

# **Starfish Advisory Services, LLC**

## **Disclosure Brochure – Form ADV Part 2A**

### **Starfish Advisory Services, LLC**

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**This Disclosure Brochure provides information about the qualifications and business practices of Starfish Advisory Services, LLC. If you have any questions about the contents of this Disclosure Brochure, please contact us at: [starfish.daniel@gmail.com](mailto:starfish.daniel@gmail.com) or (512) 745 3776.**

**The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply any specific level of skill or training. This Disclosure Brochure provides information to assist you in determining whether to retain Starfish Advisory Services, LLC.**

**Additional information about Starfish Advisory Services, LLC and its advisory persons is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Starfish Advisory Services, LLC's CRD number is: 166342**

## Item 2: Material Changes

The SEC recently adopted amendments to Form ADV, the form that is filed in order to register as an investment adviser, which requires that certain material be included in Brochures of this type. One of those new items is a summary of any material changes that were made in the adviser's current Brochure since its last annual Brochure. Since we are a newly registered investment adviser, there are no material changes to summarize. However, in the future, this section of our Brochure will contain a summary of any material changes we have made since our last annual Brochure, and we will provide you with a copy of that summary within 120 days of the end of our fiscal year each year. We will also provide you with copies of any new Brochure as necessary under the SEC rules.

At any time you may view the current Disclosure Brochure on-line at the SEC's Investment adviser public disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). To review the firm information for Starfish Advisory Services, LLC:

- Check **Investment Advisor Search** in the left navigation menu.
- Select the option for **Investment Advisor Firm** and enter **166342** (our firm's CRD number) in the field labeled "Firm IARD/CRD Number".
- This will provide access to Form ADV Part 1 and Part 2
- Item 11 of the ADV Part 1 lists legal and disciplinary questions regarding the Advisor.
- In the left-hand navigation menu, Form ADV Part 2 is located near the bottom.

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## **Item 4: Advisory Business**

### **A. Description of Advisor Firm**

Starfish Advisory Services, LLC (“Starfish” or the “Advisor”) is a registered investment adviser with the Securities and Exchange Commission and is a Limited Liability Company organized in the State of Texas.

The firm was formed on 7/03/2012. The principal owner and Chief Compliance Officer is Daniel R. Patterson.

### **B. Advisory Services Offered**

Starfish offers discretionary, non-discretionary and outsourced Chief Investment Officer Services “CIO” to institutional asset management firms.

Advisor evaluates the current investments of each Client with respect to their risk tolerance levels and time horizon. Advisor will make recommendations on an ongoing basis to Client and acts on a non-discretionary basis. Advisor meets with Clients no less than a quarterly basis.

### **Services Limited to Specific Types of Investments**

Advisor generally limits its money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, REITs, government securities, options, hedge funds and limited partnerships. Advisor may use other securities as well to help diversify a portfolio when applicable.

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

Advisor offers the same suite of services to all of its Clients and provides recommendations within Client defined strategies. However, the implementation is dependent upon each Client’s current situation (income, tax levels, and risk tolerance levels) and is used to construct a Client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Advisor from properly servicing the Client account, or if the restrictions would require Advisor to deviate from its standard suite of services, Advisor reserves the right to end the relationship.

**D. Wrap Fee Programs**

Advisor does not manage or participate in any wrap fee programs.

**E. Amounts Under Management**

As of February 1, 2013, the most recent date for which such calculations are provided pursuant to securities regulations, Starfish managed the following assets:

|                          |                  |
|--------------------------|------------------|
| Discretionary Assets     | \$0              |
| Non-Discretionary Assets | \$550,000,000.00 |
| <b>Total</b>             | <b>\$0</b>       |

Clients may request more current information at any time by contacting the Advisor.

**Item 5: Fees Compensation**

**A. Fee Schedule**

Starfish may be compensated based upon a percentage of the aggregate portfolio value (assets under management) in a Client's account or on a fixed fee. Fees based on assets under management are as follows:

| <b>Market Value of Portfolio</b>            | <b>Annual Fee</b> |
|---|-------------------|
| From \$0- \$3,000,000                       | 0.95%             |
| The Balance of \$3,000,000 - \$5,000,000    | 0.80%             |
| The balance of \$5,000,000 - \$10,000,000   | 0.65%             |
| The balance of \$10,000,000 - \$25,000,000  | 0.50%             |
| The balance of \$25,000,000 - \$50,000,000  | 0.30%             |
| The balance of \$50,000,000 - \$100,000,000 | 0.25%             |
| The balance over \$100,000,000              | 0.20%             |

Fixed fees are charged based on the complexity of the Client's needs and are set forth in the agreement between the advisor and the Client.

Outsourced CIO Services are highly negotiable depending on the nature, scope, and duties required of the assignment.

The above stated fees may be negotiated on an individualized Client basis depending upon the needs of the Client and complexity of the situation. Minimum fees may apply based upon complexity, services provided and size of the aggregate account. Fees are generally payable quarterly in advance based on a valuation of the Client's account at the beginning of each quarterly period, but such advisory fees are not collected for services to be performed more than six months in advance. A prorated fee will be assessed to any Client account opened during a quarter. Additionally, payments of advisory fees are generally deducted from Client accounts held with the Custodian for such account. Other than growth in assets under management, Advisor shall not be compensated on the basis of a share of capital gains in, or appreciation of, Client funds. Advisor does not receive any additional compensation (commissions, transaction fees etc.) related to any of its Clients' accounts.

Clients who wish to terminate their account without the payment of any fees must notify Advisor within five business days of execution of the Investment Advisory Contract. If services are terminated within five business days of executing the Investment Advisory Contract, services will be terminated without penalty. After the initial five business days, the Client may be responsible for payment of fees for the number of days services are provided by Advisor prior to receipt of the written notice of termination. Otherwise, the Client may terminate an Investment Advisory Contract by providing written notice to Advisor. Any and all fees paid in advance shall be prorated to the date of termination and any unearned portion of prepaid fees will be refunded to the Client.

**B. Payment of Fees**

**Payment of Investment Management Fees**

Fees are payable monthly in advance based on a valuation of the Client's account at the beginning of each monthly period, but such advisory fees are not collected for services to be performed more than six months in advance. Additionally, advisory fees are generally paid by check upon receipt of invoice.

**C. Clients are Responsible for Third-Party Fees**

Clients are responsible for the payment of all third party fees (i.e. Custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.), if applicable. Those fees are separate and distinct from the fees and expenses charged by Advisor. Please see Item 12 of this brochure regarding broker/Custodian.

**D. Prepayment of Fees**

Fees are payable monthly in advance based on a valuation of the Client's account at the beginning of each monthly period, but such advisory fees are not collected for services to be performed more than six months in advance. A prorated fee will be assessed to any Client account opened during a quarter. Additionally, payments of advisory fees are generally deducted from Client accounts held with the Custodian for such account. Other than growth in assets under management, Advisor shall not be compensated on the basis of a share of capital gains in, or appreciation of, Client funds. Advisor does not receive any additional compensation (commissions, transaction fees etc.) related to any of its Clients' accounts.

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**E. Outside Compensation for the Sale of Securities to Clients**

Neither Advisor nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

Advisor does not accept performance-based fees or other fees based on a share of capital gains on, or capital appreciation of, Client assets.

**Item 7: Types of Clients**

We offer our investment advisory services to other investment advisors and individuals, including high net worth individuals, trusts, estates, foundations and endowments, as well as corporations or other business organizations. Accounts normally need to be of a certain minimum size to be accepted for management, but such requirements differ depending upon the particular advisory program or investment strategy employed.

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

**A. Investment Strategies**

Starfish Advisory Services, LLC investment philosophy is based on balancing returns with the appropriate risk profile. Our first priority is to manage risk according to each Client's individual needs. Our philosophy is influenced by the following principles:

1. Markets are Efficient - It is virtually impossible to anticipate the future direction of the market as a whole or of any individual security. It is therefore, unlikely that any portfolio will succeed in consistently "beating the market."

2. Risk and Return and Related - Equities offer the potential for higher long-term investment returns than cash or fixed income instruments. Equities are also more volatile in their performance. Investors seeking higher rates of return must increase the proportion of equities in their portfolio, while at the same time accepting greater variation of results (including occasional declines in value.)
3. Diversification is the Key - Portfolio risk can be decreased by increasing the diversification of the portfolio and by lowering the correlation of market behavior among the asset classes selected. (Correlation is the statistical term for the extent to which two asset classes move in tandem or opposition to one another.)
4. Portfolio Structure Determines Performance - the design of the portfolio as a whole is more important than the selection of any particular security within the portfolio. The appropriate allocation of capital among asset classes (stocks, bonds, cash, etc.) will have far more influence on long-term portfolio results than the selection of individual securities or investment managers. Investment for the long-term (preferably longer than 10 years) becomes critical to investment success because it allows the long-term characteristics of the asset class to surface.

## **B. Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. Starfish will assist Clients in determining the appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for analysis of a Client's account. The Advisor shall rely on the financial or other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in their financial condition, goals, or other factors that may affect this analysis.

Starfish primarily employs investment strategies that do not involve any significant or unusual risk other than domestic equity and international market risks. The risks associated with a particular strategy are provided to each Client in advance of investing Clients accounts. The Advisor will work with each Client to determine their tolerance for risk as part of the portfolio construction process.

**Investing in securities involves a risk of loss that you, as a Client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

Advisor generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, Advisor may

utilize options, which generally hold greater risk of capital loss; and Clients should be aware that there is a material risk of loss using any of those strategies.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that provides fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**Hedge Funds** are not suitable for all investors and involve a high degree of risk due to several factors that may contribute to above average gains or significant losses. Such factors include leveraging or other speculative investment practices, commodity trading, complex tax structures, a lack of transparency in the underlying investments, and generally the absence of a secondary market.

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Precious Metal ETFs** (Gold, Silver, Palladium and Platinum Bullion backed “electronic shares” not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose Clients to various other types of risk that will typically surface at various intervals during the time the Client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short-term trading** risks include liquidity, economic stability and inflation.

**Options** involve a contract to purchase or sell a security at a given price, not necessarily at market value, depending on the market.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a Client, should be prepared to bear.**

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

Starfish and its advisory personnel value the trust you place in us. As we advise all Clients, we encourage you to perform the requisite due diligence on any advisor or service in which you partner. Our backgrounds are on the Investment Advisor Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for your review. To review the firm information contained in ADV Part 1, select the option for Investment Adviser Firm and enter **166342** in the field labeled "Firm IARD/CRD Number." This will provide access to Form ADV Parts 1 and 2. Item 11 of the ADV Parts 1 lists legal and disciplinary information. As of the date of this Disclosure Brochure, Starfish has no disciplinary information, either criminal or civil, to report.

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

The sole business of Starfish is to provide investment management services to its Clients. Neither Starfish nor its advisory personnel are involved in other business endeavors. Starfish does not maintain any affiliations with other firms, other than contracted service providers to assist with the servicing of its Client's accounts.

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

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

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any Client or prospective Client.

#### **B. Recommendations Involving Material Financial Interests**

Advisor does not recommend that Clients buy or sell any security in which a related person to Advisor or Advisor has a material financial interest.

**C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Advisor may buy or sell securities for themselves that they also recommend to Clients. This may provide an opportunity for representatives of Advisor to buy or sell the same securities before or after recommending the same securities to Clients resulting in representatives profiting off the recommendations they provide to Clients. Such transactions may create a conflict of interest. To avoid any conflict of interest, Advisor will always document any transactions that could be construed as conflicts of interest and will always transact Client business before their own when similar securities are being bought or sold.

**D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Advisor may buy or sell securities for themselves at or around the same time as Clients. This may provide an opportunity for representatives of Advisor to buy or sell securities before or after recommending securities to Clients resulting in representatives profiting from the recommendations they provide to Clients. Such transactions may create a conflict of interest. To avoid any conflict of interest, Advisor will always transact Client's transactions before its own when similar securities are being bought or sold.

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| <p><b>Item 12: Brokerage Practices</b></p> |
|--|

**A. Factors Used to Select Custodians and/or Broker/Dealers**

The Advisor does not directly select or maintain custodial accounts for CIO accounts. Advisor will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

**1. Research and Other Soft-Dollar Benefits**

Advisor receives no research, product, or services other than execution from a broker-dealer or third-party in connection with Client securities transactions ("soft dollar benefits").

**2. Brokerage for Client Referrals**

Advisor receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

**3. Clients Directing Which Broker/Dealer/Custodian to Use**

Advisor allows Clients to direct brokerage. However, Advisor may recommend Custodians. Advisor may be unable to achieve most favorable execution of Client transactions if Clients choose to direct brokerage. This may cost Clients money because without the ability to direct brokerage Advisor may not be able to aggregate orders to reduce transactions costs resulting in

higher brokerage commissions and less favorable prices. Not all investment advisers allow their Clients to direct brokerage.

**B. Aggregating (Block) Trading for Multiple Client Accounts**

Advisor maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of Clients by providing Advisor the ability to purchase larger blocks resulting in smaller transaction costs to the Client. Declining to block trade can cause more expensive trades for Clients.

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|---|
| <p><b>Item 13: Review of Accounts</b></p> |
|---|

**A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are monitored on a regular and continuous basis by Daniel R. Patterson, Managing Member. Portfolios are informally reviewed with Clients on a quarterly basis and formally on at least an annual basis. Client needs determine the frequency of reviews.

**B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

In addition to the investment monitoring noted in Item 13.A., reviews may be triggered by material market, economic or political events, or by changes in Client's financial situations (such as retirement, termination of employment, physical move, or inheritance). A Client has the right to request a review of his/her account at any time and the Client should notify Starfish if changes occur in his/her personal financial situation that might adversely affect his/her investment plan.

**C. Content and Frequency of Regular Reports Provided to Clients**

Each Client will receive at least quarterly from the Custodian; a written report that details the Client's account including assets held and asset value which will come directly from the Custodian. Client brokerage statements will include all positions, transactions and fees relating to the Client's account(s). The Client may also establish electronic access to the Custodian's website so that the Client may view these reports and their account activity.

|  |
|--|
| <p><b>Item 14: Client Referrals and Other Compensation</b></p> |
|--|

**A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Advisor does not accept or receive any economic benefit, directly or indirectly from any third party for advice rendered to Advisor Clients.

**B. Compensation to Non-Advisory Personnel for Client Referrals**

Advisor does not directly or indirectly compensate any person who is not a member of advisory personnel for Client referrals.

### **Item 15: Custody**

Advisor invoices Client for CIO services and receives a check for services.

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

For those Client accounts where Advisor provides ongoing supervision, the Client has given Advisor written discretionary authority over the Client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the Client before any advisory relationship has commenced. The Client provides Advisor discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the Client and the Custodian.

### **Item 17: Voting Client Securities (Proxy Voting)**

Advisor will not ask for, but will accept as requested by Clients, voting authority for Client securities.

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

Neither Starfish, nor its management has any adverse financial situations that would reasonably impair the ability of Starfish to meet all obligations to its Clients. Neither Starfish, nor any of its advisory persons, has been subject to a bankruptcy or financial compromise. Starfish is not required to deliver a balance sheet along with this Brochure, as the firm does not collect advance fees for services to be performed six months or more in advance.