

**Item 1 – Cover Page**

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

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**This brochure provides information about the qualifications and business practices of Cambridge Capital Management, LLC (hereinafter “CCM” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (618) 206-3262 or at [nklitizing@cambridgecapitalmgt.com](mailto:nklitizing@cambridgecapitalmgt.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 CCM is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) . You can search this site by a unique identifying number, known as a CRD number. The CRD number for CCM is 110932.**

## **Item 2. Summary of Material Changes**

### **Material Changes**

#### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

#### **Material Changes since the Last Update**

The following material changes have occurred since the Firm's last update filed in March 2014:

This brochure is being updated as part of the firm's application for registration with the SEC. The firm now has assets under management that permit it to register with the SEC, as more fully disclosed in Item 4.

#### **Full Brochure Available**

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 618-206-3262 or by email at: [nklitizing@cambridgecapitalmgt.com](mailto:nklitizing@cambridgecapitalmgt.com). We may also provide other ongoing disclosure information about material changes as necessary.

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#### **Item 4.           Advisory Business**

Cambridge Capital Management, LLC (hereinafter referred to as "CCM") has been in business since 1999. We are an investment adviser currently registered in the states of Illinois, Missouri, and Texas. Our principal place of business is located in O'Fallon, Illinois. We also hold client meetings by appointment only at a St. Louis, Missouri office. Kenneth R. Diel is our firm's majority owner. Nathaniel W. Klitzing is a minority owner of the Firm.

Total assets under management as of July 20, 2014, is \$105,262,276, with \$95,343,469, managed on a discretionary basis and \$9,918,807, managed on a non-discretionary basis.

#### **Portfolio Management Services**

CCM is in the business of managing individually tailored investment portfolios. Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy or an investment plan with an asset allocation target and create and manage a portfolio based on that policy and allocation target. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

We manage advisory accounts on a discretionary or non-discretionary basis, as agreed with each client. For discretionary accounts, we may implement transactions without seeking prior client consent. For non-discretionary accounts, we seek prior client consent for every contemplated transaction. Therefore, clients with non-discretionary accounts should understand that any delay in obtaining consent may result in less favorable transaction terms, including higher security price and/or higher commissions and/or limited availability of the securities sought.

Account supervision is guided by the stated objectives of the client (i.e., Capital Preservation, Conservative, Conservative Growth, Moderate, Moderate Growth, Growth, Full Growth), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

#### **Retirement Plan Consulting Services**

We offer services to both plan sponsors and participants of retirement benefit plans.

**Plan Design and Provider Consulting.** We may assist with various aspects of the plan design. We evaluate bundled or unbundled retirement plan service providers, including record keepers, third party administrators, trustees, custodians, investment companies and legal and accounting professionals.

**Investment Services.** We offer assistance in creating and establishing a plan's asset allocation and in evaluating, and monitoring investment options. This may include reviewing

appropriate investment options for the plan, asset classes and investment styles, evaluating and recommending investment managers, types and selection of investment options. We may also conduct periodic reviews of the plan's investments to evaluate performance, risk characteristics and expenses and recommend changes where appropriate.

**Employee Education Services.** We provide services to help plan participants choose an appropriate deferral rate and investment selection by holding enrollment meetings and providing online or printed educational materials to encourage participation and help employees choose appropriate deferral rates and investment elections. We may also work directly with plan participants to help them evaluate their retirement savings goals and implement appropriate contribution amounts and investments available in the plan.

**Fiduciary Services.** To assist plan sponsors in fulfilling their ERISA fiduciary responsibilities, We may compare a plan's services, investments, features and fees against those of comparable plans in similar-sized organizations, provide educational resources to help plan sponsors understand and meet their fiduciary obligations and provide detailed listings and explanations of all fees paid by the plan and participants to service providers and identify appropriate opportunities for cost savings.

The following services are considered fiduciary consulting services:

- Plan Design Consulting
- Investment Policy Statement Development and Refinement
- Asset Allocation
- Manager Evaluation and Selection
- Performance Monitoring and Reporting
- Qualified Default Investment Alternative Evaluation and Recommendation
- Investment Reviews
- Participant Advisory Services
- Model Portfolios

CCM acknowledges that in performing the fiduciary consulting services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of the *Employee Retirement Income Security Act of 1974* ("ERISA") for purposes of providing non-discretionary investment advice only. Advisor acts in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Advisor to be a fiduciary as a matter of law. However, in providing the fiduciary consulting services, Advisor (a) has no responsibility and does not (i) exercise any discretionary authority or discretionary control respecting management of the client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of the client's retirement plan or (iii) have any discretionary authority or discretionary responsibility in the administration of the client's retirement plan or the interpretation of retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets and (c) is not the "Administrator" of the client's retirement plan as defined in ERISA.

The following services are considered non-fiduciary services:

- Plan Provider Consulting
- Employee Enrollment Meetings
- Participant Education
- Plan Benchmarking
- Fiduciary Education
- Fee Reporting and Analysis

All recommendations of investment options and portfolios are submitted to the client for ultimate approval or rejection. Therefore, it is always the client's responsibility to make changes to the plan itself.

In the event a client contracts with CCM for one-on-one consulting services with plan participants, those services are consultative in nature and do not involve CCM implementing recommendations in individual participant accounts. It is the responsibility of each participant to implement changes in the participant's individual accounts. We can also meet with individual participants to discuss their specific investment risk tolerance, investment time frame and investment selections.

CCM does not serve as administrator or trustee of the plan. CCM does not act as custodian for any client account or have access to client funds or securities (with the exception of some accounts having written authorization from the client to deduct our fees). In addition, we do not implement any transactions in a retirement plan or participant's account. For retirement plan consulting services, the retirement plan or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

CCM will disclose to you, to the extent required by ERISA Regulation Section 2550.408b-2(c), any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

#### Financial Planning/Consulting Services

We also provide general financial planning to you if requested. Normally this service is provided to clients of Cambridge Capital Management without any additional fees. For financial planning services that are subject to additional fees, hourly fees will be charged at a rate of \$125 per hour and the specific rates and estimated time to complete the requested financial planning services will be discussed before such charges are incurred. The specific hourly fees for each client will be disclosed prior to any engagement undertaken for an hourly fee.

The focus of financial planning is to assist the client in defining personal financial planning goals and objectives to be pursued in the areas of business planning, children's education, retirement planning, estate planning, tax planning, and investments, and to supply an analysis and

recommendations as to the actions and investment strategies necessary to attain these goals and objectives. The client is not obliged to follow recommendations made during the financial planning process. It is solely up to the client to implement any advice, strategy, or recommendation made in a financial plan.

For individuals wishing to receive financial planning not a part of investment management the Firm may be engaged to provide a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they impact and are impacted by the entire financial and life situation of the client. Clients will receive a written or an electronic report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

Clients can also receive investment advice on a more limited basis. This may include advice on asset allocation to participants in self-directed retirement plans or an isolated area(s) of concern such as investment strategy consultations, estate planning, retirement planning, or any other specific topic.

### Services in General

Our investment, financial planning and consulting recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. While we reserve the right to offer advice on any product that may be suitable for each client's specific circumstances, needs, goals and objectives, our advice primarily involves the following instruments:

- Exchange-listed securities
- Exchange traded funds (ETFs)
- "No-load" or "load-waived" mutual funds
- Corporate debt securities

Occasionally, we may also recommend investments in the following instruments:

- Certificates of deposit
- Municipal securities
- Commercial paper
- United States government securities
- Variable Annuities

We tailor all of our portfolio management and consulting recommendations to the individual needs of each client. All such recommendations are tailored based on information gathered through client questionnaires, electronic communications, telephone and in-person discussions. We believe in dollar-cost averaging, which means spreading the purchase of securities over time to achieve the lowest average cost.

## **Item 5. Fees and Compensation**

### **Portfolio Management Services**

Our fees for Portfolio Management Services are based upon a percentage of assets under management, in accordance with the following fee schedule:

<u>Assets Under Management (\$)</u>	<u>Annual Fee (%)</u>
First \$250,000	1.25%
Next \$500,000	1.00%
\$750,000 to \$2,000,000	0.75%
\$2,000,000 to \$7,500,000	0.50%
Above \$7,500,000	0.40%

Portfolio management fees are charged in advance at the beginning of each quarter, based upon the net value of the assets in the client account on the last business day of the previous quarter.

Depending on the particular arrangement with each client, we either invoice clients or directly debit their custodial accounts for portfolio management fees. If fees are deducted from the account, the client must provide the account custodian with written authorization to have the fees deducted and paid to us. Prior to any fees being deducted (and at the same time a billing statement is sent to the custodian), we send the client a fee billing notice showing the amount deducted, the manner in which the fee is calculated, any adjustments to the fee and an explanation of any such adjustments. At least quarterly, the custodian sends clients a statement showing all disbursements from the account, including advisory fees deducted. If fees are paid directly, payment is due upon receipt of our billing statement.

### **Retirement Plan Consulting Services**

The annual fee for retirement plan consulting services will be charged as a percentage of the total plan assets. Fees are negotiable based on criteria such as plan size, number of plan participants, average participant account balance, number of business locations, etc.

In most of the time the fee is not expected to be higher than 1.00% of the total plan assets. Plan sponsors can elect to pay any or all of the fees for services provided to plan participants.

Clients can elect to have fees billed directly or deducted from the plan assets. If the client is billed directly, fees are billed in advance and a detailed billing invoice is sent quarterly. Fees are calculated based on the plan asset value as of the beginning of each quarter. If fees are deducted from the plan account, the client must provide written authorization to the plan custodian for fees to be deducted from the account and paid directly to us. Prior to any fees being deducted (and at the same time a billing statement is sent to the custodian), we send the client a fee billing notice showing the amount deducted, the manner in which the fee is calculated, any adjustments to the fee and an explanation of any such adjustments. Fees are calculated on a daily accrual basis and



billed monthly in arrears. If fees are paid directly, payment is due upon receipt of our billing statement.

### Financial Planning/Consulting Services

We charge Financial Planning/Consulting clients on an hourly basis. While fees vary based on the complexity of the plan or project and the range of services we are retained to provide, our base hourly rate is \$125 per hour, and fees are payable as services are performed. We will estimate how long a project will take and provide the client with a quote based on the hourly rate. We may require an advance deposit and the balance becomes due and payable upon completion of the service. The deposit amount is noted in the agreement the client signs. Typically, we present the financial plan to the client within 90 days of the contract date, provided that all information needed to prepare the financial plan has been promptly provided to us by the client.

### Fees in General

Fees for portfolio management and financial planning/consulting services are negotiable based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). Discounts, not generally available to our advisory clients, may be offered to family members.

We may group certain related client accounts for the purposes of determining the account size and/or annualized fee.

Certain legacy client agreements may be governed by fee schedules different from those listed above.

Under no circumstances will we earn fees in excess of \$500 more than six months in advance of services rendered.

### Account Termination

Clients have a period of five (5) business days from the date of signing the agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, the client may terminate the agreement by providing us written notice at our principal place of business. Upon termination of any account, any prepaid, unearned fees are promptly refunded, and any earned, unpaid fees are due and payable.

Mutual Fund and ETF Fees and Expenses: All fees paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund or an ETF directly, without the services of our firm. In that case, the client would not receive the services provided by us which are

designed, among other things, to assist the client in determining which mutual fund or funds or ETFs are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and ETFs and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### Brokerage and Custodial Fees

In addition to advisory fees paid to our firm, clients are also responsible for all transaction, brokerage, trade-away and custodial fees incurred as part of their account management. Please see Item 12 of this Brochure for important disclosures regarding our brokerage practices.

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

We do not charge any fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7. Types of Clients**

Our firm generally provides advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

We require a minimum of \$50,000 in assets under management to establish an account with us. However, at our sole discretion, we may grant an exception to this minimum based upon a client's history and relationship with Advisor as well as other current or anticipated advisory services provided by us to the client.

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

Our firm employs the following types of analysis to formulate client recommendations:

Asset Allocation: Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash changes over time due to stock and market movements and, if not corrected, may no longer be appropriate for the client's goals.

#### Model Asset Allocation in Portfolio Construction

We use model asset allocations in our portfolio management that represent different levels of risk. Seven model asset allocations have been established using sectors and subsets of asset types and investment vehicles. Each asset allocation portfolio consists of mutual funds and exchange traded funds that are both actively and passively managed. Mutual funds and exchange traded funds are selected on their ability to fulfill a role in the portfolio and to some extent, their cost.

Fundamental Analysis: Fundamental analysis of a business involves analyzing its income statement, financial statements and health, its management and competitive advantages, and its competitors and markets. Fundamental analysis school of thought maintains that markets may mis-price a security in the short run but that the "correct" price is eventually reached. Profits can be made by trading the mis-priced security and then waiting for the market to recognize its "mistake" and re-price the security. However, 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. Therefore, unforeseen market conditions and/or company developments may result in significant price fluctuations that can lead to investor losses.

Mutual fund and/or ETF analysis: We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other funds in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund or ETF less suitable of the client's portfolio.

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 to potentially predict future price movement.

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.

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. 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.

Risks for all forms of analysis: Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Our firm employs the following investment strategies to implement investment advice given to clients:

Long-term purchases: We mostly purchase securities with the idea of holding them in the clients account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

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.

Dollar-cost averaging may miss out on low points in buying in favor of a long term approach.

Short-term purchases: At times, 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.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and results in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

*Clients should understand that investing in any securities, including mutual funds and ETFs, involves a risk of loss of both income and principal that they should be prepared to bear.*

#### **Item 9. Disciplinary Information**

Our firm has no reportable disciplinary events to disclose.

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

CCM is related, by virtue of common ownership and control, to Diel & Forguson, LLC, (hereinafter, "D&F"), a public accounting and consulting firm. Certain of CCM's principals and employees are licensed and practicing accountants with D&F. These two entities may share clients and/or refer clients to each other. However, no referral fees of any kind are exchanged between them. D&F also provides office space, communication equipment, administrative support and technological assistance to our firm. Please see Item 14 of this Brochure for a more detailed explanation of these practices and important conflict of interest disclosures. CCM is also related to Michael Tinkler by the fact that Mr. Tinkler operates a small accounting practice from his home. No CCM clients are referred to Mr. Tinkler.

CCM is also related, by virtue of common ownership and control, to Pension Administrative Services, Inc., a third-party administrator of employee benefit plans. These two entities may share clients and/or refer clients to each other. However, no referral fees of any kind are exchanged between them.

CCM is also related, by virtue of common ownership and control, to Strategic Business Solutions, Inc., a technology consulting firm. These two entities may share clients and/or refer clients to each other. However, no referral fees of any kind are exchanged between them.

CCM is also related, by virtue of common ownership and control, to Sunset Investments, LLC, a real estate management company. These two entities may share clients and/or refer clients to each other. However, no referral fees of any kind are exchanged between them.

Some of these non-advisory activities present a potential conflict of interest, to the extent that CCM principals and employees may receive additional compensation as a result of recommending additional accounting, consulting and management products and services to clients. Potential conflicts of interest also arise to the extent that these non-advisory activities may require a significant time commitment from CCM's principals and employees, thus limiting the amount of time they can dedicate to management of advisory client accounts.

Since we endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and its employees to earn compensation from advisory clients in addition to our advisory fees;
2. We disclose to clients that they are not obligated to purchase any recommended non-advisory products or services from our employees and may be purchased elsewhere at a lower cost;
3. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
4. Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
5. We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
6. We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and

7. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Sharing of office space with D&F creates privacy and information security challenges that we address and monitor on an ongoing basis. We have implemented appropriate privacy, information security, and investment information sharing safeguards to ensure that our clients' confidential, non-public information and our investment methods, ideas, and trading information are properly protected.

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

### Code of Ethics Disclosure

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal and state securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports and provides for oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients upon request to Nathaniel Klitzing, Chief Compliance Officer, at the firm's principal office address.

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to or purchased for customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. This practice results in a potential conflict of interest, as we may have an incentive to manipulate the timing of such purchases to obtain a better price or more favorable allocation in rare cases of limited availability.

To mitigate these potential conflicts of interest and ensure the fulfillment of our fiduciary responsibilities, we have established the following restrictions:

1. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No principal or employee of our firm may prefer his or her own interest to that of the advisory client;
2. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts;
3. We do not aggregate employee trades with client trades;
4. We maintain a list of all securities holdings for our firm and anyone associated with this

advisory practice with access to advisory recommendations;

5. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where our firm is granted discretionary authority;
6. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices; and
7. Any individual not in observance of the above may be subject to disciplinary action or termination.

## **Item 12. Brokerage Practices**

We do not have any formal soft-dollar arrangements. However, our firm participates in the Schwab Institutional (SI) services program offered to independent investment advisers by Charles Schwab & Company, Inc. ("Schwab"), a FINRA-registered broker dealer. We recommend Schwab to clients needing brokerage and custodial services. While there is no direct linkage between the investment advice given and participation in the SI program, economic benefits are received which would not be received if our firm did not give investment advice to clients. These benefits include: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk serving SI participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client account; access, for a fee, to an electronic communication network for client order entry and account information; receipt of compliance publications; and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors. The benefits received through participation in the SI program may or may not depend upon the amount of transactions directed to, or amount of assets held at Schwab.

Participation in the SI program results in a potential conflict of interest for our firm, as the receipt of the above benefits creates an incentive for us to use Schwab for the execution of client trades. Nonetheless, we have reviewed the services of Schwab and recommend the services based on a number of factors. These factors include the professional services offered, commission rates, and the custodial platform provided to clients. We periodically attempt to negotiate lower commission rates for our clients with Schwab.

If we decide to use another broker dealer to execute a client trade due to better availability, liquidity, or pricing, Schwab charges an additional trade-away fee for each such trade. Therefore, we only use this trade-away ability in situations with compelling financial reasons.

We do not request or accept the discretionary authority to determine the broker dealer to be used for client accounts. Clients must direct us as to the broker dealer to be used for all client securities transactions. In directing the use of a particular broker or dealer, it should be understood that we will not have authority to negotiate commissions among various brokers, and

best execution may not be achieved, resulting in higher transaction costs for clients. *Not all advisers require their clients to direct brokerage.*

When undertaking an advisory relationship with our firm, if a client already has a pre-established relationship with a broker and instructs us to execute all transactions through that broker, it should be understood that under those circumstances we do not have the authority to negotiate commissions, obtain volume discounts and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients since our firm may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder its fiduciary duty to the client and/or its ability to service the account.

#### Trade Aggregation

We generally aggregate client trades when doing so is advantageous to our clients. Mostly, we batch client transactions to receive volume discounts and to obtain better and more uniform pricing across client accounts. If we determine that aggregating trades in a certain situation is beneficial to our clients, transactions are averaged as to price and are allocated among our clients in proportion to the purchase and sale orders placed from each client account on any given day. Any exceptions from the pro-rata allocation procedure are carefully explained and documented. Such exceptions may occur due to varying cash availability across accounts, divergent investment objectives and existing concentrations, and desire to avoid “odd lots,” (an amount of a security that is less than the normal unit of trading for that particular security).

### **Item 13.      Review of Accounts**

#### Portfolio Management Services

We continuously monitor the underlying securities in client accounts and perform regular reviews of account holdings for all clients. Accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder’s personal, tax or financial status. Political, geopolitical and macroeconomic specific events may also trigger reviews.

Clients receive monthly or quarterly statements and confirmations of transactions from their broker dealer and/or custodian. Our firm sends additional quarterly reports showing portfolio positions, cost basis and performance compared to relevant index benchmarks.

#### Financial Planning/Consulting Services

We also review these client relationships as contracted for at the inception of the relationship. We provide Financial Planning clients with a completed financial plan and do not typically



provide additional reports unless otherwise contracted for at the inception of the advisory relationship.

For those clients engaging us for consulting services, we do not provide any ongoing reviews or reports beyond those specifically outlined in the advisory agreement(s).

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

Our firm does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate anyone for client referrals.

#### **Item 15. Custody**

Custody is defined as any legal or actual ability by our firm to access client funds or securities. Since we directly debit client fees from their custodial accounts, our firm is deemed to have constructive custody of client funds. The client approves the custodian to be used and the commission rates paid to the custodian. All assets are held at qualified custodians, which mean the custodians provide account statements directly to clients at their address of record at least quarterly.

We urge all of our management clients to carefully review and compare their quarterly reviews of account holdings and/or performance results received from us to those account statements they receive from their account custodian. Should you notice any discrepancies, please notify us and/or your custodian as soon as possible.

#### **Item 16. Investment Discretion**

For clients granting us discretionary authority to determine which securities and the amounts of securities that are to be bought or sold for their account(s), such authority must be granted in writing, typically in the executed investment management agreement.

Should the client wish to impose reasonable limitations on this discretionary authority, such limitations will be included in this written authority statement. Clients may change/amend these limitations as desired. Such amendments must be submitted to us by the client in writing.

#### **Item 17. Voting Client Securities**

For newer relationships, we do not vote proxies on securities. Clients are expected to vote their own proxies. When assistance on voting proxies is requested, the firm will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

For clients under an advisory agreement that provides that the Firm will vote client's securities the Firm continues to do so.

We also do not advise or act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies

of class action notices to the client or a third party. Upon such direction, we make commercially reasonable efforts to forward such notices in a timely manner.

**Item 18. Financial Information**

Under no circumstances do we charge fees in excess of \$500 more than six months in advance of services rendered.