

## Item 1: Cover Page

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

March 31, 2013

#### **Sentinus LLC**

SEC File No. 801-74818

350 Houbolt Road, Suite 203  
Joliet, IL 60431

phone: 815.729.2455  
email: [info@sentinus.com](mailto:info@sentinus.com)  
website: [www.sentinus.com](http://www.sentinus.com)

This brochure provides information about the qualifications and business practices of Sentinus LLC. If you have any questions about the contents of this brochure, please contact us at [info@sentinus.com](mailto:info@sentinus.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. Registration with the Securities and Exchange Commission or any State regulatory authority does not imply a certain level of skill or expertise.

Additional information about Sentinus LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to new regulatory requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business.....	5
A. Description of Your Advisory Firm.....	5
B. Description of Advisory Services Offered.....	5
C. Client-Tailored Services and Client-Imposed Restrictions.....	7
D. Wrap Fee Programs.....	8
E. Client Assets Under Management.....	8
Item 5: Fees and Compensation.....	9
A. Methods of Compensation and Fee Schedule.....	9
B. Client Payment of Fees.....	10
C. Additional Client Fees Charged.....	11
D. Prepayment of Client Fees.....	11
E. External Compensation for the Sale of Securities to Clients.....	12
Item 6: Performance-Based Fees and Side-by-Side Management.....	13
Item 7: Types of Clients.....	14
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss.....	15
A. Methods of Analysis and Investment Strategies.....	15
B. Investment Strategy and Method of Analysis Material Risks.....	21
C. Concentration Risk.....	23
Item 9: Disciplinary Information.....	24
A. Criminal or Civil Actions.....	24
B. Administrative Enforcement Proceedings.....	24
C. Self-Regulatory Organization Enforcement Proceedings.....	24
Item 10: Other Financial Industry Activities and Affiliations.....	25
A. Broker-Dealer or Representative Registration.....	25
B. Futures or Commodity Registration.....	25
C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest.....	25

D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest.....	26
Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	27
A. Code of Ethics Description.....	27
B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest .....	27
C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest .....	27
D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest.....	28
Item 12: Brokerage Practices .....	29
A. Factors Used to Select Broker-Dealers for Client Transactions.....	29
B. Aggregating Securities Transactions for Client Accounts.....	32
Item 13: Review of Accounts .....	35
A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved.....	35
B. Review of Client Accounts on Non-Periodic Basis.....	35
C. Content of Client-Provided Reports and Frequency.....	35
Item 14: Client Referrals and Other Compensation.....	36
A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest .....	36
B. Advisory Firm Payments for Client Referrals.....	36
Item 15: Custody .....	37
Item 16: Investment Discretion.....	38
Item 17: Voting Client Securities.....	39
Item 18: Financial Information .....	40
A. Balance Sheet.....	40
B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients.....	40
C. Bankruptcy Petitions During the Past Ten Years .....	40

## Item 4: Advisory Business

### A. Description of Your Advisory Firm

Sentinus LLC ("Sentinus" and/or "the firm") is an Illinois limited liability company principally owned by Scott Reynolds and Tyler Qualio through their ownership in the Reynolds Financial Group. Sentinus has been providing investment advisory and financial planning services since June 2012.

### B. Description of Advisory Services Offered

Sentinus is an independent investment advisory and financial planning firm offering a variety of financial services to individuals and high-net-worth individuals, corporate executive groups, trusts, corporations, partnerships, retirement plans, tax exempt, and other legal entities. Advisory services may include financial planning, investment strategy, portfolio management, tax preparation, and tax and estate planning.

#### B.1. Discretionary Asset Management Services

For its discretionary asset management services, Sentinus receives a limited power of attorney to effect securities transactions on behalf of its clients. Clients may grant Sentinus limited discretionary authority with respect to advisory client assets, including discretion to select third-party managers on behalf of such Sentinus advisory clients. Investment advisory services are provided on either a discretionary or non-discretionary basis, depending on the agreement between the client and Sentinus. Sentinus recommends securities transactions to its clients that include securities and strategies as described in Item 8 of this Brochure.

In preparing the asset allocation, Sentinus will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance. Sentinus's objective is to review the client's tax, financial, and estate planning objectives and goals in connection with the client's investment objectives, goals, tolerance for risk and other personal and financial circumstances, and make appropriate asset allocation recommendations and implementation decisions. Sentinus may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, Sentinus may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio. Sentinus will monitor those portfolios and make additional recommendations from time to time to rebalance and/or reallocate each client's investments.

Sentinus's investment advisory services to clients are based on asset allocation models that, as noted above, take into account a client's personal financial circumstances, investment objectives, and tolerance for risk (e.g., cash-flow, tax, and estate). Sentinus's engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to Sentinus in response to a

questionnaire and/or in discussions with the client and reviewed in meetings with Sentinus.

- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending mutual funds, exchange-traded funds, and individual equity and fixed income securities, each matched to the asset categories in the client's targeted asset allocation for consideration by the client.
- Reporting to the client on a quarterly basis or at some other interval agreed to with the client, information on contributions and withdrawals in the client's investment portfolio.
- Proposing changes in the client's targeted asset allocation in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund or manager retained by the client.

In addition to providing Sentinus with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide Sentinus with any reasonable investment restrictions that should be imposed on the management of their portfolio and to promptly notify Sentinus of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, Sentinus's reports to clients will remind clients of their obligation to inform Sentinus of any such changes or any restrictions that should be imposed on the management of their accounts. Sentinus will also contact clients at least annually to determine whether there have been any changes in their personal financial circumstances, investment objectives, and tolerance for risk.

## **B.2. Financial Planning Services**

Clients will receive a written or oral report (depending on the client's preference) providing them with a detailed financial plan designed to help achieve their stated financial goals and objectives. Based on the client's needs, financial planning services may include (but are not limited to) the following:

- Preparation of a recommended asset allocation that serves to diversify the client's portfolio among different categories of investments, such as small, medium and large capitalization securities; corporate and government fixed income (short-, intermediate- and long-term maturities); emerging market securities (i.e., foreign issuers); and such other asset categories that are suitable in light of the client's investment goals, objectives, and risk tolerance.
- Preparation of an investment policy statement setting forth the investment plan of the client with specific direction in terms of diversification requirements, tax issues, estate planning issues, risk tolerance, retirement, and other identified objectives of the client, including a targeted rate-of-return objective.

- Preparation of a retirement plan that serves to identify whether the client is saving enough and investing in a way that meets retirement objectives in light of the client's financial circumstances and risk tolerance.
- Preparation of cash flow projections to ensure that the client can meet daily living expenses and obligations.
- An insurance plan to meet the needs of the client, taking into account family, business, and other financial objectives of the client.
- Preparation of an estate plan to ensure that wealth transition, tax, and related issues are met in accordance with the client's wishes. In many instances, an outside attorney will need to be hired to handle specific legal issues that arise in the formation and implementation of an estate plan. Sentinus, as a matter of policy, does not provide tax advice.
- A business exit/continuity plan, taking into account the business and personal goals and objectives of the client, client's family, employees, and other affected parties.
- Coordination of all planning into a single cohesive plan.

Sentinus gathers required information through in-depth personal interviews and questionnaires. Information gathered includes a client's current financial status, investment objectives, future goals, and attitudes toward risk. Related documents supplied by the client are carefully reviewed, and a report is prepared covering one or more of the above-mentioned topics as directed by the client.

### **B.3. 401(k) Portfolio Management Services**

Sentinus will provide non-discretionary portfolio management services to 401(k) plan participants. The advice will consist of recommending suitable asset allocation based on the plan participant's tolerance for risk, and investment objectives accounting for the available investment alternatives available to the plan participant. To the extent the client has a self-directed account, Sentinus may recommend a model portfolio of diversified exchange-traded funds. Once the plan participant has engaged Sentinus for this service, Sentinus will provide its recommendations through an automated email notification to the client, advising the client when the portfolio requires rebalancing. As a courtesy, Sentinus will send applicable clients a follow-up reminder within a reasonable period of time after the first email notification to rebalance the portfolio. Any transactions required to effect the recommended rebalancing of the model portfolio will be the sole responsibility of the client. Sentinus has engaged its affiliate, Premise Capital, LLC, to provide advice with respect to recommended model portfolios.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

#### **D. Wrap Fee Programs**

Sentinus offers a wrap fee program, in which the firm provides investment services for one all-inclusive fee. Please see the attached Appendix 1 of Form ADV: Sentinus Wrap Fee Program Brochure for information.

#### **E. Client Assets Under Management**

As of December 31, 2012, Sentinus has \$107,068,491 in discretionary assets under management and \$14,671,763 in non-discretionary assets under management.



## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fee Schedule

The annual fee for services provided by Sentinus will be charged as a percentage of assets under supervision. The fees will be computed in the following manner and charged quarterly in advance:

Basis point charge X market value of assets X actual number of days/365 days

Sentinus's asset-based fee schedule for accounts is detailed below, although such fee schedule is negotiable.

#### *Tiered Pricing Schedule – Sentinus Managed Assets*

<u>Assets Under Supervision</u>	<u>Annual Fee (%)</u>
\$0–\$250,000	1.25%
\$250,001–\$1,000,000	1.15%
\$1,000,001–\$3,000,000	1.05%
\$3,000,001–\$5,000,000	0.95%
\$5,000,001–\$10,000,000	0.85%
Over \$10,000,000	Negotiable

Sentinus generally requires a minimum account value of \$100,000 for accounts it manages on either a discretionary or a non-discretionary basis. Prospective clients may find comparable services at more favorable pricing elsewhere. For accounts utilizing third-party asset managers, Sentinus imposes a minimum account size of \$150,000. In the case of Sentinus-advised assets, Sentinus, in its sole discretion, may waive the required minimum.

Asset-based fees are always subject to the investment advisory agreement between the client and Sentinus. Such fees are payable quarterly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar quarter, based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous quarter, as mutually agreed upon by the client and Sentinus. Adjustments for significant contributions to a client's portfolio are prorated for the quarter in which the change occurs; no adjustments will be made for withdrawals.

A client investment advisory agreement may be canceled by either party by written notice. Upon termination, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### **A.2. Financial Planning Fees - Hourly or Fixed**

Sentinus offers either hourly or fixed fee arrangements to all financial planning clients. Generally the more complex the financial planning engagement the higher likelihood that fixed fees will be negotiated, as it is difficult with respect to complex cases to discern the exact number of hours required to provide services. In such a case a fixed fee would be negotiated. Fixed fees are computed based upon a good faith estimate of hours required to perform services. The applicant attempts to maintain parity with hourly and fixed charges while allowing some flexibility in estimation, taking into account case complexity and client-specific circumstances.

Financial planning fees will be billed at the rate of \$400 per hour, or a fixed fee mutually agreed upon by the client and Sentinus. For hourly or fixed fee arrangements, Sentinus will provide the prospective client with an estimate of the charges prior to finalizing the financial planning agreement. Deliverables, which is defined as the financial planning report required to be delivered pursuant to the terms of the financial planning agreement, shall be completed and presented to the client within 180 days of the date the financial planning agreement is signed by the client, subject to the client providing the required personal and financial information necessary for Sentinus to produce the deliverables.

Invoices will be mailed out on a periodic basis as reflected in 5 B.2 below. Clients seeking to terminate this service must do so in writing. A financial planning agreement may be terminated by either party for any reason upon receipt of written notice.

### **A.3. 401(k) Portfolio Management Services Fees**

Sentinus' asset based fees for non-discretionary portfolio management services to 401(k) plans and plan participants will be 1.25% and are negotiable. Sentinus has engaged its affiliate, Premise Capital, LLC, to provide advice with respect to model portfolios and will be paid a fee for such advice. Such fee will be paid from Sentinus' fee of 1.25% and will not be an additional fee.

## **B. Client Payment of Fees**

### **B.1. Asset-Based Fees**

Sentinus will not take custody or possession of client funds or securities at any time except to the extent that Sentinus may deduct fees directly from the client's account. Sentinus will deduct advisory and custodial fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

If the client's account is managed by a separate account manager, such manager will generally require that any fees be paid on a quarterly basis, in advance, directly from the client's account with the custodian of the portfolio assets.

## **B.2. Financial Planning Fees**

Invoices will be mailed out upon the client and Sentinus signing a financial planning contract. Unless otherwise arranged, all financial planning engagement fees are due in advance. Clients seeking to terminate this service must do so in writing.

In addition, clients may engage Sentinus for ongoing financial planning consulting on an annual retainer, billed quarterly in advance. Such fees will be based upon a good faith estimate of the charges necessary to fulfill Sentinus's obligations, given the unique personal and financial considerations relevant to the client. Clients seeking to terminate this service must do so in writing.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, and by any broker-dealer or custodian retained by the client. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Sentinus may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian. Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. Prepayment of Client Fees**

### **D.1. Asset-Based Fees**

Sentinus requires the prepayment of fees for all of its investment advisory and planning services, subject to the terms of the investment advisory agreement. Upon termination of any account, any unearned, prepaid fees will be promptly refunded.

The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled by either party by written notice. Upon termination, and any earned, unpaid fees will be due and payable. If the agreement terminates other than at the end of a calendar month, Sentinus will promptly refund all unearned, prepaid fees to the client. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **D.2. Financial Planning Fees**

Sentinus does require prepayment of financial planning fees. Financial planning fees are billed in advance based upon the scope of the engagement. Deliverables, which is defined as the financial planning report required to be delivered pursuant to the terms of the financial planning agreement, shall be completed and presented to the client within 180 days of the date the financial planning agreement is signed by the client, subject to the client providing the required personal and financial information necessary for Sentinus to produce the deliverables. Invoices will be mailed out upon the client and Sentinus signing a financial planning contract. Unless otherwise arranged, all financial planning engagement fees are due in advance. Clients seeking to terminate this service must do so in writing.

In addition, clients may engage Sentinus for ongoing financial planning consulting on an annual retainer, billed quarterly in advance. Such fees will be based upon a good faith estimate of the charges necessary to fulfill Sentinus's obligations given the unique personal and financial considerations relevant to the client. Clients seeking to terminate this service must do so in writing. If clients terminate the agreement during the month, Sentinus shall promptly refund all prepaid, unearned fees to the client.

A financial planning agreement may be terminated by either party for any reason upon receipt of written notice within 5 days of the effective date of the contract. Upon termination of any account, any earned, unpaid fees will be due and payable.

## **E. External Compensation for the Sale of Securities to Clients**

Other than as disclosed in Item 10 of this Brochure, Sentinus financial advisors are compensated solely through a salary and bonus structure. Sentinus is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

Sentinus does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

Sentinus offers its investment services to various types of clients, including individuals and high-net-worth individuals, corporate executive groups, trusts, corporations, partnerships, retirement plans, tax exempt, and other legal entities. Although Sentinus provides investment services to the various types of clients mentioned, the services are conditioned upon meeting certain minimum criteria established by Sentinus for each of the investment programs it offers.

Sentinus generally requires a minimum account value of \$100,000 for accounts it manages on a discretionary basis. Prospective clients may find comparable services at more favorable pricing elsewhere. For accounts utilizing third-party asset managers, Sentinus imposes a minimum account size of \$150,000. In the case of Sentinus supervised assets, Sentinus, in its sole discretion, may waive the required minimum.

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

### **A. Methods of Analysis and Investment Strategies**

Sentinus uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Sentinus and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to attempt the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Sentinus reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Sentinus may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds, Exchange-Traded Funds, Separate Account Managers, Individual Equity and Fixed Income Securities**

Sentinus may recommend (i) separate account managers to manage client assets, and (ii) mutual funds and individual securities (including fixed income instruments). Such investments may represent certain asset class styles, such as large-cap, mid-cap and small-cap value, growth and core; international and emerging markets; and alternative investments. Sentinus may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Sentinus will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, individual securities (including fixed-income securities), and managers is set forth below.

Sentinus has formed relationships with third-party vendors that provide a technological platform for separate account management and perform due diligence monitoring of mutual funds and managers that perform billing and certain other administrative tasks. Sentinus may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

Sentinus reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include:

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor, or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager, a mutual fund or manager's consistency of investment style, and employee turnover and efficiency and capacity. Sentinus will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to their determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Sentinus on a quarterly basis or such other interval as mutually agreed upon by the client and Sentinus. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Sentinus (both of which are negative factors in implementing an asset allocation structure). Based on its review, Sentinus will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

Sentinus may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the mutual funds or managers utilized. Sentinus will endeavor to obtain equal treatment for its clients with mutual funds or managers, but cannot assure equal treatment.



Sentinus will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest.

## **A.2. Material Risks of Investment Instruments**

Sentinus typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Option contracts on securities
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **A.2.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.2.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The

shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.2.h. Options on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period and interest rates.

#### **A.2.i. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **A.2.j. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, Sentinus may invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.2.k. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Sentinus may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the

average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

#### **A.2.I. Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

### **B. Investment Strategy and Method of Analysis Material Risks**

#### **B.1. Leverage**

Although Sentinus, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Sentinus will utilize leverage. In this regard please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the

computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **B.2. Short-Term Trading**

Although Sentinus, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

## **B.3. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Sentinus as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases

### **B.3.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

### **B.3.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **B.3.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

## **C. Concentration Risk**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in a specific investment style, security, industry or industry sector, geographic location, investment manager, type of investment instrument (equities versus fixed income). Clients, who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

There are no current or pending disclosure items to report on behalf of Sentinus Advisors.

### **A. Criminal or Civil Actions**

There is nothing to report for this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report for this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report for this item.



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

### **A. Broker-Dealer or Representative Registration**

Certain members and employees of Sentinus are registered representatives with Ausdal Financial Partners ("Ausdal"), a FINRA-registered broker-dealer and member of SIPC. Ausdal is a financial services company engaged in the sale of investment products. Sentinus professionals licensed with Ausdal as registered representatives spend less than 25% of their time engaged in commission product sales through Ausdal.

As a result of Sentinus members and registered professionals' affiliation with Ausdal, such professionals, in their capacity as registered representatives of Ausdal, are subject to the general oversight of Ausdal and the Financial Industry Regulatory Authority Inc. ("FINRA"). As such, clients of Sentinus should understand that their personal and account information is available to FINRA and Ausdal for the fulfillment of their regulatory oversight obligations and duties.

### **B. Futures or Commodity Registration**

Neither Sentinus nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Premise Capital, LLC**

Sentinus and Premise Capital, LLC (formerly Sentinus Asset Management, LLC), are currently under common control, and Sentinus intends to recommend the investment management services of Premise Capital, LLC, to its advisory clients. Clients should be aware that although Sentinus strives to put its clients' interests first, its recommendation of Premise Capital, LLC, may be viewed by prospective clients as being in the best interest of Sentinus as opposed to its clients' best interests. Clients are under no obligation to utilize the investment management services of Premise Capital, LLC.

#### **C.2. Ausdal**

Managers, members and registered personnel of Sentinus are associated persons of Ausdal Financial Partners ("Ausdal"), a FINRA-registered broker-dealer and member of SIPC. Ausdal is a financial services company engaged in the sale of investment products.

Sentinus advisory clients are not compelled to effect securities transactions through Ausdal. Sentinus professionals who effect transactions for advisory clients will not receive transaction or commission compensation from either Ausdal or any other executing broker. Sentinus may be deemed to have a conflict of interest in that effecting transactions through Ausdal will benefit Sentinus by providing leverage to potentially negotiate a better fee structure from Ausdal.

Further, a potential conflict of interest may be deemed to exist as a result of Sentinus personnel being licensed with Ausdal; in that regard please note the following:

- A conflict of interest may exist between Sentinus and its clients;
- The client is under no obligation to act upon Sentinus's recommendation; and
- If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through Ausdal.

Please note that the registration of Sentinus personnel with Ausdal is to facilitate the sale of insurance products, variable annuity, and VUL products as part of Sentinus's financial planning services. All Sentinus managed portfolios are established at Pershing LLC. Please see Item 12 of this Brochure for additional details regarding Sentinus's relationship with Pershing LLC.

### **C.3. Relationships with Several Insurance Firms**

Certain managers, members, and registered employees of Sentinus are agents for certain insurance carriers. With respect to the provision of financial planning services, Sentinus professionals may recommend insurance products offered by such carriers for whom they function as agents and receive a commission for doing so. Clients are advised of a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Clients are also advised that Sentinus professionals strive to put their clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire.

### **C.4. Envestnet**

Sentinus has formed a strategic relationship with Envestnet Asset Management ("EAM") whereby EAM will function as the platform manager in its Unified Managed Account Program. EAM will make available through this platform various third-party managers, one of which will be Premise Capital, LLC, to manage Sentinus advisory clients' portfolio assets. See conflict of interest disclosure in Item 10.C.1. above. EAM acts as adviser and various third-party managers act as sub-advisers to EAM. The third-party sub-advisers receive a portion of EAM's advisory fee.

## **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

### **D.1. Hanlon Investment Management, Inc.**

In addition to the items disclosed in Items 10.C.1 and 10.C.2 above, Sentinus recommends Hanlon Investment Management, Inc., to appropriately suited clients for which it receives compensation. Such recommendation is done in accordance with SEC rule 206(4)-3. Please be advised that although Sentinus strives to put its clients' interests first, the recommendation of Hanlon may be viewed by some as being in the best interests of Sentinus rather than the client.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Sentinus has adopted policies and procedures designed to detect and prevent insider trading. In addition, Sentinus has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Sentinus's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of Sentinus. Sentinus will send clients a copy of its Code of Ethics upon written request.

Sentinus has policies and procedures in place to ensure that the interests of its clients are given preference over those of Sentinus, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Sentinus does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory, or buying stocks from advisory clients into a firm's inventory). In addition, Sentinus does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Sentinus, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Sentinus specifically prohibits. Sentinus has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and

- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Sentinus's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Sentinus, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Sentinus clients. Sentinus will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of Sentinus to place clients' interests above those of Sentinus and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Sentinus may recommend that clients establish brokerage accounts with the Pershing Advisor Services division of Pershing LLC ("Pershing"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Sentinus may recommend that clients establish brokerage accounts with Pershing, Sentinus is independently owned and operated and not affiliated with Pershing. Pershing does not charge separately for custody services, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through or that settle into Pershing accounts.

In certain instances and subject to approval by the firm, Sentinus will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Sentinus will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. Soft Dollar Arrangements

Sentinus does not utilize soft dollar arrangements. Sentinus does not direct brokerage transactions to executing brokers for research and brokerage services.

##### A.1.b. Institutional Trading and Custody Services

Pershing provides Sentinus with access to its institutional trading and custody services, which are typically not available to Pershing's retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at Pershing. These services are not contingent upon Sentinus committing to Pershing any specific amount of business (assets in custody or trading commissions). Pershing's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

**A.1.c. Other Products and Services**

Pershing also makes available to Sentinus other products and services that benefit Sentinus but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Sentinus's accounts, including accounts not maintained at Pershing. Pershing also makes available to Sentinus its managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of Sentinus's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

Pershing also offers other services intended to help Sentinus manage and further develop its business enterprise. These services may include

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants, and insurance providers

Pershing may also provide other benefits, such as educational events or occasional business entertainment of Sentinus personnel. In evaluating whether to recommend that clients custody their assets at Pershing, Sentinus may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by Pershing, which may create a potential conflict of interest.

**A.1.d. Independent Third Parties**

Pershing may make available, arrange, and/or pay third-party vendors for the types of services rendered to Sentinus. Pershing may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Sentinus.

**A.1.e. Additional Compensation Received from Custodians**

Sentinus may participate in institutional customer programs sponsored by broker-dealers or custodians. Sentinus may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Sentinus's participation in such programs and the investment advice it gives to its clients, although Sentinus receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations

- Research-related products and tools
- Consulting services
- Access to a trading desk serving Sentinus 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
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Sentinus by third-party vendors

The custodian may also pay for business consulting and professional services received by Sentinus's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for Sentinus's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Sentinus but may not benefit its client accounts. These products or services may assist Sentinus in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Sentinus manage and further develop its business enterprise. The benefits received by Sentinus or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Sentinus also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Sentinus to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Sentinus will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Sentinus's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Sentinus's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Sentinus endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Sentinus or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Sentinus's recommendation of broker-dealers such as Pershing for custody and brokerage services.

## **A.2. Brokerage for Client Referrals**

Sentinus does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **A.3. Directed Brokerage**

#### **A.3.a. Sentinus Recommendations**

Sentinus typically recommends Pershing as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Sentinus to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Sentinus derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Sentinus loses the ability to aggregate trades with other Sentinus advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

Sentinus, pursuant to the terms of its investment advisory agreement with clients, may have discretionary authority to determine which securities are to be bought and sold and the amount of such securities. Sentinus recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Sentinus will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services



Consistent with its fiduciary responsibilities, Sentinus seeks to ensure that clients receive best execution with respect to the clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Sentinus's knowledge, these custodians provide high-quality execution, and Sentinus's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Sentinus believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **B.2. Security Allocation**

Since Sentinus may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Sentinus in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Sentinus's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Sentinus will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Sentinus's advice to certain clients and entities and the actions of Sentinus for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objectives, guidelines, and circumstances. Thus, any action of Sentinus with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice or actions of Sentinus to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Sentinus believes that a larger size block trade would lead to best overall price for the security being transacted.

**B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs, and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Sentinus acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interests of its clients.

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

The review of accounts of high-net-worth and affluent clients, including corporations, partnerships and trusts, are conducted in the first instance by the investment adviser representative servicing the client relationship on at least a quarterly basis. Such professionals are subject to the general authority of Sentinus's Managing Member. The Managing Member or his designee(s) must review and approve the opening of each new advisory relationship and oversee reviews of client accounts. The Managing Member or his designee(s) is also responsible for ensuring that any significant change in a client's investment strategy or in the concentration of a client's assets is appropriate for and has been reviewed with the client.

### **B. Review of Client Accounts on Non-Periodic Basis**

Sentinus investment adviser representatives may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Sentinus formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

For investment advisory clients, the client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Sentinus.

Financial planning clients receive written reports pursuant to the terms of their financial planning agreement.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

In addition to the information described in Items 10 and 12 of this Brochure, Sentinus does receive economic benefits from external sources. Sentinus does refer clients to certain investment management firms in return for an ongoing portion of the advisory fee received by such investment manager. All such arrangements are in compliance with Investment Advisers Act rule 206(4)-3. Generally, these requirements require the solicitor, Sentinus, to have a written agreement with the investment management firm. Sentinus must provide the client with a disclosure document describing the fees it receives from the investment management firm, whether those fees represent an increase in fees that the investment management firm would otherwise charge the client, and whether an affiliation exists between Sentinus and the investment management firm.

### **B. Advisory Firm Payments for Client Referrals**

Sentinus does not make payment for client referrals.

## **Item 15: Custody**

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by Sentinus to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Sentinus with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In such cases, Sentinus will exercise full discretion as to the nature and type of securities to be purchased and sold and the amount of securities for such transactions, and in certain instances have discretionary authority to select third party money managers for its clients. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

Sentinus does not take discretion with respect to voting proxies on behalf of its clients. Sentinus will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Sentinus supervised and/or managed assets. In no event will Sentinus take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Sentinus will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Sentinus has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Sentinus also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Sentinus has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Sentinus receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Sentinus does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Sentinus does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report for this item.



**Item 1: Cover Page**

**Appendix 1 of Part 2A**  
**Sentinus Wrap Fee Program Brochure**

March 31, 2013

**Sentinus LLC**

SEC File No. 801-74818

350 Houbolt Road, Suite 203  
Joliet, IL 60431

phone: 815.729.2455  
email: [info@sentinus.com](mailto:info@sentinus.com)  
website: [www.sentinus.com](http://www.sentinus.com)

This wrap fee program brochure provides information about the qualifications and business practices of Sentinus LLC. If you have any questions about the contents of this brochure, please contact us at [info@sentinus.com](mailto:info@sentinus.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. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about Sentinus LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to new regulatory requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

---

**Item 3: Table of Contents**

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	3
Item 4: Services, Fees, and Compensation.....	4
A. Description of Your Advisory Firm.....	4
B. Disclosure of Cost Difference if Services Purchased Separately.....	7
C. Additional Client Fees and Terms of Payment.....	8
D. Compensation for Recommending the Sentinus Wrap Program.....	9
E. External Compensation for the Sale of Securities to Clients.....	9
F. Client Assets Under Management.....	9
Item 5: Account Requirements and Types of Clients.....	10
Item 6: Portfolio Manager Selection and Evaluation.....	11
A. Portfolio Manager Selection and Review.....	11
B. Participation in Wrap Fee Programs.....	12
C. Sentinus Acts as Both a Wrap Fee Sponsor and Portfolio Manager.....	12
Item 7: Client Information Provided to Portfolio Managers.....	22
Item 8: Client Contact with Portfolio Managers.....	23
Item 9: Additional Information.....	24
A. Disciplinary and Other Financial Activities and Affiliations.....	24
B. Code of Ethics, Brokerage Trading Practices, Account Reviews, and Financial and Related Matters.....	26

## Item 4: Services, Fees, and Compensation

### A. Description of Your Advisory Firm

Sentinus LLC ("Sentinus" and/or "the firm"), is an Illinois limited liability company principally owned by Scott Reynolds and Tyler Qualio through their ownership in the Reynolds Financial Group. Sentinus has been providing investment advisory and financial planning services since June 1, 2012.

#### A.1. Description of Advisory Services Offered

Sentinus is an independent investment advisory and financial planning firm offering a variety of financial services to individuals and high-net-worth individuals, corporate executive groups, trusts, corporations, partnerships, retirement plans, tax exempt, and other legal entities. Advisory services may include financial planning, investment strategy, portfolio management, tax preparation, and tax and estate planning.

##### A.1.a. Discretionary Asset Management Services

For its discretionary asset management services, Sentinus receives a limited power of attorney to effect securities transactions on behalf of its clients. Clients may grant Sentinus limited discretionary authority with respect to advisory client assets, including discretion to select third-party managers on behalf of such Sentinus advisory clients. Investment advisory services are provided on either a discretionary or non-discretionary basis, depending on the agreement between the client and Sentinus. Sentinus recommends securities transactions to its clients that include securities and strategies as described in Item 8 of this Brochure.

In preparing the asset allocation, Sentinus will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance. Sentinus's objective is to review the client's tax, financial, and estate planning objectives and goals in connection with the client's investment objectives, goals, tolerance for risk and other personal and financial circumstances, and make appropriate asset allocation recommendations and implementation decisions. Sentinus may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, Sentinus may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio. Sentinus will monitor those portfolios and make additional recommendations from time to time to rebalance and/or reallocate each client's investments.

Sentinus's investment advisory services to clients are based on asset allocation models that, as noted above, take into account a client's personal financial circumstances, investment objectives, and tolerance for risk (e.g., cash-flow, tax, and estate). Sentinus's engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to Sentinus in response to a

questionnaire and/or in discussions with the client and reviewed in meetings with Sentinus.

- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending mutual funds, exchange-traded funds, and individual equity and fixed income securities, each matched to the asset categories in the client's targeted asset allocation for consideration by the client.
- Reporting to the client on a quarterly basis or at some other interval agreed to with the client, information on contributions and withdrawals in the client's investment portfolio.
- Proposing changes in the client's targeted asset allocation in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund or manager retained by the client.

In addition to providing Sentinus with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide Sentinus with any reasonable investment restrictions that should be imposed on the management of their portfolio and to promptly notify Sentinus of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, Sentinus's reports to clients will remind clients of their obligation to inform Sentinus of any such changes or any restrictions that should be imposed on the management of their accounts. Sentinus will also contact clients at least annually to determine whether there have been any changes in their personal financial circumstances, investment objectives, and tolerance for risk.

#### **A.1.b. Financial Planning Services**

Clients will receive a written or oral report (depending on the client's preference) providing them with a detailed financial plan designed to help achieve their stated financial goals and objectives. Based on the client's needs, financial planning services may include (but are not limited to) the following:

- Preparation of a recommended asset allocation that serves to diversify the client's portfolio among different categories of investments, such as small, medium and large capitalization securities; corporate and government fixed income (short-, intermediate- and long-term maturities); emerging market securities (i.e., foreign issuers); and such other asset categories that are suitable in light of the client's investment goals, objectives, and risk tolerance.
- Preparation of an investment policy statement setting forth the investment plan of the client with specific direction in terms of diversification requirements, tax issues, estate planning issues, risk tolerance, retirement, and other identified objectives of the client, including a targeted rate-of-return objective.

- Preparation of a retirement plan that serves to identify whether the client is saving enough and investing in a way that meets retirement objectives in light of the client's financial circumstances and risk tolerance.
- Preparation of cash flow projections to ensure that the client can meet daily living expenses and obligations.
- An insurance plan to meet the needs of the client, taking into account family, business, and other financial objectives of the client.
- Preparation of an estate plan to ensure that wealth transition, tax, and related issues are met in accordance with the client's wishes. In many instances, an outside attorney will need to be hired to handle specific legal issues that arise in the formation and implementation of an estate plan. Sentinus, as a matter of policy, does not provide tax advice.
- A business exit/continuity plan, taking into account the business and personal goals and objectives of the client, client's family, employees, and other affected parties.
- Coordination of all planning into a single cohesive plan.

Sentinus gathers required information through in-depth personal interviews and questionnaires. Information gathered includes a client's current financial status, investment objectives, future goals, and attitudes toward risk. Related documents supplied by the client are carefully reviewed, and a report is prepared covering one or more of the above-mentioned topics as directed by the client.

#### **A.1.c. 401(k) Portfolio Management Services**

Sentinus will provide non-discretionary portfolio management services to 401(k) plan participants. The advice will consist of recommending suitable asset allocation based on the plan participant's tolerance for risk, and investment objectives accounting for the available investment alternatives available to the plan participant. To the extent the client has a self-directed account, Sentinus may recommend a model portfolio of diversified exchange-traded funds. Once the plan participant has engaged Sentinus for this service, Sentinus will provide its recommendations through an automated email notification to the client, advising the client when the portfolio requires rebalancing. As a courtesy, Sentinus will send applicable clients a follow-up reminder within a reasonable period of time after the first email notification to rebalance the portfolio. Any transactions required to effect the recommended rebalancing of the model portfolio will be the sole responsibility of the client. Sentinus has engaged its affiliate, Premise Capital, LLC, to provide advice with respect to recommended model portfolios.

### **A.2. Fees and Compensation**

#### **A.2.a. Fee Schedule**

The annual fee for services provided by Sentinus will be charged as a percentage of assets under supervision. The fees will be computed in the following manner and charged quarterly in advance:

Basis point charge X market value of assets X actual number of days/365 days

Sentinus's asset-based fee schedule for accounts is detailed below, although such fee schedule is negotiable.

*Tiered Pricing Schedule – Sentinus Managed Assets*

<u>Assets Under Supervision</u>	<u>Annual Fee (%)</u>
\$0–\$250,000	1.85%
\$250,001–\$1,000,000	1.75%
\$1,000,001–\$3,000,000	1.65%
\$3,000,001–\$5,000,000	1.55%
\$5,000,001–\$10,000,000	1.45%
Over \$10,000,000	Negotiable

Sentinus generally requires a minimum account value of \$100,000 for accounts it manages on either a discretionary or a non-discretionary basis. Prospective clients may find comparable services at more favorable pricing elsewhere. For accounts utilizing third-party asset managers, Sentinus imposes a minimum account size of \$150,000. In the case of Sentinus-advised assets, Sentinus, in its sole discretion, may waive the required minimum.

The trading cost component of the above-mentioned advisory fees are estimated to be 0.10% of the account value on an annual basis.

Asset-based fees are always subject to the investment advisory agreement between the client and Sentinus. Such fees are payable quarterly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar month, based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous month, as mutually agreed upon by the client and Sentinus. Adjustments for significant contributions to a client's portfolio are prorated for the month in which the change occurs; no adjustments will be made for withdrawals.

A client investment advisory agreement may be canceled by either party by written notice. Upon termination, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **B. Disclosure of Cost Difference if Services Purchased Separately**

Depending on a number of factors, such as the number, size, and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis, either as asset-based fees or transaction-based fees. Bundled fees (where the adviser assumes the cost of processing the trade) generally provide an economic incentive for the advisory firm to select investments and strategies that minimize trading costs. Frequent trading in an account where transactions fees are included as part of the overall

advisory fee to the client drive trading costs higher and reduce the overall fee revenue to the advisor. As a result, higher trading costs in a bundled fee account have a negative impact on the advisory firm's profitability.

## **C. Additional Client Fees and Terms of Payment**

### **C.1. Client Payment of Fees**

Sentinus will not take custody or possession of client funds or securities at any time except to the extent that Sentinus may deduct fees directly from the client's account. Sentinus will deduct advisory and custodial fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

If the client's account is managed by a separate account manager, such manager will generally require that any fees be paid on a quarterly basis, in advance, directly from the client's account with the custodian of the portfolio assets.

### **C.2. Prepayment of Client Fees**

Sentinus requires the prepayment of fees for all of its investment advisory and planning services, subject to the terms of the investment advisory agreement. Upon termination of any account, any unearned, prepaid fees will be promptly refunded.

The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled by either party by written notice. Upon termination, and any earned, unpaid fees will be due and payable. If the agreement terminates other than at the end of a calendar month, Sentinus will promptly refund all unearned, prepaid fees to the client. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### **C.3. Additional Fees**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, and by any broker-dealer or custodian retained by the client. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Sentinus may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian. Please



refer to the Brokerage Practices section (Item 9.B.2) for additional information regarding the firm's brokerage practices.

#### **D. Compensation for Recommending the Sentinus Wrap Program**

Sentinus's Wrap Fee Program is a proprietary product offered exclusively through Sentinus. As such, there are no conflicts of interest in that there are no commissions or referral fees paid to anyone for selling or recommending Sentinus or any of its services. The firm earns its advisory fees and neither shares in third-party investment manager fees nor shares in any custody fees charged by its clients' custodians.

#### **E. External Compensation for the Sale of Securities to Clients**

Other than as disclosed in Item 9.A.2 of this Brochure, Sentinus financial advisors are compensated solely through a salary and bonus structure. Sentinus is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.

#### **F. Client Assets Under Management**

As of December 31, 2012, Sentinus has \$107,068,491 in discretionary assets under management and \$14,671,763 in non-discretionary assets under management.

## **Item 5: Account Requirements and Types of Clients**

Sentinus offers its investment services to various types of clients, including high-net-worth individuals, corporate executive groups, trusts, corporations, partnerships, retirement plans, tax exempt, and other legal entities. Although Sentinus provides investment services to the various types of clients mentioned, the services are conditioned upon meeting certain minimum criteria established by Sentinus for each of the investment programs it offers.

Sentinus generally requires a minimum account value of \$100,000 for accounts it manages on a discretionary basis. Prospective clients may find comparable services at more favorable pricing elsewhere. For accounts utilizing third-party asset managers, Sentinus imposes a minimum account size of \$150,000. In the case of Sentinus supervised assets, Sentinus, in its sole discretion, may waive the required minimum.

## Item 6: Portfolio Manager Selection and Evaluation

### A. Portfolio Manager Selection and Review

Sentinus is the sponsor for its wrap fee program. Sentinus utilizes managers approved for inclusion in the Envestnet UMA Programs as well as dual contract arrangements with other third-party advisors. Such managers are selected based upon qualitative and quantitative criteria which have favorable risk return metrics as compared to other similarly situated managers available in the Envestnet UMA Program, which include:

- the performance history of a manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager, a mutual fund or manager's consistency of investment style, and employee turnover and efficiency and capacity. Sentinus will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to managers are reviewed by Sentinus on a quarterly basis or such other interval as mutually agreed upon by the client and Sentinus. In addition, managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the manager identified by Sentinus (both of which are negative factors in implementing an asset allocation structure). Based on its review, Sentinus will make recommendations to clients regarding the retention or discharge of a manager.

Sentinus may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. Sentinus will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

Sentinus will regularly review the activities of managers selected by the client. Clients that engage managers should first review and understand the disclosure documents of those managers, which contain information relevant to such retention or investment, including

information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

Clients will receive a copy of the Part 2A & Part 2B Brochure and Brochure Supplement for any manager selected in this program. Sentinus also functions as a manager in its wrap fee program, but is only compensated as a manager and not as a sponsor. Please be advised that the fees for third-party separately managed accounts when added to the fees charged by Sentinus are greater than those accounts managed by Sentinus. As such, it is more economically advantageous for clients to select Sentinus as opposed to third-party managers, even though the third-party managers may provide superior investment services relative to those provided by Sentinus.

## **B. Participation in Wrap Fee Programs**

In addition to sponsoring a wrap fee program, Sentinus participates in the Envestnet wrap fee programs. Please be advised that the fees for third-party separately managed accounts when added to the fees charged by Sentinus are greater than those accounts managed by Sentinus. As such, it is more economically advantageous for clients to select Sentinus as opposed to third-party managers, even though the third-party managers may provide superior investment services relative to those provided by Sentinus.

## **C. Sentinus Acts as Both a Wrap Fee Sponsor and Portfolio Manager**

Sentinus' advisory services are offered exclusively through Sentinus. Other than offering its proprietary suite of services, Sentinus does not participate or otherwise manage assets in third-party wrap fee programs.

### **C.1. Sentinus Wrap Program**

Sentinus provides clients with investment recommendations that are customized pursuant to each client's specific needs, tolerance for risk, and overall situation. Sentinus' recommendation may consist of individual equity and fixed income securities, options, mutual funds, exchange-traded funds ("ETFs"), and portfolios managed by separate account managers engaged by the client. Some client portfolios may utilize tactical asset allocation strategies designed to take advantage of market anomalies where the portfolio manager believes that certain asset classes may have a higher probability of outperforming other asset classes. In this regard there may be an over-weighting of one or more asset classes versus another based on current market and economic factors that, in the portfolio manager's view, have a higher probability of creating additional value. For example, a portfolio manager's view may be that large cap value may have a better opportunity for increasing portfolio value than small cap growth. As a result there may be over-weighting of that asset class in the client portfolio.

In preparing the asset allocation, Sentinus will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience,

investment restrictions and limitations, and risk tolerance. Sentinus may engage third-party service providers to assist with the implementation of the investment plan as well as the coordination of how the investment plan is administered within the context of the client's overall tax and estate plan. In addition, Sentinus may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

Sentinus may prepare an Investment Policy Statement based on the client's investment objectives, goals, and tolerance for risk and such other factors unique to the client and provide appropriate recommendations. On a quarterly basis, Sentinus, in connection with a third-party service provider, will provide such clients with reports regarding the performance of their portfolios. In addition, Sentinus will monitor those portfolios and make additional recommendations from time to time to rebalance and/or reallocate each client's investments in accordance with such client's investment policy statement and/or risk tolerance as necessary.

Sentinus' customized investment advisory services take into account a client's personal financial circumstances, investment objectives, and tolerance for risk (e.g., cash-flow, tax, and estate). Sentinus' engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to Sentinus in response to a questionnaire and/or in discussions with the client and reviewed in meetings with Sentinus.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Analyzing and managing concentrated and restricted securities holdings, including recommendations on how to hedge or monetize concentrated or restricted holdings.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Recommending individual equity and fixed income securities, options, mutual funds, ETFs, portfolios managed by separate account managers and, in appropriate cases, private placements, each matched to the asset categories in the client's targeted asset allocation for consideration by the client.
- Reporting to the client, on a quarterly basis or at some other interval agreed to with the client, information on contributions and withdrawals in the client's investment portfolio and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).
- Proposing changes in the client's investment policy statement and/or targeted asset allocation in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund or manager retained by the client.
- If the client's portfolio and personal circumstances, investment objectives, and tolerance for risk make such advice appropriate, providing recommendations to hedge a client's portfolio through the use of derivative strategies, to generate additional income through the use of covered call option writing strategies involving exchange-listed or OTC options, and/or to monetize or hedge concentrated stock positions.

In addition to providing Sentinus with information regarding their personal financial circumstances, investment objectives, and tolerance for risk, clients are required to provide Sentinus with any reasonable investment restrictions that should be imposed on the management of their portfolio and to promptly notify Sentinus of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, Sentinus' reports to clients will remind clients of their obligation to inform Sentinus of any such changes or any restrictions that should be imposed on the management of the client's account. Sentinus will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives, and tolerance for risk.

When appropriate to the needs of and suitability for a client, Sentinus will assist the client in developing a strategy for monetizing/hedging a portfolio or a concentrated stock position held by the client. Monetizing a concentrated stock position allows a client to receive funds to diversify its portfolio and limit its downside exposure while allowing for the continued potential to participate, to a lesser extent, in any increase in the price of the concentrated stock. Hedging a concentrated stock position allows a client to protect against losses below a certain stock price while allowing for the potential to participate in increases in the price of the stock.

Sentinus does not take custody of funds. All client assets are held by a qualified custodian.

## **C.2. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## **C.3. Management of Wrap Fee Program**

Sentinus' suite of advisory services are offered exclusively through this wrap fee program. Stand-alone financial planning, 401(k) advisory services, and private placements may be offered outside of the wrap fee program. Please refer to the firm's Part 2A Brochure.

## **C.4. Performance-Based Fees and Side-by-Side Management**

Sentinus does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in clients' best interests.

## **C.5. Methods of Analysis, Investment Strategies and Risk of Loss**

Sentinus uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Sentinus and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to attempt the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Sentinus reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Sentinus may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

## **C.6. Investment Strategy, Method of Analysis, and Material Risks**

### **C.6.a. Leverage**

Although Sentinus, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in limited circumstances, Sentinus will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being

deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

#### **C.6.b. Short-Term Trading**

Although Sentinus, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

#### **C.6.c. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Sentinus as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases

##### **C.6.b.1. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.



**C.6.b.2. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

**C.6.b.3. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

**C.6.c. Concentration Risk**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in a specific investment style, security, industry or industry sector, geographic location, investment manager, type of investment instrument (equities versus fixed income). Clients, who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

**C.7. Material Risks of Investment Instruments**

Sentinus typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Option contracts on securities
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

### **C.7.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **C.7.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

### **C.7.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **C.7.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by

hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **C.7.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **C.7.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **C.7.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **C.7.h. Option Contracts on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a

premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period and interest rates.

#### **C.7.i. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **C.7.j. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, Sentinus may invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **C.7.k. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The

terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Sentinus may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

#### **C.7.I. Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

#### **C.8. Voting Client Securities**

Sentinus does not vote proxies on behalf of its clients. All proxy material will be forwarded to the client for the client's review and action.

## **Item 7: Client Information Provided to Portfolio Managers**

Sentinus collects the following information in order to formulate its investment recommendations to clients and may provide such information to managers selected to manage assets on behalf of the client:

- Income
- Employment and residential information
- Social security number
- Cash balance
- Security balances
- Transaction detail history
- Investment objectives, goals, and risk tolerance
- Sources of wealth and/or deposits
- Risk assessment
- Investment time horizon
- Income and liquidity needs
- Asset allocation
- Restrictions on management of accounts
- Client questionnaire(s) and interview(s)
- Review of client's current portfolio

## **Item 8: Client Contact with Portfolio Managers**

Sentinus encourages communication with its clients and does not limit or condition the amount of time clients can spend with Sentinus advisory professionals or any third-party managers offered by Sentinus.

## Item 9: Additional Information

### A. Disciplinary and Other Financial Activities and Affiliations

#### A.1. Disciplinary

There are no current or pending disclosure items to report on behalf of Sentinus advisors.

##### A.1.a. Criminal or Civil Actions

There is nothing to report on this item.

##### A.1.b. Administrative Enforcement Proceedings

There is nothing to report on this item.

##### A.1.c. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report on this item.

#### A.2. Other Financial Activities and Affiliations

##### A.2.a. Broker-Dealer or Representative Registration

Certain members and employees of Sentinus are registered representatives with Ausdal Financial Partners ("Ausdal"), a FINRA-registered broker-dealer and member of SIPC. Ausdal is a financial services company engaged in the sale of investment products. Sentinus professionals licensed with Ausdal as registered representatives spend less than 25% of their time engaged in commission product sales through Ausdal.

As a result of Sentinus members and registered professionals' affiliation with Ausdal, such professionals, in their capacity as registered representatives of Ausdal, are subject to the general oversight of Ausdal and the Financial Industry Regulatory Authority Inc. ("FINRA"). As such, clients of Sentinus should understand that their personal and account information is available to FINRA and Ausdal for the fulfillment of their regulatory oversight obligations and duties.

##### A.2.b. Futures or Commodity Registration

Neither Sentinus nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

##### A.2.c. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

###### A.2.c.1. Premise Capital, LLC

Sentinus and Premise Capital, LLC (formerly Sentinus Asset Management, LLC), are currently under common control, and Sentinus intends to recommend the investment management services of Premise Capital, LLC, to its advisory clients. Clients should be aware that although



Sentinus strives to put its clients' interests first, its recommendation of Premise Capital, LLC, may be viewed by prospective clients as being in the best interest of Sentinus as opposed to its clients' best interests. Clients are under no obligation to utilize the investment management services of Premise Capital, LLC.

#### **A.2.c.2. Ausdal**

Managers, members and registered personnel of Sentinus are associated persons of Ausdal Financial Partners ("Ausdal"), a FINRA-registered broker-dealer and member of SIPC. Ausdal is a financial services company engaged in the sale of investment products.

Sentinus advisory clients are not compelled to effect securities transactions through Ausdal. Sentinus professionals who effect transactions for advisory clients will not receive transaction or commission compensation from either Ausdal or any other executing broker. Sentinus may be deemed to have a conflict of interest in that effecting transactions through Ausdal will benefit Sentinus by providing leverage to potentially negotiate a better fee structure from Ausdal. Further, a potential conflict of interest may be deemed to exist as a result of Sentinus personnel being licensed with Ausdal; in that regard please note the following:

- A conflict of interest may exist between Sentinus and its clients;
- The client is under no obligation to act upon Sentinus's recommendation; and
- If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through Ausdal.

Please note that the registration of Sentinus personnel with Ausdal is to facilitate the sale of insurance products, variable annuity, and VUL products as part of Sentinus's financial planning services. All Sentinus managed portfolios are established at Pershing LLC. Please see Item 9.B.2 of this Brochure for additional details regarding Sentinus's relationship with Pershing LLC.

#### **A.2.c.3. Relationships with Several Insurance Firms**

Certain managers, members, and registered employees of Sentinus are agents for certain insurance carriers. With respect to the provision of financial planning services, Sentinus professionals may recommend insurance products offered by such carriers for whom they function as agents and receive a commission for doing so. Clients are advised of a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Clients are also advised that Sentinus professionals strive to put their clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire.

#### **A.2.c.4. Envestnet**

Sentinus has formed a strategic relationship with Envestnet Asset Management ("EAM") whereby EAM will function as the platform manager in its Unified Managed Account Program. EAM will make available through this platform various third-party managers, one of which will be Premise Capital, LLC, to manage Sentinus advisory clients' portfolio assets. See conflict of interest disclosure in Item 10.C.1. above. EAM acts as adviser and various third-party managers

act as sub-advisers to EAM. The third-party sub-advisers receive a portion of EAM's advisory fee.

## **B. Code of Ethics, Brokerage Trading Practices, Account Reviews, and Financial and Related Matters**

### **B.1. Code of Ethics Description**

In accordance with the Advisers Act, Sentinus has adopted policies and procedures designed to detect and prevent insider trading. In addition, Sentinus has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Sentinus's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of Sentinus. Sentinus will send clients a copy of its Code of Ethics upon written request.

Sentinus has policies and procedures in place to ensure that the interests of its clients are given preference over those of Sentinus, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

#### **B.1.a. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Sentinus does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory, or buying stocks from advisory clients into a firm's inventory). In addition, Sentinus does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

#### **B.1.b. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Sentinus, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Sentinus specifically prohibits. Sentinus has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and

- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Sentinus' procedures when purchasing or selling the same securities purchased or sold for the client.

#### **B.1.c. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Sentinus, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Sentinus clients. Sentinus will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee, or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of Sentinus to place the client's interests above those of Sentinus and its employees.

### **B.2. Factors Used to Select Broker-Dealers for Client Transactions**

#### **B.2.a. Custodian Recommendations**

Sentinus may recommend that clients establish brokerage accounts with the Pershing Advisor Services division of Pershing LLC ("Pershing"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Sentinus may recommend that clients establish brokerage accounts with Pershing, Sentinus is independently owned and operated and not affiliated with Pershing. Pershing does not charge separately for custody services, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through or that settle into Pershing accounts.

In certain instances and subject to approval by the firm, Sentinus will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Sentinus will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### **B.2.a.1. Soft Dollar Arrangements**

Sentinus does not utilize soft dollar arrangements. Sentinus does not direct brokerage transactions to executing brokers for research and brokerage services.

**B.2.a.2. Institutional Trading and Custody Services**

Pershing provides Sentinus with access to its institutional trading and custody services, which are typically not available to Pershing's retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at Pershing. These services are not contingent upon Sentinus committing to Pershing any specific amount of business (assets in custody or trading commissions). Pershing's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

**B.2.a.3. Other Products and Services**

Pershing also makes available to Sentinus other products and services that benefit Sentinus but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Sentinus's accounts, including accounts not maintained at Pershing. Pershing also makes available to Sentinus its managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of Sentinus's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

Pershing also offers other services intended to help Sentinus manage and further develop its business enterprise. These services may include

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants, and insurance providers

Pershing may also provide other benefits, such as educational events or occasional business entertainment of Sentinus personnel. In evaluating whether to recommend that clients custody their assets at Pershing, Sentinus may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by Pershing, which may create a potential conflict of interest.

**B.2.a.4. Independent Third Parties**

Pershing may make available, arrange, and/or pay third-party vendors for the types of services rendered to Sentinus. Pershing may discount or waive fees it would otherwise charge for some

of these services or all or a part of the fees of a third party providing these services to Sentinus.

***B.2.a.5. Additional Compensation Received from Custodians***

Sentinus may participate in institutional customer programs sponsored by broker-dealers or custodians. Sentinus may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Sentinus's participation in such programs and the investment advice it gives to its clients, although Sentinus receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving Sentinus 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
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Sentinus by third-party vendors

The custodian may also pay for business consulting and professional services received by Sentinus's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for Sentinus's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Sentinus but may not benefit its client accounts. These products or services may assist Sentinus in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Sentinus manage and further develop its business enterprise. The benefits received by Sentinus or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Sentinus also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Sentinus to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Sentinus will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Sentinus's related persons, and reimbursement of expenses (including travel, lodging,

meals and entertainment expenses for Sentinus's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Sentinus endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Sentinus or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Sentinus's recommendation of broker-dealers such as Pershing for custody and brokerage services.

#### **B.2.b. Brokerage for Client Referrals**

Sentinus does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

#### **B.2.c. Directed Brokerage**

##### ***B.2.c.1. Sentinus Recommendations***

Sentinus typically recommends Pershing as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

##### ***B.2.c.2. Client-Directed Brokerage***

Occasionally, clients may direct Sentinus to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Sentinus derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Sentinus loses the ability to aggregate trades with other Sentinus advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### **B.3. Aggregating Securities Transactions for Client Accounts**

#### **B.3.a. Best Execution**

Sentinus, pursuant to the terms of its investment advisory agreement with clients, may have discretionary authority to determine which securities are to be bought and sold and the amount of such securities. Sentinus recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Sentinus will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)

- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Sentinus seeks to ensure that clients receive best execution with respect to the clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Sentinus's knowledge, these custodians provide high-quality execution, and Sentinus's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Sentinus believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

#### **B.3.b. Security Allocation**

Since Sentinus may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Sentinus in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Sentinus's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Sentinus will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Sentinus's advice to certain clients and entities and the actions of Sentinus for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objectives, guidelines, and circumstances. Thus, any action of Sentinus with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice or actions of Sentinus to or on behalf of other clients.



**B.3.c. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Sentinus believes that a larger size block trade would lead to best overall price for the security being transacted.

**B.3.d. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs, and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Sentinus acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interests of its clients.

**B.4. Review of Accounts****B.4.a. Schedule for Periodic Review of Client Accounts and Advisory Persons Involved**

The review of accounts of high-net-worth and affluent clients, including corporations, partnerships and trusts, are conducted in the first instance by the investment adviser representative servicing the client relationship on at least a quarterly basis. Such professionals are subject to the general authority of Sentinus's Managing Member. The Managing Member or his designee(s) must review and approve the opening of each new advisory relationship and oversee reviews of client accounts. The Managing Member or his designee(s) is also responsible for ensuring that any significant change in a client's investment strategy or in the concentration of a client's assets is appropriate for and has been reviewed with the client.

**B.4.b. Review of Client Accounts on Non-Periodic Basis**

Sentinus investment adviser representatives may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Sentinus formulates investment advice.



**B.4.c. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Sentinus.

**B.5. Client Referrals and Other Compensation****B.5.a. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

In addition to the information described in Items 9.A.2 and 9.B.2 of this Brochure, Sentinus does receive economic benefits from external sources. Sentinus does refer clients to certain investment management firms in return for an ongoing portion of the advisory fee received by such investment manager. All such arrangements are in compliance with Investment Advisers Act rule 206(4)-3. Generally, these requirements require the solicitor, Sentinus, to have a written agreement with the investment management firm. Sentinus must provide the client with a disclosure document describing the fees it receives from the investment management firm, whether those fees represent an increase in fees that the investment management firm would otherwise charge the client, and whether an affiliation exists between Sentinus and the investment management firm.

**B.5.b. Advisory Firm Payments for Client Referrals**

Sentinus does not make payment for client referrals.

**B.6. Financial Information****B.6.a. Balance Sheet**

Sentinus does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

**B.6.b. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Sentinus does not have any financial issues that would impair its ability to provide services to clients.

**B.6.c. Bankruptcy Petitions during the Past Ten Years**

There is nothing to report for this item.

**B.7. Custody**

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by Sentinus to the custodian statement for

accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.

#### **B.8. Investment Discretion**

Clients may grant a limited power of attorney to Sentinus with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In such cases, Sentinus will exercise full discretion as to the nature and type of securities to be purchased and sold and the amount of securities for such transactions, and in certain instances have discretionary authority to select third party money managers for its clients. Investment limitations may be designated by the client as outlined in the investment advisory agreement.