

**ITEM 1: COVER PAGE FOR PART 2A OF  
FORM ADV: FIRM BROCHURE  
SEPTEMBER 2013**



**Strategic Income Group LLC  
2330 W. Ray Road, Suite #3  
Chandler, AZ 85224  
P: (480) 466-7070**

**Firm Contact:  
Michael Gauthier, Chief Compliance Officer**

**Firm Website Address:  
[www.strategicincomegroup.com](http://www.strategicincomegroup.com)**

This brochure provides information about the qualifications and business practices of Strategic Income Group LLC. If you have any questions about the contents of this brochure, please contact Michael Gauthier, Chief Compliance Officer, at (480) 466-7070 or by email at [michaelgauthier@strategicincomegroup.com](mailto:michaelgauthier@strategicincomegroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.

Additional information about Strategic Income Group LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD#: 165839.

Please note that the use of the term "registered investment adviser" and description of Strategic Income Group 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 TO OUR PART 2A OF FORM ADV: FIRM BROCHURE

**Strategic Income Group LLC** is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. 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 initial filing on 02/25/2013, we have the following material changes to disclose:

- 1) We are switching from SEC to state registration.
- 2) We have changed the name of our Financial Planning & Consulting service to Comprehensive Financial Planning. We no longer provide financial planning services on an hourly fee basis. Please see Item 5 of this Brochure for a detailed description of our billing arrangements.
- 3) We have updated this Brochure to describe our Newsletter and Seminars services. We do not earn any fees or revenues from these services. Please see Item 4 of this Brochure for detailed descriptions of these services.

### ITEM 3: TABLE OF CONTENTS

<b><u>Section:</u></b>	<b><u>Page(s):</u></b>
Item 1: Cover Page For Part 2A Of Form ADV: Firm Brochure.....	1
Item 2: Material Changes To Our Part 2A Of Form ADV: Firm Brochure .....	2
Item 3: Table Of Contents.....	3
Item 4: Advisory Business.....	4
Item 5: Fees & Compensation.....	8
Item 6: Performance-Based Fees & Side-By-Side Management.....	12
Item 7: Types Of Clients & Account Requirements.....	12
Item 8: Methods Of Analysis, Investment Strategies & Risk Of Loss.....	12
Item 9: Disciplinary Information.....	14
Item 10: Other Financial Industry Activities & Affiliations.....	14
Item 11: Code Of Ethics, Participation Or Interest In Client Transactions & Personal Trading .....	15
Item 12: Brokerage Practices .....	16
Item 13: Review Of Accounts Or Financial Plans .....	18
Item 14: Client Referrals & Other Compensation.....	19
Item 15: Custody.....	20
Item 16: Investment Discretion.....	20
Item 17: Voting Client Securities.....	21
Item 18: Financial Information.....	21
Item 19: Requirements For State-Registered Advisers .....	22

## ITEM 4: ADVISORY BUSINESS

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

Strategic Income Group LLC is dedicated to providing individuals and other types of clients with a wide array of investment advisory services. We specialize in the following types of services: Comprehensive Portfolio Management, Comprehensive Financial Planning, Third Party Money Management, Publication of Newsletters, and Educational Seminars. Our firm is a limited liability company formed in the State of Arizona. We have been in business as an investment adviser since March 2013 and are owned wholly by Gauthier Holdings LLC.

B. Description of the Types of Advisory Services.

(i) Comprehensive Portfolio Management:

Our Comprehensive Portfolio Management service encompasses asset management as well as providing financial planning/financial consulting to clients. It is designed to assist clients in meeting their financial goals through the use of financial investments. We conduct at least one, but sometimes more than one meeting (in person if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we propose an investment approach to the client. We may propose an investment portfolio, consisting of exchange traded funds ("ETFs"), mutual funds, individual stocks or bonds, or other securities. Upon the client's agreement to the proposed investment plan, we work with the client to establish or transfer investment accounts so that we can manage the client's portfolio. Once the relevant accounts are under our management, we review such accounts on a regular basis and at least quarterly. We may periodically rebalance or adjust client accounts under our management. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client's investments.

(ii) Comprehensive Financial Planning:

We provide a variety of financial planning services on a one-time or ongoing basis 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. Generally, such financial planning services will involve preparing a financial plan for clients based on the client's financial goals and objectives. Our written financial plans 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. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. Plans are typically completed within three (3) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

Our firm offers an ongoing three (3) phase comprehensive financial planning program through a proprietary planning system. Our investment adviser representatives take a proactive and personalized approach to creating a consistent, cohesive strategy to address our client's goals. We will also refer clients to an accountant, attorney or other specialist for their expertise as needed during the planning process.

#### SIG Financial Planning Program:

Our financial planning program is separated into three separately identified phases:

##### **Foundational Phase**

We will help you articulate and clearly define what you want to accomplish with your wealth.

Services may include:

- Building Your Financial Foundation comprehensive plan  
*To include the Budget Review, Comprehensive Life/Disability Review, Comprehensive Property/Casualty Review, Emergency Fund analysis, Debt pay down analysis, Wealth Vision personal financial planning tool and Personalized Next Step Recommendations.*
- Wealth Vision online financial planning tool  
*To include access to your personal wealth management webpage (investment monitoring, net worth monitoring, budgeting tools, financial planning).*
- Comprehensive life/disability insurance review  
*To include Financial Impact of Premature Death, cost analysis, Needs vs. Resources analysis, Impact on resources, minimum Life Insurance needs, minimum Disability Insurance needed & Insurance vs. Investing Comparison.*
- Comprehensive property/casualty insurance review  
*To include auto insurance analysis, homeowner insurance analysis, umbrella insurance analysis, appropriate coverage analysis, cost analysis and liability analysis.*
- Budget review

##### **Accumulation Phase**

We will organize and audit your current plan and outline critical issues.

Services may include:

- Accumulating Wealth comprehensive plan  
*To include all of the Building Your Financial Foundation Comprehensive Plan, Retirement Needs Analysis, Education Analysis, Quarterly Investment Reviews, additional stress testing of your personalized financial plan and Personalized Next Step Recommendations.*
- Retirement needs analysis  
*To include Retirement Planning Options, Income vs. Expenses, Asset Spend-Down, Earliest Retirement, Maximum Retirement Spending, Minimum Additional Savings for Retirement, Maximum Pre-Retirement Expenses.*
- Education needs analysis  
*To include Education Goal Planning, Funding and Spending details, Funding Shortfall/Surplus, Basics of Education Planning, Cost of Waiting (monthly), Cost of Waiting (lump sum), Education Savings options (proper account choice).*
- Investment review

*To include Investment Asset Allocation, Investment Performance review, Monte Carlo analysis of allocation, Monte Carlo analysis of risk, Portfolio Reinvestment summary, Investment Recommendations.*

### **Strategic Income Phase**

We will design a comprehensive, integrated plan and make recommendations to satisfactorily achieve the goals detailed during the Foundational Phase.

Services may include:

- Strategic Income comprehensive plan  
*To include all of the Building Your Financial Foundation Comprehensive Plan, Accumulating Wealth Comprehensive Plan, Long-Term Care Analysis. Estate Plan Review and additional stress testing of your personalized financial plan and Personalized Next Step Recommendations.*
- Long-term care analysis  
*To include Needs vs. Resources, Understanding options and types of Long-Term Care solutions, Impact on Resources, Insurance vs. Investing Comparison, Minimum Long-Term Care Insurance needed.*
- Estate plan review  
*To include Estate Flow Chart, Liquidity of Insurance & Portfolio Assets, Estate Tax analysis, Estate Distribution, Gift Tax analysis, Estate Valuations & Transfers, review/discussion on (Charitable Trusts, Life Insurance Trusts, Grantor Trusts, Qualified Trusts, Family Limited Partnerships, etc.).*

### **Estate Planning Documents:**

#### **Will Package**

Last Will and Testament (Simple); Financial POA; Medical POA; Mental Health Care POA; Living Will; Organ Donation Document; Tangible Personal Property Memo; and Binder, tabs, all Meetings, Notary.

#### **Trust Package**

Last Will and Testament (Pour-Over); Financial POA; Medical POA; Mental Health Care POA; Living Will; Organ Donation Document; Tangible Personal Property Memo; Community Property Memorandum (Married); Certificate of Trusts; and Binder, tabs, 1 AZ deed and bill of sale.

We recognize that not all clients desire the full breadth of services we provide through our comprehensive financial planning program. Thus, we also offer various levels of modular planning upon the client's request.

Clients should be aware that a conflict of interest may exist between our firm and the client, as some recommendations may result in the compensation of our representatives. Clients are under no obligation to act upon our recommendation and if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through our firm.

(iii) Newsletter:

We produce a newsletter providing general information on various topics including, but not limited to, estate and retirement planning, market trends, etc. No specific investment recommendations are provided in this newsletter and the information provided does not purport to meet the objectives or needs of any individual.

(iv) Seminars:

Our firm may conduct generic educational seminars intended to educate the public regarding investment related topics. The information contained in the seminar materials do not contain specific investment advice and is not intended to address the needs of specific individuals or contains. Seminars will be conducted by agents of our firm.

(v) Third Party Money Management:

We provide clients with a list of investment advisory services of third party professional Portfolio Management firms for the individual management of client accounts. As part of this process, we assist clients in identifying an appropriate third party money manager. We provide initial due diligence on third party money managers and ongoing reviews of their management of your account.

In order to assist clients in the selection of a third party money manager, we typically gather information from the client about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account, which are often very limited. It is important to note that we do not offer advice on any specific securities or other investments in connection with this service. Investment advice and trading of securities is only offered by or through the third party money managers to clients.

We periodically review third party money managers' reports provided to the client, but no less often than on an annual basis. Our associates contact the clients from time to time, as agreed to with the client, in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third party money manager. The client will be expected to notify us of any changes in his/her financial situation, investment objectives, or account restrictions that could affect their account. The client may also directly contact the third party money manager managing the account or sponsoring the program.

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

We offer individualized investment advice to clients utilizing our Comprehensive Portfolio Management service. Additionally, we offer general investment advice to clients utilizing the following services offered by our firm: Comprehensive Financial Planning and Third Party Money Management.

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 Comprehensive Portfolio Management service.

D. Participation in Wrap Fee Programs.

We offer wrap fee programs as further described in Part 2A, Appendix 1 (the “Wrap Fee Program Brochure”) of our Brochure. Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client’s investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts. As further described in our Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services.

E. 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 \$25,000,000 on a discretionary basis and \$0 on a non-discretionary basis as of July 2013.

## ITEM 5: FEES & COMPENSATION

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. Fees are generally negotiable on a per client basis at our firm’s discretion. Lower fees for comparable services may be available from other sources.

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

(i) Comprehensive Portfolio Management:

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
\$0 to \$500,000	1.75%
\$500,000 to \$1,000,000	1.50%
\$1,000,000 to \$2,500,000	1.15%
\$2,500,000 to \$5,000,000	0.85%
Over \$5,000,000	Negotiable

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.

(ii) Comprehensive Financial Planning:

We charge on a monthly or flat fee basis for financial planning services. For our SIG Financial Planning Program, clients are charged a monthly fee that ranges from \$60 to \$100 per month. Modular planning services will be billed on a flat fee basis that ranges from \$97 to \$3,500. All fees are based on the scope and complexity of our engagement with you.



### SIG Financial Planning Program

#### **Phase I – Building Your Financial Foundation Comprehensive Plan**

\$60 per month\*/\$720 annually (waived if you have over \$100,000 in fee-based accounts)

#### **Phase II - Accumulating Wealth Comprehensive Plan**

\$85 per month\*/\$1,020 annually (waived if you have over \$150,000 in fee-based accounts)

#### **Phase III - Strategic Income Comprehensive Plan**

\$100 per month\*/\$1,200 annually (waived if you have over \$250,000 in fee-based accounts)

*\*Services may be cancelled at any time upon written notice.*

### Modular Planning

Wealth Vision online Personal Financial Planning tool \$29/month

#### **Phase I Modules**

Budget Review	\$97
Comprehensive Life/Disability Insurance Review	\$197
Comprehensive Property/Casualty Insurance Review	\$197

#### **Phase II Modules**

Retirement Needs Analysis	\$297
Education Needs Analysis	\$297
Investment Review	\$297

#### **Phase III Modules**

Long-Term Care Analysis	\$297
Estate Plan Review	\$397

#### **Estate Planning Documents**

Will Package	\$200-\$500
Trust Package	\$600-\$3,500

*\*Prices are based on needs and family dynamics. We use services from Legalzoom.com, Certified Document Preparers and licensed attorneys. We will discuss the most appropriate solution for your family.*

#### (iii) Newsletters:

We provide monthly newsletters to our advisory clients free of charge.

(iv) Seminars:

We do not earn any fees or revenues from the seminars.

(v) Third Party Money Management:

We are paid by third party money managers when we refer you to them and you decide to open a managed account. Third party money managers pay us a portion of the investment advisory fee that they charge you for managing your account. Fees paid to us by third party money manager are generally ongoing. All fees we receive from third party money managers and the written separate disclosures made to you regarding these fees comply with applicable state statutes and rules. The separate written disclosures you need to be provided with include a copy of the third party money manager's Form ADV Part 2, all relevant Brochures, a Solicitation Disclosure Statement detailing the exact fees we are paid and a copy of the third party money manager's privacy policy. The third party money managers we recommend will not directly charge you a higher fee than they would have charged without us introducing you to them.

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

(i) Comprehensive Portfolio Management:

Fees will generally be automatically deducted from your managed account\*. LPL Financial ("LPL") will automatically deduct our advisory fees from client accounts custodied at LPL and pay the advisory fees to our firm as set forth in the executed LPL Account Application form and our firm's advisory contract. We do not have the authority to direct the custodian to deduct our advisory fees from client accounts custodied at LPL without written client consent. As part of this process, you understand and acknowledge the following:

- a) LPL as your custodian sends statements at least quarterly to you showing all disbursements in your account including the amount of the advisory fees paid to us, the value of your assets upon which our fee was based, and the specific manner in which our fee was calculated;
- b) You provide authorization to LPL permitting advisory fees to be deducted from your advisory account;
- c) LPL calculates our advisory fees and deducts them from your account every quarter.

\*In rare cases, we will agree to directly bill clients.

(ii) Comprehensive Financial Planning:

We require a retainer of fifty-percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. Retainer may be waived in certain cases at our discretion. In all cases, we will not require a retainer exceeding \$500 when services cannot be rendered within 6 (six) months.

(iii) Third Party Money Management:

Third party money managers establish and maintain their own separate billing processes over which we have no control. In general, they will directly bill you and describe how this works in their separate written disclosure documents.

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 will 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).

Wrap fee clients will receive our Form ADV, Part 2A, Appendix 1 (the "Wrap Fee Program Brochure"). Wrap fee clients will not incur transaction costs for trades. More information about this is disclosed in our separate Wrap Fee Program Brochure.

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 sell securities for a commission. In order to sell securities for a commission, our supervised persons are registered representatives of LPL Financial, member FINRA/SIPC. Our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds. You should be aware that the practice of accepting commissions for the sale of securities:

- 1) Presents a conflict of interest and gives our firm and/or our supervised persons an incentive to recommend investment products based on the compensation received, rather than on your needs. We generally address commissionable sales conflicts that arise:
  - a) when explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation we and/or our supervised persons may earn and may not necessarily be in the best interests of the client;
  - b) when recommending commissionable mutual funds, explaining that "no-load" funds are available through our firm if the client wishes to become an investment advisory client.

- 2) In no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.
- 3) Does not exceed more than 50% of our revenue.
- 4) Does not reduce your advisory fees to offset the commissions our supervised persons receive.

## ITEM 6: PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

We do not charge performance fees to our clients.

## ITEM 7: TYPES OF CLIENTS & ACCOUNT REQUIREMENTS

We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts and Estates;
- Pension and Profit Sharing Plans;
- Corporations, Limited Liability Companies and/or Other Business Types.

We do not require certain account sizes or minimum fees for opening or maintaining accounts with our firm. However, the basis for entering into an agreement with our firm is at the discretion of our management personnel.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

- 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.

*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, 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 Comprehensive Portfolio Management, as applicable.

## ITEM 9: DISCIPLINARY INFORMATION

Neither our firm nor our management personnel have disciplinary events to disclose.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

- A. Our firm or our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. The details are as follows:

Representatives of our firm are registered representatives of LPL Financial, member FINRA/SIPC. They may offer securities and receive normal and customary commissions as a result of securities transactions. A conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products based on the compensation they may earn and may not necessarily be in the best interests of the client. This is fully disclosed to Clients and Clients are under no obligation to purchase securities from our firm's supervised persons.

- B. Description of any relationship or arrangement that is material to our advisory business or to our clients, that we or any of our management persons have with any related person<sup>1</sup> listed below. We are required to identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how we address it.

Representatives of our firm are insurance agents. They may offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn and may not necessarily be in the best interests of the client. Clients are under no obligation to purchase insurance products from our supervised persons.

- C. If we recommend or select other investment advisers for our clients and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

Please see Item 4B (v) of this Brochure. The compensation paid to us by third party managers may vary, and thus, there may be a conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. Our firm's fees are not higher than they would have been had our client obtained services directly from the third party money manager. Prior to referring clients to third party advisors, we will ensure that third party advisors are licensed or notice filed with the respective authorities. A potential conflict of interest in utilizing third party advisors may be an incentive to us in selecting a particular advisor over another in the form of fees or services. In order to minimize this conflict our firm will make our selections in the best interest of our clients.

<sup>1</sup> Our Related Persons are any advisory affiliates and any person that is under common control with our firm. Advisory Affiliate: Our advisory affiliates are (1) all of our officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by us; and (3) all of our current employees (other than employees performing only clerical, administrative, support or similar functions). Person: A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

- 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<sup>2</sup>. 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.

---

<sup>2</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

- 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. Further, our related persons will refrain from buying or selling the same securities within 48 hours prior to buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

## ITEM 12: BROKERAGE PRACTICES

- 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 LPL Financial, member FINRA/SIPC to maintain custody of their assets and to effect trades for their accounts. LPL Financial may provide us with access to their institutional custody and trading services, which are typically not available to LPL Financial retail investors. LPL Financial'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 LPL Financial, and we may recommend that clients establish accounts with firms other than LPL Financial.

For client accounts maintained in their custody, LPL Financial does not charge separately for trading, but is 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 LPL Financial to execute trades for client accounts maintained at LPL Financial, this practice may result in additional costs to clients, so that we are more likely to place trades through LPL Financial rather than other broker-dealers. LPL Financial'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.

Our firm may have arrangements with LPL Financial which provide us with their "platform" services. LPL Financial'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.



LPL Financial 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 LPL Financial directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by LPL Financial 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 LPL Financial 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 LPL Financial's services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with LPL Financial 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.

LPL Financial charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). In some instances, LPL Financial does charge transaction fees to clients, in which case, our firm will reimburse the client those fees. LPL Financial enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. LPL Financial's commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by LPL Financial 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. Brokerage for Client Referrals.

Our firm does not receive brokerage for client referrals.

### 3. Directed Brokerage.

- a. If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy.

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.

- b. Permissibility of client-directed brokerage.

We allow clients to direct brokerage. However, we may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

- 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.

## ITEM 13: REVIEW OF ACCOUNTS OR FINANCIAL PLANS

- 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.

We review accounts on at least a quarterly basis for our clients subscribing to our Comprehensive Portfolio Management and Third Party Money Management services. 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. We accomplish this by conducting *Quarterly Investment Manager Meetings*. Every quarter we meet with approximately 10 Investment Management Companies to review our Strategic Portfolios. We provide these managers an agenda to review holdings, ask questions that pertain to clients, changes they would recommend, what we might be

overweight/underweight in and what they would recommend going forward. This allows our firm to obtain the most well-rounded analysis of our strategic approach and recommendations to better serve our clients. Only Michael Gauthier, Chief Compliance Officer, will conduct reviews.

SIG Financial Planning Program clients receive reviews at least annually to discuss changes and updates to their Plan. Modular Planning clients do not receive reviews of their written plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

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

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle 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 clients take place on at least an annual basis when we contact clients who subscribe to our Comprehensive Portfolio Management and Third Party Money Management services.

As mentioned in Item 13A of this Brochure, SIG Financial Planning Program clients receive verbal reviews at least annually. Modular Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

#### ITEM 14: CLIENT REFERRALS & OTHER COMPENSATION

- 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 does not receive any economic benefits for providing investment advice beyond that described in Item 12 of this Brochure.

- 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 relevant state statutes and rules.

## ITEM 15: CUSTODY

- A. If we have custody of client funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) does not send account statements with respect to those funds or securities directly to our clients, we must disclose that we have custody and explain the risks that you will face because of this.

We do not take custody or possession of client funds or securities. All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. 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.

### **Additional Information Regarding Custody:**

LPL is the qualified custodian and maintains custody of client funds and securities in a separate account for each client under the client's name. LPL as a qualified custodian sends account statements showing all transactions, positions, and all deposits and withdrawals of principal and income. LPL sends account statements monthly when the account has had activity or quarterly if there has been no activity. Clients should carefully review those account statements.

Although most securities available in program accounts are custodied at LPL, there are certain securities managed as part of the account that are held at third parties, and not at LPL. For example, variable annuities, hedge funds and managed futures are often held directly with the investment sponsor. For those outside positions, client will receive confirmations and statements directly from the investment sponsor.

- B. If we have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our clients, we are required to explain that you will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.

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.

## ITEM 16: INVESTMENT DISCRETION

If we accept discretionary authority to manage securities accounts on behalf of clients, we are required to disclose this fact and describe any limitations our clients may place on our authority. The following procedures are followed before we assume this authority:

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 Comprehensive Portfolio Management clients. We do not take or exercise discretion with respect to our other clients.

## ITEM 17: VOTING CLIENT SECURITIES

If we have, or will accept, proxy authority to vote client securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

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.

However, third party money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

## ITEM 18: FINANCIAL INFORMATION

- A. If we require or solicit prepayment of more than \$500 in fees per client, six months or more in advance, we must include a balance sheet for our most recent fiscal year.

We do not require nor do we solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year.

- B. If we are a State-registered adviser and have discretionary authority or custody of client funds or securities, or we require or solicit prepayment of more than \$500 in fees per client, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

We have nothing to disclose in this regard.

- C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.

We have nothing to disclose in this regard.

## ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

- A. Identification of each of our principal executive officers and management persons, and description of their formal educations and business backgrounds.

**Michael J. Gauthier**

**Year of Birth:** 1977

**Educational Background:** Arizona State University: B.A. in Business Management & Sociology

**Business Background:**

- Strategic Income Group LLC: President & CCO: 03/2013 – Present
- LPL Financial: Registered Representative: 03/2013 – Present
- Merrill Lynch: Financial Advisor: 06/2000 – 03/2013

**Exams, Licenses & Other Professional Designations:**

- Series 31 – 10/2004
- Series 66 – 04/2001
- Series 7 – 08/2000
- Certified Financial Planner (CFP®)

Certified Financial Planner (CFP®) – Candidates must pass a CFP-board registered program or hold one of seven advanced degrees, designations or professional licenses and pass the CFP exam. Current prerequisites include a bachelor's degree (or higher) from an accredited college or university and three years of full-time personal financial planning experience. Thirty hours of continuing education must be completed every two years. Areas of study include insurance and estate planning, employee benefit and tax planning, as well as investment and retirement planning. CFP practitioners are also subject to strict adherence to the CFP Board's Financial Planning Practice Standards and Professional Code of Ethics and Responsibility.

- B. Description of any business in which we are actively engaged (other than giving investment advice) and the approximate amount of time spent on that business.

Michael Gauthier is the manager of Gauthier Holdings LLC and G<sup>2</sup> Companies, LLC. Both businesses involve, but are not limited to real estate, private lending, and intellectual property. Michael Gauthier spends 5-10 hours per month, none during trading hours on these activities. Neither business involve advisory clients, therefore a conflict of interest does not exist.

- C. In addition to the description of our fees in response to Item 5 of Part 2A, if our firm or a supervised person is compensated for advisory services with performance-based fees, we must explain how these fees will be calculated. Further, we must disclose specifically that performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

We do not charge performance-based fees.

D. If our firm or a management person has been involved in one of the events listed below, we must disclose all material facts regarding the event.

1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

We have nothing to disclose in this regard.

2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

We have nothing to disclose in this regard.

E. In addition to any relationship or arrangement described in response to Item 10.C. of Part 2A, we must describe any relationship or arrangement that our firm or any of our management persons have with any issuer of securities that is not listed in Item 10.C. of Part 2A.

We have nothing to disclose in this regard.

F. Conflict of Interest Disclosure:

All material conflicts of interest are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice. Our firm does not receive compensation arrangements connected with advisory services which are in addition to advisory fees. As a fiduciary, we always put our clients' interests above our own. Information regarding participation or interest in client transactions can be found in our Code of Ethics as well as Item 11 of this Brochure. You may obtain a copy of our Code of Ethics by contacting Michael Gauthier, Chief Compliance Officer, at (480) 466-7070.