors, and asset classes tend to be in favor. For example, when profit cycles decelerate, we believe that certain sectors with defensive characteristics, such as high quality investments bonds and stable earning sectors (e.g. consumer staples, utilities, healthcare, etc.), historically tend to perform better than other cyclical sectors. However, no matter what stage of the profit cycle the market is currently in, theoretically, there will always be industries in which profits are rising, and industries in which profits are falling.

While the profits of companies within these affected industries follow said cyclical patterns, similarly, so do the current and future expected price of their securities. These securities can repeatedly cycle upwards and downwards, as a reflection of the current stage of the business cycle. Well known industries have been identified as having specific business cycles, such as: home-building, automobile manufacturers, retail, healthcare, semi-conductors, oil, as well as numerous others. We believe the main feature of these better-known, cyclical industries is that their stock prices closely follow their profits in terms of similar rising and falling patterns over an extended period of time. However, cyclical patterns do not always predict future performance, and we cannot guarantee that historical trends are indicative of current or future business cycles. In light of the above, we believe that profit cycles can be broken down into four phases:

- Boom Phase - During this stage, profit cycle is accelerating, thus portfolio construction will be tilted towards asset classes or stocks with a bias towards rising momentum assets which tend to be higher in risk when compared to other asset classes. This includes the small cap equity sector, and industries such as oil and semi-conductors.
- Slow Down Phase - alternatively, once the profit cycle begins to falter due to any number of macroeconomic factors, the primary investment strategies of this stage call for a shift in focus towards low risk, high quality assets.
- Recovery Phase - Upon the initial stages of a market recovering from harsher economic times, the investment focus will be geared toward specific asset classes and equities which have greater potential for future growth. Through a focus on lower quality, high risk momentum assets such as cyclical stocks or high yielding fixed income, the probability of maximizing profits during this stage is greatly increased.
- Recession Phase - In order to withstand periods of economic hardship, investment will focus primarily on capital preservation, which is founded upon a portfolio concentrated around on low risk, high quality assets, such as government and treasury bonds.

#### *Asset Allocation and Risk Management*

Our firm stresses portfolio diversification as a necessary characteristic for successful investing. In order to maximize your potential for financial gains, while still abiding by your established level of risk tolerance, we will initially allocate your total assets between "3 buckets of risk" based on your stated goals and objectives. The philosophy and purpose of these buckets are:

- Preservation of Capital - This first bucket focuses on management of wealth for day-to-day living expenses. In this bucket, minimal risk is assumed, and a conservative allocation, with a heavy concentration in highly-rated, and thus, high-quality, fixed income is used.
- Enhancing Lifestyle - This second bucket focuses on further wealth accumulation for you, and assumes more risk than the Preservation of Capital bucket. By shifting from conservative asset allocations of mostly fixed income to a portfolio which has an allocation that is, for example, half invested in equities and half invested in fixed income, we believe you are exposed to the possibility of acquiring significant gains when markets are profitable. Yet, by not exposing the portfolio solely to the whim of the equity markets and remaining partly in conservative fixed income, you are able to hedge any losses with profits stemming from gains in bond prices.
- Aspiration Risk - This final bucket focuses on your financial dreams and aspirations. The

opportunistic portion of the portfolio is managed with specific goals and time frames in mind (such as charitable gifting, foundations, and legacy planning). Because this bucket focuses on the long-term, short/mid-term allocation strategies can be used as the portfolio is designed to prevent potential losses from affecting your existing lifestyle.

### *Portfolio Rebalancing*

With our firm's specialization in minimizing downside risk, all investment portfolios are designed to relatively withstand routine market fluctuation to the downside, and maximize your purchasing power when markets turn upward. By decreasing the risk of large losses of capital over short periods of time, we have the ability to revise your portfolio periodically to adjust for any new investment opportunities, or any life-changing circumstances that require a change in objectives or cash flow needs. With respect to rebalancing portfolios in any case, we oversee the modification of your portfolio from the original asset allocation. It is our main priority to ensure that the costs of rebalancing any portfolio do not outweigh the benefits, transactional and/or tax related costs considered. In addition, we believe that a proper rebalancing should not pose an unnecessary or undesired risk to the portfolio by over or underweighting a specific asset class, unless, in very rare cases, it is your specific wish.

### *Methods of Analysis*

We utilize multiple methods of strategic analysis in developing and crafting our specific investment hypothesis for the present time and future years ahead. In addition to profit cycle analysis, our two other primary methods of analysis are fundamental and technical:

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. In other words, it consists of using real data to evaluate a specific security's value. For example, by looking at economic factors, such as interest rates, credit ratings of the bond issuer, and the overall state of the economy, fundamental analysis can more accurately predict a bond's expected future value. In terms of stocks, we will analyze the current financial condition, capabilities of executive management, revenue, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine a company's underlying value and potential for future growth. By focusing on and analyzing the fundamental data which is most relevant to each specific market, we can formulate recommendations that align with your investment strategy. However, fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the overall health and position of a company may be good, market conditions may negatively impact the price of a security.

*Technical analysis* involves the analysis of past market data rather than the data of a specific company, or the activity of larger, general market indicators. Such analysis is performed by focusing on patterns of volume and price fluctuations for a given security. By involving the use of charts to identify market patterns derived from the analysis of market statistics, we can establish correlations that can more accurately identify the timing of the market moving up or down and predict how long trends may last. It does also mean, however, that this relative comparison has little concern for any company's fundamental structure, let alone its actual worth or future production. Through technical analysis, it is assumed that all the market participants know and consider all of the market factors which can impact the direction of the market. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even though technical analysis attempts to identify repeatable patterns in similar market conditions, due to numerous factors, there is no guarantee that we will be able to accurately predict such a reoccurrence in trends.

The main sources of information that our firm uses include, but are not limited to, publicly available sources such as company press releases concerning quarterly data, economic reports released by government agencies, corporate rating services, as well as any internal research techniques or methods created and developed by our own investment professionals and performance analysts.



### *Third-Party Involvement*

It is not uncommon for *Independent Managers* to change their exposure to certain markets given fluctuations in the general market itself. Our advisors and analysts monitor such changes as they affect the current asset allocation of your portfolio. When an *Independent Manager's* change in exposure causes your portfolio to deviate significantly from the agreed upon asset allocation, it is our policy to inform you as soon as possible regarding your decision to:

- Remain invested in that *Independent Manager* and, holding all other investments constant, adjust the portfolio's asset allocation accordingly;
- Replace that *Independent Manager* with another *Independent Manager*, which will return the portfolio's asset allocation to that of the agreed upon original level;
- Remain fully/partially invested in that *Independent Manager*, and alter other investments as we deem necessary to return the portfolio's asset allocation to that of the agreed upon original level.

When determining the proper use of *Independent Managers*, we will consider and evaluate the following factors: investment philosophy, past and present performance record, reputation within the financial industry, the capableness and stability of upper management, reporting services, customer service to both investment professionals and their clients, minimum dollar investment requirement, and the magnitude and schedule of their respective fees. Any information with respect to prospective and current managers, such as investment style, or specific performance numbers, will be obtained by us through the *Independent Manager* itself, respected business publications or tracking organizations, or other sources.

Lastly, it is our firm's focus and purpose to continuously perform research on any emerging opportunities we identify as possible worthwhile investments. When appropriate, we may suggest these opportunities to you and adjust portfolio asset allocations accordingly.

### **Risks of Loss**

#### *General Risk of Loss*

Investing in securities involves a risk of loss that you should be prepared to bear. Any investments in securities and all other financial investments involve immense risk of volatility arising from numerous factors that are simply out of our control. These changes in economic conditions, which includes interest rates, inflation rates, currency and exchange rates, industry conditions, technological developments, trade relations and imbalances, political and diplomatic events and trends, tax laws, and other macroeconomic factors, can substantially affect your portfolio's performance in a negative manner. Also, these stated factors may affect the level of volatility of securities prices and the liquidity in your portfolio, which could impair profitability through a lack of purchasing power during opportunities for investment. Although it is our mission to maximize capital preservation even in times of economic hardship, we must prepare to accept any losses as a result of these unpredictable and uncontrollable factors.

#### *Multiple Manager Risks*

We will typically use a "manager-of-managers" structure when devising and constructing an investment portfolio. As we consider your level of risk tolerance and stated financial goals, we will invest your assets with *Independent Managers* (or investment funds) that bring your portfolio to a desired level of asset allocation. Once your funds are invested with these *Independent Managers*, we no longer hold responsibility over the individual securities the funds are invested in, because the *Independent Managers* make their day-to-day and long-term trading decisions independently. It is possible that one or more of these *Independent Managers* may eventually pursue investment positions that are not shared with, or even are the complete opposite of, strategies of the other *Independent Managers* in which your funds are also invested within your portfolio. As a result of this tactical shift,

your portfolio could unfortunately remain stagnant with little to no growth due to profit gains from one *Independent Manager* effectively being canceled out by the losses of another. To the opposite effect, two or more *Independent Managers* may share extremely similar investment philosophies, resulting in your portfolio accumulating large monetary investments in the same or relatively similar instruments at the same time. This could result in your portfolio becoming undesirably under-diversified. Also, we cannot guarantee that we will always have complete and total access to information regarding the underlying investments made by one or more *Independent Managers*. Therefore, we will be less likely to mitigate the associated risks of concentration or exposure to specific markets or investment strategies. Lastly, because past performance is not fully indicative of the probability of future gains, we cannot guarantee the unconditional success of any specific investment *Independent Manager* or fund.

#### *Activities of Investment Managers and Investment Funds*

All *Independent Managers* and funds we recommended are completely separate from our firm. For that reason, we are unable to control the daily operations of said funds or managers, and cannot guarantee that future investment decisions taken by the funds or managers will follow our original expectation. When investing in *Independent Managers*, we are unable to control the daily transactions of your funds, and you may experience losses due to poor risk management or recklessness of said *Independent Manager*. By accepting our recommendations in investing with *Independent Managers*, you assume these risks.

#### *Equity Risk*

Due to volatile prices and market movements which can be highly difficult to predict, investments in equity securities generally hold a higher degree of risk. Any type of movement in the price of a security can either be temporary or last for extended periods at a time. These movements may result from factors that target and affect specific industries or individual companies, and may be highly difficult to predict due to inconsistencies with current market conditions. You must also understand that current market conditions do not fully indicate the success or failure of a portfolio. For example, even during times of significant growth within the general stock market, the total value of your investments may decline if those particular investments within your portfolio do not perform well in the market. In addition, we cannot guarantee that past performance of individual securities will be indicative of future performance.

#### *Fixed Income Risk*

The performance of any investments within the fixed income asset class are derived from numerous factors, such as availability of credit, changes in interest rate, the level of reinvestment, and the probability of prepayment default. Therefore, each of these individual characteristics separately contributes to the potential for large amounts of price volatility within the fixed income market. In addition, prices are incredibly sensitive to any adjustment in the ratings that companies receive from rating agencies, which usually stem from both negative and positive developments which can affect a company's business practices. Generally, securities with longer maturities are more susceptible to changing macroeconomic factors in the long run, making them more sensitive to price changes. Similar to most market factors, any developments in the credit market may be difficult to predict, and have the potential to immediately affect our recommendations in terms of fixed income investments, as well as the success of any of those which had been previously made. Although a company's fixed income security price can usually be linked to the company's stock price, we cannot guarantee that such a correlation will always hold true.

More specifically, the prices of high-yield, non-investment grade bonds are on average known to fluctuate more than what are deemed "reliable," high-quality debt issues. Although these bonds generally offer higher yields than investment grade securities with similar maturities, they involve greater risk, which includes the possibility of default or bankruptcy. Due to occurrences such as significant changes in economic conditions, increased stock market activity, large purchases or sales



by major investors, or unavoidable default, these securities can experience sudden and steep price swings. As these securities are subject to a greater risk of loss of principal and interest than higher-rated securities, they are generally considered to be predominately speculative, due to the fact that the issuer's capacity to pay interest and repay principal is generally less than the issuer of an investment-grade bond.

In such an event of default, the fixed income investment (for both investment grade and non-investment grade bonds) may suffer a minor or total loss in value, which you must always be prepared to bear.

### *Mutual Funds*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. These funds may either be open-ended or closed-ended. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV. However, we cannot guarantee that, when the fund is trading at a premium or discount, it will always be in your favor to trade at that specific price. Also, because U.S. mutual funds generally must distribute all gains to investors, this may include investors that do not have an economic gain from investing in the fund. This could result in negative tax effects on investors, particularly non-U.S. clients.

### *Exchange Traded Funds ("ETFs")*

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Other Funds*

In addition to all funds and securities stated above, we may also recommend investing in other, unaffiliated funds. These funds, such as U.S. investment trusts, hedge funds, private equity funds, venture capital funds, real estate investment trusts, or other private investment funds, pose a unique risk. Once investing in these funds, we no longer assume control of the specific securities in which your funds are invested, as that decision becomes the diligence and responsibility of the outside fund manager. Although past performance and market circumstances do heavily influence the possibility of maximizing profits, we cannot guarantee that any outside manager will, in fact, be profitable your portfolio over any given amount of time.

### *Non-U.S. Investments*

In addition to considering all worthwhile domestic funds and securities, we may recommend international investments that include, but are not limited to: offshore unit investment trusts, debt, equity, currency, etc. Including the general risks of the domestic market, investing in these types of investments exposes you to additional risks such as political instability in foreign nations, currency exchange rate fluctuations, trade balances and imbalances, limitations on the removal of funds or other assets, withholding taxes, and other unforeseen international occurrences. The magnitude of these risks on all related economic policies could greatly affect an international security's value. When deciding to act on our recommendations by investment internationally, you should be prepared to bear the full capacity of these risks.

### *Options and Derivative Instruments*

Successful investment strategies using options require the rare ability to accurately predict future movements in prices of securities consistently, taking into account expected changes in the future interest rate and other economic factors. We may recommend investing in options based upon any type of security, index, currency, or specific securities of a foreign exchange. This recommendation may be made either as a hedge against current and future market indications, or in pursuance of what we view as profitable investment opportunities. However, these types of investments can be highly volatile and involve special risks. If a hedge is placed or an option is bought at what results in being an inappropriate time due to our misjudgment in future market conditions, options strategies have the potential of greatly reducing your investment performance and portfolio return. You should be prepared to bear this risk when pursuing any recommended options and hedges.

### *Management through Similarly Managed Accounts*

For certain clients, we may manage portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of our proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, we buy, sell, exchange and/or transfer shares of securities based upon the *investment strategy*.

Securities in the *investment strategy* are usually exchanged and/or transferred without regard to your individual tax ramifications. Certain investment opportunities that become available to our clients may be limited. We allocate investment opportunities among our clients on a fair and equitable basis.

### *Market Risks*

The profitability of a significant portion of our recommendations may depend to a great extent upon our correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that we will be able to predict those price movements accurately.

## **Item 9 Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to your evaluation of our advisory business or the integrity of our management. Our firm does not have any required disclosures.

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

### **Recommendation of Independent Managers**

We may recommend that you use *Independent Managers* based on your needs and suitability. In some cases, we may share in the advisory fee you pay directly to the *Independent Manager*. In such cases, our compensation may differ depending upon the individual agreement we have with each

*Independent Manager*. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the *Independent Manager*. You are not obligated, contractually or otherwise, to use the services of any *Independent Manager* we recommend.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

You may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the *Brokerage Practices* section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We do not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 - Custody*, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that clients in need of brokerage and custodial services utilize Charles Schwab & Co., Inc. (Schwab), registered broker-dealer, member SIPC, as the qualified custodian, among others.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "*Your Brokerage and Custody Costs*").

## **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10,000,000 of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

## **Products and Services Available to Us from Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and you with access to its institutional brokerage - trading, custody, reporting, and related services - many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer your accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

**Services That Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting services that generally benefit only us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events

- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us.

We believe that Schwab and any other recommended custodians provide quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided, including the value of research provided and other products and services that benefit us, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services broker-dealers provide us, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Directed Brokerage**

You may direct our firm in writing to use a particular *Financial Institution* to execute some or all your transactions. In that case, you will negotiate terms and arrangements for the account with that *Financial Institution*, and we will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by us (as described below). As a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, we may decline your request to direct brokerage if, at our sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Block Trades**

The Firm generally does not engage in block trading and transactions for you generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "batch" such orders to obtain best execution, or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among our clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which our *Supervised Persons* may invest, we generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities



and Exchange Commission. Our firm does not receive any additional compensation or remuneration as a result of the aggregation. In the event that we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, we may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

In the event orders are not aggregated, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you as we do for other clients and you may pay higher commissions, fees, and/or transaction costs than if orders were aggregated.

## **Item 13 Review of Accounts**

If you receive wealth management services, our firm will monitor those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of our investment adviser representatives. You are encouraged to discuss your needs, goals, and objectives with us and to keep us informed of any changes thereto. We will contact you at least annually to review your previous services and/or recommendations and to discuss the impact resulting from any changes in your financial situation and/or investment objectives.

Unless otherwise agreed upon, you are provided with transaction confirmation notices and regular summary account statements directly from your broker-dealer or custodian. Wealth management clients will also receive a report from our firm that may include such relevant account and/or market-related information such as an inventory of your account holdings and account performance at least quarterly. You should compare the account statements they receive from your custodian with those they receive from us.

Financial plans are normally not updated unless specifically requested by you or unless we determined it is necessary.

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

### **Client Referrals**

We may directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees

because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

### **Additional Compensation**

We may receive from custodians that we recommend to you, at no cost, administrative support, recordkeeping and related services, research computer software and related systems support, which allows us to better monitor your accounts. We may receive software and related support without cost because we render wealth management services to those clients who maintain their assets at the custodian. We may benefit from the software and related support, but it may not directly benefit you.

We may also receive the following benefits from recommended custodians: receipt of duplicate confirmations and bundled duplicate statements, access to a trading desk that exclusively services each firm's participants; access to a block trading desk which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

In fulfilling our duties to clients, we endeavor at all times to put your interests first. You should be aware, however, that our receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence our choice of one broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Schwab.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We may also provide reports to you which reflect the amount of advisory fee deducted from your account.

You should compare our reports with the statements from your account custodian(s) to reconcile the information reflected on each. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.



## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary client agreement, and the appropriate trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction.

You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or impose restrictions or prohibitions of transactions in the securities of a specific industry or security.

Please refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

## Item 17 Voting Client Securities

### Proxy Voting

We will not vote proxies on behalf of your advisory accounts. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case we would forward to you any electronic solicitation to vote proxies.

## Item 18. Financial Information

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of your funds or securities or serve as trustee or signatory for your accounts and we do not require the prepayment of more than \$1,200 in fees six or more months in advance nor have we filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.

## Item 19. Requirements for State-Registered Advisers

We are a federally registered investment adviser and therefore this section is not applicable.

## Item 20. Additional Information

### Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **Trade Errors**

From time-to-time we may make an error in submitting a trade order on your behalf. In these situations, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

If a profit results from the correcting trade, the profit will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons).

If the profit does not remain in your account and Schwab is the custodian, Schwab donates gains of \$100 or more to charity. If a loss occurs greater than \$100, our firm will pay for the loss. Schwab may retain gains of \$100 or less, if they are not kept in your account, to offset administrative expenses. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.