

**Form ADV Part 2A – Firm Brochure**  
**Item 1: Cover Page**  
**March 2013**

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This brochure provides information about the qualifications and business practices of MKT Advisors LLC. If you have any questions about the contents of this brochure, please contact our firm by telephone at (760) 658-8780. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.

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

Please note that the use of the term "registered investment adviser" and description of MKT Advisors LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

## **Item 2: Material Changes**

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MKT Advisors LLC is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

Since our last delivery of our ADV Part 2A Firm Brochure dated May 2012, our firm has added on a new managing partner, therefore, Item 4 of this Brochure has been amended.

Last Annual Updating Amendment: March 2013

### Item 3: Table of Contents

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## **Item 4: Advisory Business**

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A. Description of our advisory firm, including how long we have been in business and our principal owner(s).

MKT Advisors LLC is dedicated to providing clients with a wide array of investment advisory services. We specialize in asset management, fixed-income management, financial consulting, and portfolio monitoring. Our firm is a limited liability company formed in the State of California and we have been in business as an investment adviser since 2012. The firm is owned by Kent Engdahl, Managing Partner and Chief Compliance Officer (1/3 owner), Timothy Jobe, Managing Partner (1/3 owner), and Marc Hodgkins, Managing Partner (1/3 owner).

B. Description of the types of advisory services we offer.

(i) Non-Wrap Asset Management:

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances.

(ii) Financial Consulting:

We provide a variety of financial consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. This consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Insurance Analysis, and Business and Personal Financial Planning.

Our financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. We usually do not provide our clients with a written summary of our observations and recommendations.

(iii) Portfolio Monitoring:

Our Portfolio Monitoring Service provides for safekeeping/housekeeping of assets on behalf of clients with no on-going supervision, trading, or discretion with respect to securities transactions.

Clients are responsible for placing and executing their own trades, either on their own or with another investment adviser. We provide non-continuous and periodic outside account monitoring.

C. Explanation of whether (and, if so, how) (i) we tailor our advisory services to the individual needs of clients, and (ii) whether clients may impose restrictions on investing in certain securities or types of securities.

(i) We offer individualized investment advice to clients utilizing our Non-Wrap Asset Management service.

(ii) Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to our Non- Wrap Asset Management services.

D. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis.

We manage \$90 million on a discretionary basis and \$121 million on a non discretionary basis as of December 2012.

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### **Item 5: Fees and Compensation**

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We are required to describe our brokerage, custody, fees, and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally negotiable by our firm's discretion.

A. Description of how we are compensated for our advisory services provided to you.

(i) Non-Wrap Asset Management:

MKT Advisors LLC's annual fees for Non-Wrap Asset Management shall be based on a negotiated percentage of the market value of the assets under management not to exceed 2.00%. Asset management fees are listed on Schedule A of the client agreement.

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter or the opening balance at the time of enrollment of the Non-Wrap Asset Management Service.

(ii) Financial Consulting:

We charge on an hourly basis for financial consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees are \$250. Financial Consulting shall be provided free of charge to Non-Wrap Asset Management clients.

(iii) Portfolio Monitoring:

MKT Advisors LLC's annual fees for Portfolio Monitoring shall be based on a negotiated percentage of the market value of the assets under management not to exceed 0.50%. Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter or the opening balance at the time of enrollment of the Portfolio Monitoring Service.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) Non-Wrap Asset Management:

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter or the opening balance at the time of enrollment of the Non-Wrap Asset Management Service. Fees will be automatically deducted from your managed account or other accounts as designated. In certain circumstances, clients may be billed directly. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) We verify the value of the assets the fees are based on, how they are calculated and the ultimate dollar amount of the fees with the custodian.

(ii) Portfolio Monitoring:

Clients will either be directly billed or have fees withdrawn from their managed account through a qualified Custodian. If we directly bill you, our bill is due and payable within thirty (30) days. For clients who choose to have fees automatically deducted from their managed account through a qualified custodian, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) If we send a copy of our invoice to you, we send a copy of our invoice to the independent custodian at the same time we send the invoice to you.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Non-Wrap fee Clients may incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

- D. We must disclose if client's advisory fees are due quarterly in advance. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

We charge our advisory fees quarterly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

- E. Commissionable securities sales.

We do not sell securities for a commission.

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

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We do not charge performance fees to our clients.

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### **Item 7: Types of Clients and Account Requirements**

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We have the following types of clients:

- Individuals and High Net Worth Individuals
- Trusts, Estates or Charitable Organizations
- Pension and Profit Sharing Plans
- Corporations, limited liability companies and/or other business types.

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

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- A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

Methods of Analysis:

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

*Fundamental Analysis.* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

*Technical Analysis.* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

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

#### Investment Strategies:

*Long-term purchases.* When utilizing this strategy, we may purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

*Short-term purchases.* When utilizing this strategy, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

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

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

*Margin transactions.* We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

*Option writing.* We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

#### Risk of Loss:

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.



- B. Our practices regarding cash balances in client accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, bank deposits, FDIC Insured Certificates of Deposit, high-grade commercial paper, and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management and portfolio monitoring, as applicable.

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### **Item 9: Disciplinary Information**

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We do not have disciplinary information to disclose.

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

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We have nothing to disclose in this regard.

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

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- A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any client or prospective client upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client.

At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary.

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics.

Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

- B. If our firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a related person recommends to clients, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A of this Brochure. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

- C. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this brochure. Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

- D. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this brochure. Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics.

Furthermore, our related persons may buy or sell the same securities on the same day they buy or sell for our clients. However, the pricing will always benefit the client, or the trade will be part of a block trade at the same price.

## **Item 12: Brokerage Practices**

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- A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Our firm generally recommends that clients establish brokerage accounts with Schwab to maintain custody of their assets and to effect trades for their accounts. Schwab may provide us with access to their institutional custody and trading services, which are typically not available to Schwab retail investors. Schwab's services may also include research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Please note, however, that our firm is independently owned and operated and not affiliated with Schwab, and we may recommend that clients establish accounts with firms other than Schwab.

For client accounts maintained in their custody, Schwab charges separately for trading and is not compensated by our firm out of the advisory fees that we charge. Our firm places trades for clients' accounts subject to its duty to seek best execution and its other fiduciary duties. While our firm may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, this practice may result in additional costs to clients, so that we are more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers. Neither our firm, nor any of its principals and/or employees, receives any portion of the brokerage commissions and/or transaction fees directly charged by a broker-dealer to our firm or charged to Client by a broker-dealer, which are then absorbed by our firm and credited back to Client.

1. Research and Other Benefits. If we receive non-soft dollar research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions, we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Our firm may have arrangements with Schwab which provide us with their "platform" services. Schwab's services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients.

Schwab also makes certain research and brokerage services available at no additional cost to our firm. These non soft-dollar services include certain research and brokerage services, including research services obtained by Schwab directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by Schwab to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Schwab to our firm in the performance of our investment decision-making responsibilities.

The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

We may also gain access to non soft-dollar products and services that will help us in managing and administering client accounts. These include software and other technology that: provide access to client account data (i.e. trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our firm's fees from its clients' accounts; and assist with back-office functions, record-keeping, and client reporting. Many of these services may be used to service all or a substantial number of our accounts.

As a result of receiving the services for no additional cost, we may have an incentive to continue to use or expand the use of Schwab's services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Schwab and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

Schwab charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain mutual funds, commissions are charged for individual equity and debt securities transactions). In some instances, Schwab does charge transaction fees to clients. Schwab enables us to obtain many no-load mutual funds without transaction charges and other funds at nominal transaction charges.

Schwab's commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by Schwab may be higher or lower than those charged by other custodians and broker-dealers. The investment research products and services that may be obtained by our firm will generally be used to service all of our clients.

## 2. Compensation for Client Referrals

Our firm does not receive compensation for client referrals.

## 3. Directed Brokerage

Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected.

## Special Considerations for ERISA Clients

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

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### **Item 13: Review of Accounts or Financial Plans**

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- A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

Once the appropriate portfolio has been determined, we review the portfolio periodically and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors will conduct reviews.

- B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

Among the factors which may trigger a review are major market or economic events, the client's life events, requests by the client, etc.

- C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

We do not provide written reports to clients, unless asked to do so. Verbal reports to Non-Wrap Asset Management and Portfolio Monitoring clients take place on at least an annual basis.

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

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- A. If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

Our firm may recommend that clients establish brokerage accounts with Schwab, to maintain custody of our clients' assets and to effect trades for their accounts.

Our firm is independently owned and operated and not affiliated with Schwab. Our firm may also recommend that clients establish accounts with firms other than Schwab. Our firm places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Our firm may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that we are more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.

Some of the products, services and other benefits provided by Schwab benefit us and may not benefit our firm's client accounts. Our recommendation that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to us, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

In addition to the benefits described in Item 12.A.1 of this Brochure, Schwab also makes available to our firm other products and services that benefit us, but may not benefit our clients' accounts. These non soft-dollar benefits may include national, regional or investment adviser specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of our firm by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Schwab also makes available to our firm other services intended to help our firm manage and further develop our business enterprise. These services may include professional compliance assistance, legal and business consulting, and publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm.

While, as a fiduciary, our firm endeavors to act in its clients' best interests, our recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

As a result of receiving the aforementioned products and services for no cost, we may have an incentive to continue to place client trades through Schwab. This interest conflicts with the clients' interest of obtaining the lowest commission rate available. Therefore, we must determine in good faith, based on the best execution policy stated above, that such commissions are reasonable in relation to the value of the services provided by Schwab. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Schwab and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

From time to time, our firm may make an error in submitting a trade order on a client's behalf. When this occurs, we may place a correcting trade with the broker-dealer which has custody of the client's account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for the client to retain the gain, or our firm confers with the client and the client decides to forego the gain (e.g., due to tax reasons).

If the gain does not remain in the client's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the client's account, they may be netted.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

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### **Item 15: Custody**

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We do not have custody of client funds or securities. All of our clients receive at least quarterly account statements directly from their custodians. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

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### **Item 16: Investment Discretion**

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Our clients need to sign a discretionary investment advisory agreement with our firm for the management of their account. This type of agreement only applies to our Non-Wrap Asset Management clients. We do not take or exercise discretion with respect to our other clients.

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### **Item 17: Voting Client Securities**

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We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

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### **Item 18: Financial Information**

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We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, nor have any of our associates been the subject of a bankruptcy petition at any time during the past ten years.