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Form ADV, Part 2A Brochure

March 25, 2014

This brochure provides information about the qualifications and business practices of Signature Resources Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (949) 794-1029. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Signature Resources Capital Management, LLC or any person associated with Signature Resources Capital Management, LLC has achieved a certain level of skill or training.

Additional information about Signature Resources Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

Revised March 25, 2014

The purpose of this page is to inform you of any material changes since the last annual update of this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Signature Resources Capital Management, LLC ("SRCM") reviews and updates our brochure at least annually to confirm that it remains current. Below is a summary of the material changes SRCM made since the last annual update to the brochure.

Material changes from SRCM's brochure dated March 27, 2013:

Item 12 – Brokerage Practices

We have added the following disclosure:

Directed Brokerage Transactions

Clients who direct SRCM to use a particular broker-dealer for trading may pay higher commission charges. Under these circumstances, SRCM may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. Clients should further understand that when they direct SRCM to use a specific broker disparity in transaction charges might exist between the transaction costs charged to other clients. SRCM may not be able to aggregate orders to reduce transaction costs and clients who direct SRCM to use a particular broker-dealer may receive less favorable prices.

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ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

Signature Resources Capital Management, LLC ("SRCM," "we," "our," or "us") is a privately owned Limited Liability Company headquartered in Irvine, California. In April 2007, Gary Kaltenbach, Geoffrey Kaltenbach, Gregory Kaltenbach, and Morgan Christen founded SRCM. In June 2007, we started operating as an investment adviser registered with the U.S. Securities and Exchange Commission. Morgan Christen, CFA, CFP, is SRCM's Portfolio Manager, Chief Investment Officer and Chief Compliance Officer.

SRCM is an independent fee-only investment and financial advisory firm. We do not offer any proprietary products and do not maintain any inventory, which means we are able to offer independent, objective wealth and investment management solutions.

Mission Statement

Our mission is to bring efficient and decisive financial advice to affluent families and provide the most satisfying client experience in America.

Vision Statement

Our vision is to create experiences that combine our expertise with our client's collaborative input to deliver quality, professional and independent advice.

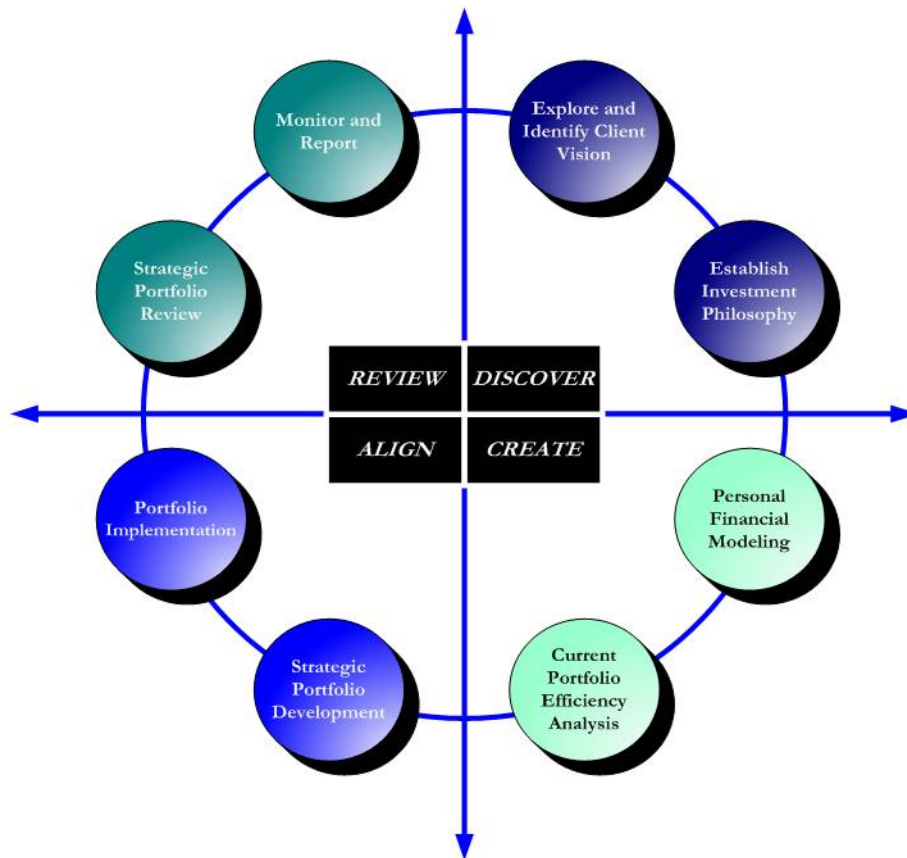
Advisory Services Offered

SRCM offers the following services to advisory clients:

Investment Management Services

We believe that portfolio management, estate and financial planning are ongoing and should be conducted as a collaborative process. The process should reflect the changing personal circumstances of each client. Consequently, it is essential that the client's plan not only meet their current objectives, but also continue to adapt and shift as each client changes and grows. In order to better address these changes and challenges, we utilize a disciplined four-step investment process of "Discover, Create, Align and Review."

See an illustration of our investment process on the next page.



Estate and financial planning are an important component of our Investment Management Service and inform our investment recommendations. However, we do not prepare a formal written financial plan for Investment Management Services clients. We also do not prepare any income, gift, or estate tax returns or legal documents. Upon request, we will prepare a written financial plan for a separate fee. Please see the description of our Financial Planning Service below.

Portfolio Management

Portfolio Management is a major component of the investment management process. We provide Portfolio Management services to our clients on a discretionary basis. The Portfolio Management service includes, among other things, providing advice regarding asset allocation and/or the selection of investments. We offer various asset allocation models that range from Income to Aggressive. We design each model to diversify a client's assets and we construct these models using different investment products, including non-affiliated mutual funds or ETFs. While we have created various models, we manage accounts on an individual basis. Our management and supervision of your account is guided by your stated investment objectives and any restrictions you place on the account. In addition, we consider your risk profile and financial status prior to making any recommendations or investments. Clients are responsible for informing us of any changes to their investment objectives, risk profile, financial status and/or restrictions. We do not assume any responsibility for the accuracy of the information provided by the client.

SRCM's asset allocation models and recommendations for new investments consist of various types of securities, depending on the investment objective of each model, the client's objectives, and the size of

the account. For example, a model portfolio or client account with an Aggressive objective will typically hold primarily individual equity growth stocks and equity growth funds, whereas an account with an Income objective will hold more fixed income funds and/or bonds. We will typically diversify smaller accounts using equity, bond, and balanced mutual funds and ETFs, whereas larger accounts could hold individual equities and bonds. Overall, our investment recommendations will primarily include:

- Equity securities, including stocks and foreign securities listed on US exchanges (ADRs)
- Fixed income securities, including corporate, government, and municipal bonds
- Securities with equity and debt characteristics, including preferred stocks or other preferred securities
- Mutual funds. SRCM generally recommends no load or load waived mutual funds. Also, while not limited to DFA Funds, SRCM frequently uses various DFA Funds, which are mutual funds managed by Dimensional Fund Advisors (“DFA”). DFA offers professionally managed mutual funds at relatively low expense ratios. DFA funds are not available directly to individual investors, but are limited to a group of independent financial advisors approved by DFA. The DFA Funds have asset class strategies that include, but are not limited to, U.S. and non- U.S. equities, fixed income, global and real estate through real estate investment trusts (REITS).
- Exchange Traded Funds (ETFs)
- Closed-end funds
- Money market funds and cash
- Master Limited Partnerships (MLPs)

Additionally, SRCM’s recommendations, depending on the individual investment objectives and needs of the client, may also include Non-Traded Real Estate Investment Trusts (REIT), commercial paper, and certificates of deposit (CDs). SRCM may also occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. SRCM may offer investment advice on any investment held by the client at the start of the advisory relationship.

ETF Model Asset Allocation

Depending on a client’s account size and individual investment objectives SRCM may provide asset allocation models involving primarily Exchange Traded Funds (ETFs). This allocation is typically recommended to clients who have less than \$250,000 in assets under management.

We describe the material investment risks for many of the securities that we recommend under the heading ***Specific Security Risks*** in ***Item 8*** below.

Fee Based Life Insurance

SRCM may also manage the cash value of fee based life insurance accounts. Our investment services are subject to certain limitations on the securities utilized for these accounts (See ***Limitations on Investments***, below).

Third-Party Managers

On occasion, SRCM will recommend a third-party platform manager ("Platform Manager") to invest all or a portion of a client's assets. In these circumstances, the total fee paid by the client will be shared between SRCM and the Platform Manager. See **Item 8** below under the heading **Third-Party Managers** for additional information.

We discuss discretionary authority below under **Item 16 - Investment Discretion**. For more information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** in this item below.

We describe the Fees charged for investment management services below under **Item 5 - Fees and Compensation**.

Limited-Discretionary & Non-Discretionary Accounts

SRCM also offers investment management services to clients on a limited-discretionary basis and non-discretionary basis. See also **Item 16 – Investment Discretion** below.

Financial Planning & Consulting Services

SRCM's primary service offering is Investment Management Services, which includes estate and financial planning as a component. However, we also offer stand-alone Financial Planning and Consulting Services. We prepare financial plans and offer consulting advice consistent with the clients' financial and tax status, risk profile, and return objectives. SRCM offers a range of Financial Planning Services, from broad planning to custom planning focused on specific areas requested by the client. SRCM may provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning. Our Financial Planning Services do not include preparation of any kind of income, gift, or estate tax returns nor preparation of any legal documents, including wills or trusts. We do not offer tax or legal advice of any kind.

We offer both Financial Planning Services and Investment Management Services. When preparing a financial plan, we may have an incentive to recommend our Investment Management Services. Additionally, a number of our personnel hold insurance and brokerage licenses. When preparing a financial plan, we may have an incentive to recommend insurance or brokerage products for which we or any of our personnel may earn a separate fee or commission. However, Financial Planning Services clients are under no obligation to act upon any recommendations of SRCM or to effect any transactions through SRCM or any of our personnel if they decide to follow the recommendations. For additional information on our insurance and brokerage licenses, please see **Item 10 – Other Financial Industry Activities and Affiliations**.

We describe fees charged for financial planning services below under **Item 5 - Fees and Compensation**.

401K Consulting

SRCM provides services to 401K plans. Services include monitoring plan options and providing education to plan participants.

We describe fees charged for 401K services below under ***Item 5 – Fees and Compensation***.

Limitations on Investments

In some circumstances, SRCM's advice may be limited to certain types of securities.

Limitation by Plan Sponsor/Employer or Insurance Company

In the event SRCM is managing assets within a retirement plan such as 401(k), 403(b), or other employer plan, SRCM is limited to those investment providers and investment options chosen by the plan administrator. When we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan's investment options.

Similarly, management of the cash value of fee based life insurance accounts is limited to those investment options made available by the insurance company. The insurance company may also impose limitations on frequency of trading. Therefore, SRCM can only make recommendations to the client from among the available options, and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere.

Limitation by Client

SRCM may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** directly below.

Tailored Services and Client Imposed Restrictions

SRCM manages client accounts based on the investment strategy the client chooses, as discussed below under ***Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss***. SRCM applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and complete information. It is the client's responsibility to keep SRCM informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want SRCM to buy or sell certain specific securities or security types in the account. SRCM reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

Wrap Fee Programs

SRCM does not manage accounts as part of a wrap or bundled fee program.

Assets Under Management

SRCM manages client assets on a continuous and regular basis. As of 2/28/2014, the total amount of discretionary assets under our management was: \$170,660,128. We did not manage any non-discretionary assets.

ITEM 5 - FEES AND COMPENSATION

Fee Schedule

Investment Management Services

SRCM charges advisory fees for Investment Management Services. SRCM's advisory fees are charged based on a percentage of the client's total assets under management, per the following schedules:

<u>Total Assets Under Management</u>		<u>Annual Fee</u>
<u>From</u>	<u>To</u>	
\$0	\$249,999	Up to 1.75%
\$250,000	\$499,999	Up to 1.50%
\$500,000	\$749,999	Up to 1.25%
\$750,000	\$999,999	Up to 1.00%
Over \$1,000,000		Negotiable

Generally, SRCM charges a program fee for accounts under \$250,000 (see below fee schedule). These fees are in addition to our standard fee schedule noted above.

<u>Total Assets Under Management</u>		<u>Annual Program Fee</u>
<u>From</u>	<u>To</u>	
\$0	\$50,000	Up to 0.30%
\$50,001	\$100,000	Up to 0.20%
\$100,001	\$250,000	Up to 0.10%

Our fee schedules may be negotiable based on a number of factors, which include but are not limited to "grandfathered" accounts, related accounts, types of investments managed, and other structures that we may consider in special situations. We also manage some family, client and related accounts without charge. We reserve the right to change the annual fee schedule listed above at any time. Lower fees for comparable services may be available from other sources.

Financial Planning & Consulting Services

SRCM charges clients either an hourly or a fixed fee for financial planning and consulting services. We base fees on the complexity of the plan or project and the range of services provided. Hourly fees are \$350 an hour and fixed fees generally range from \$500 to \$10,000. Rates are negotiable and we reserve the right to change these fees at any time.

Billing Method

Investment Management Services

SRCM's advisory fees are payable quarterly in advance and due on the first day of each calendar quarter. We charge one fourth of the annual fee rate each quarter based on the market value of the client's portfolio as of the last day of the prior calendar quarter. The formula used for the calculation is as follows: $(\text{Annual Rate}) \times (\text{Total Assets Under Management at Quarter-End}) / 4$. We adjust the fee in the event of net contributions or withdrawals in the account during the prior calendar quarter, subject to a materiality threshold. Lastly, we generally aggregate accounts for the same individual or accounts within the same household.

For new client accounts, the first payment is a pro-rata calculation and billed with the next quarter's fee. The calculation will take into consideration the number of days remaining in the quarter and the initial value of the portfolio. The formula used to calculate the initial advisory fee would be as follows: $(\text{Result of Quarterly Calculation}) \times (\text{Days Remaining in Quarter}) / (\text{Total Number of Days in Quarter})$.

At a client's request, SRCM may provide advice and consultation at an hourly rate of \$350 or on a negotiated flat fee basis. These fees may be negotiable depending on the nature and complexity of each client's circumstances. In these instances, we will provide an estimate of the total hours required at the start of the relationship and we will require client written consent. In such situations, the hourly or flat fees charged would be paid in addition to our annual Fee listed above, but in no event will our total compensation paid by the client exceed three percent (3%) of the client's total assets under management.

It is up to the client whether they wish to have the advisory fees withdrawn directly from their custodian account (or life insurance policy) or pay by check. With client authorization, SRCM will automatically withdraw SRCM's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on SRCM's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee for those clients who authorize the advisory fees to be withdrawn directly from their custodian account.

SRCM will send a statement to each client who authorizes SRCM to withdraw fees directly from the custodian. The statement will show the value of the client's assets upon which we based the fee, the amount of the fee, how we calculated the fee, and adjustments for contributions and withdrawals, if any. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

SRCM will send an invoice to all clients who choose not to have advisory fees withdrawn directly from their custodian account. The invoice is payable upon receipt and will include the fee calculation and amount due.

Financial Planning & Consulting Services

We offer clients one of three ways to pay for planning services:

- **Hourly Fees:** Clients may pay hourly fees for our services, which we outline in the Financial Planning Agreement. Typically, hourly fees are payable monthly in arrears. We will send each client on a monthly basis an invoice, which will reflect the hours spent on the service and fees due. Depending on the services provided, we may instead send one invoice upon completion of the services instead of monthly invoices.
- **Project Fees:** One-half of the total project fees are due and payable at the time the client executes the agreement. The remainder of the fee is due upon presentation of a plan or the rendering of consulting services, as specified in the Financial Planning Agreement.
- **Annual Retainer Fees:** The fee is determined based upon the scope of work to be performed and the nature of ongoing consulting desired, (which can be updated annually). This approach is recommended where the nature of the planning work is complex and the client has multiple financial concerns requiring regular advice and guidance. The annual retainer fee is payable quarterly in arrears.

401K Consulting Services

SRCM charges for 401k services based on the arrangement agreed to by the platform. Generally, the platform bills the participants SRCM's fee for the consulting services provided and the platform pays SRCM directly. However, there might be instances when SRCM will directly bill the plan for SRCM's quarterly fee.

Other Fees and Expenses

SRCM's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, insurance premiums, mortality charges (for life insurance products), and/or other similar charges incurred in connection with transactions in accounts, from the assets in the account. These charges are in addition to the fees client pays to SRCM. See **Item 12 - Brokerage Practices** below for more information.

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to SRCM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both SRCM and the mutual fund manager for the management of their assets.

Termination

Investment Management Services

Either party may terminate the agreement upon thirty (30) days written notice to the other party. The client may terminate the agreement by writing SRCM at our office.

SRCM will refund any prepaid, unearned advisory fees based on the effective date of termination. The effective termination date used to calculate the refund will be 30 days after we receive written notice of termination from the client, as noted above, or such other date as agreed upon with the client. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula: $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$.

Financial Planning & Consulting Services

SRCM considers the planning phase of our services to be complete and the agreement terminated upon delivery of the planning project. In the event that either the client or SRCM wishes to terminate the financial planning agreement before completion of the plan, either party may terminate the agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing SRCM at our office.

Upon notice of termination, SRCM will provide you with an invoice for services provided through the date of termination. If you paid fees in advance that were more than the amount due for services, SRCM will refund any unearned fees to you.

Other Compensation

Financial firms related to SRCM or certain of SRCM's personnel may earn commissions on the sale of an insurance or brokerage product that we recommend as part of a financial plan. This presents a conflict of interest as we may have an incentive to recommend investment products based on the compensation we may receive, rather than on a client's needs. We may address this conflict of interest in multiple ways. First, we verbally inform clients when a conflict of interest arises that the client is under no obligation to follow our recommendations or to implement our recommendations through SRCM or any of our personnel who may earn a commission on the sale of an investment product. Clients have the option to purchase investment products that SRCM recommends through any broker or agent they desire. Second, at our discretion, we may choose to waive all or a portion of the financial planning fees when the client elects to purchase an investment product that we recommended in an investment plan and either SRCM or one of our personnel earns a fee or commission on the sale of that investment. We do not receive commissions on fee based life insurance products. For additional information on our Financial Planning Services, see **Item 4 – Advisory Business** above. For additional information relating to insurance and brokerage licenses, please see **Item 10 – Other Financial Industry Activities and Affiliations** below.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

SRCM does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

ITEM 7 - TYPES OF CLIENTS

SRCM offers discretionary, limited-discretionary, and non-discretionary investment management services and financial planning services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to pension and profit sharing plans, charitable organizations, and businesses.

Account Requirements

Generally, SRCM requires a minimum of \$250,000 to establish a new investment management account. For accounts under \$250,000, a Program Fee will be charged to the account in addition to the Investment Management Fee. SRCM may reduce or waive the new account minimum requirements at our discretion. In addition, we may continue to service existing accounts that have values below this minimum.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

General Investment Strategies

SRCM's general investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. SRCM treats each client account uniquely. SRCM assists our clients in completing a client profile that we use to help clients determine an appropriate investment strategy in an effort to attain their financial goals. This client profile typically outlines the client's investment objectives, time horizon, risk tolerance, and any investment constraints the client chooses to place on the management of the account. SRCM will then make recommendations that are consistent with the client's investment profile. SRCM selects suitable categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. Within each investment category, SRCM selects individual securities with characteristics that are most consistent with the client's objectives. We deal with any client restrictions on an account-by-account basis. Since SRCM treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different securities. Timing and tax factors also influence SRCM's investment decisions. SRCM believes that the investment process should be collaborative and SRCM communicates closely with clients about the recommendations we make to ensure they are consistent with the client's objectives and tolerance for risk.

When changes are necessary in the model allocations, discretionary and limited-discretionary portfolio allocations are generally traded and rebalanced before non-discretionary portfolios.

Our investment philosophy is that markets are efficient and that asset allocation is the primary determiner of returns. We believe in using diversification to reduce risk. In managing client portfolios, we will seek to focus on higher return dimensions. For example, analysis of historical returns has shown that value stocks over longer time-periods tend to outperform growth stocks and small capitalization stocks tend to outperform larger capitalization stocks. We will temper higher risk asset classes by including lower risk asset classes such as fixed income. We typically provide continuous exposure to the market and do not try to time the market, but may utilize cash as a strategic asset as described below. We also avoid unnecessary bets on particular industries. We seek to reduce cost by using low-cost mutual funds and build portfolios with low turnover.

Methods of Analysis for Selecting Securities

SRCM primarily uses fundamental analysis in the selection of individual securities. Fundamental analysis typically involves analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. SRCM will screen equity securities based on price-to-earnings (P/E) ratios, the amount of debt, and will often seek dividend paying stocks. SRCM uses the research services of Ned Davis Research, among others. Additionally, SRCM may use specific strategies or resources in the method of analysis and selection of mutual fund and fixed income securities.

Mutual Funds

In analyzing mutual funds, SRCM may use various sources of information including data provided by Morningstar and Dimensional Fund Advisors, LLC. We review key characteristics such as historical performance, risk level, and size of fund. Expense ratio and other costs are also significant factors in fund selection. While we primarily recommend passively managed funds, we will sometimes include actively managed mutual funds. These funds should have a long-term manager with a proven track-record. We seek mutual funds that have good returns with lower risk than the market.

Debt Securities (Fixed Income)

Regarding fixed income investments, SRCM considers the financial strength of the issuer focusing on debt ratios. It is important that a company not carry a lot of debt. We also look for companies that are leaders in their industry. SRCM uses credit rating agencies such as Standard & Poor's and Moody's as secondary measures to help determine the financial strength of issuing creditors.

Specific Investment Strategies for Managing Portfolios

SRCM may use the Fama/French Multi-Factor Model, tactical asset allocation, cash as a strategic asset, long-term holding, dollar-cost-averaging, and/or concentrated portfolio strategies in the construction and management of client portfolios.

Fama/French

SRCM follows the investment principles of the Fama/French Multi-Factor Model to construct portfolios. The goal is to implement the latest academic research into clients' portfolios. SRCM uses the Fama/French Multi-Factor Model and mean-variance analysis, among other methods, when analyzing mutual funds to set the parameters of the asset classes.

Tactical Asset Allocation

SRCM may use tactical asset allocation strategies in the management of client accounts. Tactical asset allocation is an active management portfolio strategy that re-balances the percentage of assets held in various asset categories in an effort to take advantage of market pricing anomalies or strong market sectors. This strategy provides an opportunity for SRCM to create extra value by taking advantage of certain situations in the marketplace. SRCM considers this a moderately active strategy since we return the portfolio to its original strategic asset mix if we achieve desired short-term profits or the perceived opportunity ends. There is no guarantee that this strategy will be successful and we make no promises or warranties as to the accuracy of our market analysis.

Cash as a Strategic Asset

SRCM in consultation with the client may use cash as a strategic asset and may at times move or keep client's assets in cash or cash equivalents. When clients elect not to be invested in the market or reduce their exposure to the market by holding cash, they risk not participating in the returns during a market increase.

Long-term Holding/Short-term Trading

SRCM primarily seeks to hold securities for the longer-term, especially in taxable accounts. SRCM does not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase, as SRCM does not use short-term trading as an investment strategy. However, there may be times when SRCM will sell a security for a client when the client has held the position for less than 30 days.

Dollar-Cost-Averaging

Dollar cost averaging involves investing money each month or quarter, to take advantage of price fluctuations in the attempt to get a lower average cost per share.

Margin

Some clients of SRCM maintain margin accounts. SRCM does not use margin as an investment strategy. SRCM generally will only use margin if a client needs to raise cash and does not want to sell any securities at that time. Clients are responsible for any brokerage or margin charges in addition to advisory fees.

Concentrated Portfolios

SRCM manages a few client accounts by investing in oil and oil industry related securities. This is an exception to SRCM's investment offering and not generally offered. SRCM's Chief Investment Officer managed these accounts for clients at a prior investment adviser. Clients should consider the fact that the risk of a very concentrated portfolio with limited diversification increases the possibility of substantial losses and depreciation of the portfolio in the event of an exogenous event, the concentrated stock or sector does not perform as expected, and/ or deteriorating economic or market circumstances domestically and/or internationally.

Third-Party Managers

On occasion, SRCM will recommend a third-party platform manager ("Platform Manager") to invest all or a portion of a client's assets. SRCM has entered into agreements with various Platform Managers. Under these agreements, SRCM offers clients various types of programs sponsored by these advisers. SRCM maintains these arrangements only as an accommodation to existing clients or new clients already in these programs. SRCM does not offer or recommend these programs to clients not already in the program. Clients will enter into an agreement with the program sponsor.

The fees that clients pay to independent third parties are established and payable in accordance with each independent Platform Manager's brochure or other equivalent disclosure document. The fees charged by each independent Platform Manager may or may not be negotiable. We receive a portion of the advisory fee that the clients pay to the program providers. Clients will receive a copy of each Platform Manager's brochure or equivalent disclosure document, which include among other things the services rendered and fee schedules. The disclosure document will clearly state the nature of fees payable to SRCM. Also, disclosed in the separate disclosure document will be the impact to the overall fee of payments made to the parties to the agreement.

General Risk of Loss Statement

Prior to entering into an agreement with SRCM, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are currently unneeded and available to SRCM for investment on a long-term basis. This is typically a minimum of five to seven years.

Specific Security Risks

General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

The prices of, and the income generated by, most debt securities held by a client's account may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an

issuer to redeem, “call” or refinance a security before its stated maturity, which may result in reinvesting the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This means that the current market values for these securities will fluctuate with changes in interest rates.

Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing, financial reporting, disclosure, regulatory and legal standards and practices could also affect investments in securities of foreign issuers. Additional factors may include expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions, or in receiving payment of dividends can increase risk. Finally, investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

Mutual Funds (Open-end Investment Company)

The benefits of investing through mutual funds include diversification, affordability, and liquidity. Mutual funds also have features that some investors might view as disadvantages:

Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

Lack of Control

Investors typically cannot ascertain the exact make-up of a fund’s portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock’s price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund’s NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

Different Types of Funds

Each type of mutual fund has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

Money Market Funds

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why "inflation risk," the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

Bond Funds

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

Credit Risk

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

Prepayment Risk

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to "retire" its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

Stock Funds

Although a stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall "market risk" poses the greatest

potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same and each may have different risks. For example:

Small Cap Funds

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have higher risk of failure, and are not as established as larger blue-chip companies are. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Funds

Funds that invest in companies with smaller market capitalizations involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

International Funds

International investments are subject to additional risks, including currency fluctuation, political instability and potential illiquid markets.

Emerging Market Funds

Funds that invest in foreign securities involve special additional risks. These risks include, but are not limited to currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Funds

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks. Funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risk. For example, products of companies in which technology funds invest may be subject to severe competition and rapid obsolescence.

REIT Funds

REIT Funds include REITs within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. REIT investments include illiquidity and interest rate risk.

Real Estate Funds

Investments in real estate funds are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk, and diversification risk.

TIPS Funds

Treasury Inflation Protection Securities (TIPS) are inflation-indexed securities structured to remove inflation risk. SRCM does not utilize individual TIPS, but may recommend mutual funds and exchange traded funds that include TIPS within the underlying fund holdings.

Tax Consequences of Mutual Funds

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

Exchange-Traded Funds (ETFs)

Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

Closed-end Funds

Risk factors pertaining to closed-end funds vary from fund to fund. The following list of risk factors provides a review of those associated with generalized closed-end fund investing. Not every risk factor in this list will pertain to each closed-end fund.

Market Risk

Securities may decline in value due to factors affecting securities markets generally or particular industries. The value of a trust/fund may be worth less than the original investment.

Valuation Risk

Common shares may trade above (a premium) or below (a discount) the net asset value (NAV) of the trust/fund's portfolio. At times, discounts could widen or premiums could shrink, which could either dilute positive performance or compound negative performance. There is no assurance that discounted funds will appreciate to their NAV.

Interest Rate Risk

Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the bonds and/or other income-related instruments in a fund's portfolio will decline in value because of increases in market interest rates. The prices of longer-maturity securities tend to fluctuate more than shorter-term security prices.

Credit Risk

One or more securities in a trust/fund's portfolio could decline or fail to pay interest or principal when due. Income-related securities of below investment grade quality are predominately speculative with respect to the issuer's capacity to pay interest and repay principal when due and, therefore, involve a greater risk of default.

Concentration Risk

A trust/fund that invests a substantial portion of its assets in securities within a single industry or sector of the economy may be subject to greater price volatility or adversely affected by the performance of securities in that particular sector or industry.

Reinvestment Risk

Income from a trust/fund's bond portfolio will decline when the trust/fund invests the proceeds from matured, traded, or called bonds at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the common shares' market price or their overall returns.

Leverage Risk

The use of leverage may lead to increased volatility of a trust/fund's NAV and market price relative to its common shares. Leverage is likely to magnify any losses in the trust/fund's portfolio, which may lead to increased market price declines. Fluctuations in interest rates on borrowings or the dividend rates on preferred shares that take place from changes in short-term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on common shares. There is no assurance that a leveraging strategy will be successful.

Foreign Investment Risk

Investment in foreign securities (both governmental and corporate) may involve a high degree of risk. Trusts/funds invested in foreign securities are subject to additional risks such as, but not limited to, currency risk and exchange-rate risk, political instability, and economic instability of the countries from where the securities originate. In regards to debt securities, such risks may impair the timely payment of principal and/or interest.

Alternative Minimum Tax (AMT)

A trust/fund may invest in securities subject to the alternative minimum tax.

Fluctuating Dividends in Actively Managed Portfolios

The composition of the trust/fund's portfolio could change, which, all else being equal, could cause a reduction in dividends paid to common shares. Certain closed-end funds invest in common stocks. There is no guarantee of dividends from these common stocks. Fluctuations in dividend levels over time, up and down, are to be expected.

Equity Securities

The prices of stocks and the income they generate (such as dividends) fluctuate based on, among other things, events specific to the company that issued the shares, conditions affecting the general economy and overall market changes, changes or weakness in the business sector the company does business in, and other factors.

There may be little trading in the secondary market for particular equity securities, which may adversely affect SRCM's ability to value accurately or dispose of such equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

Small Capitalization Equity Securities

Investing in smaller companies may pose additional risks as it is often more difficult to value or dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

Debt Securities (Bonds)

The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Certain additional risk factors relating to debt securities include:

Reinvestment Risk

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

Inflation Risk

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

Interest Rate and Market Risk

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

Call Risk

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

Credit Risk

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.

Liquidity and Valuation Risk

There may be little trading in the secondary market for particular debt securities, which may affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

SRCM attempts to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Bond rating agencies may assign modifiers (such as +/-) to ratings categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any security within that category without considering the modifier when reading their investment policies based on ratings categories.

Obligations Backed by the "Full Faith and Credit" of the U.S. Government

U.S. government obligations include the following types of securities:

U.S. Treasury Securities

U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes, and bonds. For these securities, the U.S. government unconditionally guarantees the payment of principal and interest, resulting in the highest possible credit quality. Fluctuations in interest rates subject U.S. Treasury securities to variations in market value. However, they are paid in full when held to maturity.

Federal Agency Securities

Certain U.S. government agencies and government-sponsored entities guarantee the timely payment of principal and interest with the backing of the full faith and credit of the U.S. government.

Other Federal Agency Obligations

Additional federal agency securities are neither direct obligations of, nor guaranteed by, the U.S. government. These obligations include securities issued by certain U.S. government agencies and government-sponsored entities. However, they generally involve some form of federal sponsorship: some operate under a government charter; specific types of collateral back some; the issuer's right to borrow from the Treasury supports some; and only the credit of the issuing government agency or entity supports others.

Municipal Bonds

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most

other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

Legislative Risk

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

Tax-Bracket Changes

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

Liquidity Risk

The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Municipal bonds may be less liquid than other bonds.

Credit Risk

Credit risk includes the risk that a borrower will be unable to make interest or principal payments when they are due and therefore default. To reduce investor concern, insurance policies that guarantee repayment in the event of default back many municipal bonds.

AMT

SRCM invests in a variety of fixed income securities for clients. For those accounts seeking preservation of capital and current income exempt from taxation, SRCM does not invest in municipal bonds subject to the Alternative Minimum Tax ("AMT") without the expressed prior written permission of the client.

General Obligation vs. Revenue Bonds

Typically, investors consider General Obligation bonds to be safer than Revenue bonds since the full faith and credit of the issuer backs the interest and principal payments. With revenue bonds, the interest and principal are dependent upon the revenues paid by users of the facility or service. Frequently the issuers of revenue bonds are either private sector corporations (e.g. hospitals) or entities that exist, often in local monopoly form, to provide a public service (e.g. power utilities or public transportation authorities). Consequently, the thought is that the consumer spending that provides the funding or income stream for revenue bond issuers may be more vulnerable to changes in consumer tastes or a general economic downturn compared to a state or city's ability to raise taxes to pay for its General Obligation commitments.

Municipal Bonds of a Particular State

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Securities issued by California municipalities are more susceptible to factors adversely affecting issuers of California securities. For example, in the past, California voters have passed amendments to the state's constitution and other measures that limit the taxing and spending authority of California governmental entities, and future voter initiatives may adversely affect California municipal bonds.

Inflation-indexed Bonds

The principal amount of an inflation-indexed bond adjusts to changes in the level of the consumer price index. In the case of U.S. Treasury inflation-indexed bonds, the U.S. Government guarantees the repayment of the original bond principal upon maturity (as adjusted for inflation). Therefore, the principal amount of such bonds cannot fall below par even during a period of deflation. However, the current market value of these bonds is not guaranteed and will fluctuate, reflecting the rise and fall of yields. In certain jurisdictions outside the United States the repayment of the original bond principal upon the maturity of an inflation-indexed bond is not guaranteed. This causes the amount of the bond repaid at maturity to be less than par. The interest rate for inflation-indexed bonds is fixed at issuance as a percentage of this adjustable principal. Accordingly, the actual interest income may both rise and fall as the principal amount of the bonds adjusts in response to movements of the consumer price index. For example, typically interest income would rise during a period of inflation and fall during a period of deflation.

Securities with Equity and Debt Characteristics

Some types of convertible bonds, preferred stocks or other preferred securities automatically convert into common stocks or other securities at a stated conversion ratio and some may be subject to redemption at the option of the issuer at a predetermined price. These securities, prior to conversion, may pay a fixed rate of interest or a dividend. Because convertible securities have both debt and equity characteristics, their values vary in response to many factors, including the values of the securities into which they are convertible, general market and economic conditions, and convertible market valuations, as well as changes in interest rates, credit spreads and the credit quality of the issuer.

These securities may include hybrid securities, which also have equity and debt characteristics. Such securities are normally at the bottom of an issuer's debt capital structure. As such, they may be more sensitive to economic changes than more senior debt securities. Investors may also view these securities as more equity-like by the market when the issuer or its parent company experience financial problems.

The prices and yields of nonconvertible preferred securities or preferred stocks generally move with changes in interest rates and the issuer's credit quality, similar to the factors affecting debt securities. SRCM will treat nonconvertible preferred securities as debt for account investment limit purposes.

American Depositary Receipts (ADRs)

An ADR is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. ADRs are subject to risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings. Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

Cash and Cash Equivalents

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

Master Limited Partnerships (MLPs)

With a few exceptions, MLPs hold and operate assets related to the transportation and storage of energy (certain MLPs may have commodity risk). In addition to general business risks, MLPs bear the following risks:

Risk of Regulation or Change

The main advantage of an MLP is its tax-advantaged status under the current Internal Revenue Code. Therefore, changes in the tax code resulting in the loss of its preferential treatment could significantly affect the viability of MLP investments.

Interest Rate Risk

It is commonly thought that MLPs perform better when interest rates are low, making their yield higher in relation to the safest investments, such as Treasury bills and securities that are guaranteed by the U.S. government. Consequently, MLPs may perform better during periods of declining or relative low interest rates and more poorly during periods of rising or high interest rates.

Tax Risk

MLPs are pass-through entities, passing earnings through to the limited partners. Investors must be aware that there are potentially significant tax implications of investing in MLPs and they should consult with their tax advisor before investing in these securities. For example, income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, may be allocated unrelated business taxable income from a master limited partnership and this income could be taxable to them.

Financial Planning

The financial planning tools SRCM uses to create financial plans for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. All return assumptions use asset class returns, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products.

Financial planning software is only a tool used to help guide SRCM and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to the program's underlying assumptions or differences in actual personal, economic, or market outcomes may result in materially different results for the client. Clients should carefully consider the assumptions and limitations of the financial planning software as disclosed on the financial planning reports and should discuss the results of the plan with a qualified investment professional before making any changes in their investment or financial planning program.

If the financial plan includes recommendations for investing in securities, you should understand that investing in securities involves risk of loss, and you should be prepared to bear that risk.

ITEM 9 - DISCIPLINARY INFORMATION

SRCM and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. SRCM does not have any disciplinary information to disclose.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Related Insurance Agencies

Gary Kaltenbach is the President and owns 100% of Signature Resources, Inc., and Signature Benefit Insurance Services, Inc., both affiliated California licensed insurance agencies. Gary devotes approximately 90% of his time to these businesses. Gregory and Geoffrey Kaltenbach are officers and owners of Signature Resources Insurance & Financial Services, Inc., a California licensed insurance agency. In addition, some SRCM personnel are also insurance agents/brokers of various insurance companies. In providing insurance services, Morgan Christen spends approximately 5% of his time, Gregory Kaltenbach spends approximately 50% of his time, Geoffrey Kaltenbach spends approximately 90% of his time and Gary Kaltenbach spends approximately 90% of his time.

In their capacities as insurance agents/brokers, certain personnel of SRCM may recommend insurance other products to the firm's clients. Consequently, these persons may receive commissions for products they sell through any firm with which they are associated. Therefore, a conflict of interest exists between the interests of these individuals and those of the advisory clients. However, clients are under no obligation to act upon any recommendations of these individuals or effect any transactions through them if they decide to follow their recommendations.

Registered Representatives of Unaffiliated Broker-Dealer/Adviser

Some SRCM personnel are also registered securities representatives and investment advisory representatives of Signator Investors, Inc. ("Signator"), a non-affiliated dually registered broker-dealer and investment advisory firm and a member of the Financial Industry Regulation Authority ("FINRA"). Each of these persons spends approximately 1% of their time in providing services to clients of Signator investment advisory clients. Morgan Christen spends approximately 3% of his time providing services to Signator brokerage clients. Gregory Kaltenbach, Geoffrey Kaltenbach, and Gary Kaltenbach spend approximately 2% of their time providing services to Signator brokerage clients.

In their capacities as registered representatives, these individuals may recommend securities, advisory, or other products to SRCM's clients, and receive normal commissions if the client purchases products through Signator. Thus, a conflict of interest exists between the interests of these persons and those of clients. However, clients are under no obligation to act upon any recommendations of these individuals or effect any transactions through the individual if they decide to follow the recommendations. These persons also receive compensation, commissions and/or trailing 12b-1 fees from Signator Investors, Inc. for services provided to Signator's brokerage and/or investment advisory clients.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

SRCM believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. SRCM's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

SRCM's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. SRCM's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable federal securities laws. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities (all considered "Access Persons"), are subject to personal trading policies governed by the Code of Ethics (see below).

SRCM will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

Personal Trading Practices

SRCM and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for the client account. SRCM or our Access Persons may purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client

transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment recommendations prior to and in preference to accounts of Access Persons.
2. SRCM prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If we wish to purchase or sell the same security that we are considering or taking action to purchase or sell for a client, we will not do so until the custodian fills client orders or we have decided not to purchase or sell the security for clients. As a result of this policy, it is possible that clients may receive a better or worse price than SRCM or an Access Person for the same security on the same day as a client or one or more days before or after the client's transaction.
4. Access Persons must obtain prior written approval from Morgan Christen, the Chief Compliance Officer, prior to making personal trades in certain securities.

Aggregation with Client Orders

SRCM may aggregate orders for clients in the same securities in an effort to seek best execution, negotiate more favorable commission rates, and/or allocate differences in prices, commissions, and other transaction costs equitably among our clients. These are benefits of aggregation orders that we might not obtain if we placed those orders independently.

SRCM may aggregate trades in like securities among client accounts as well as with accounts of SRCM and our personnel, if we follow the policies described below. This presents a potential conflict of interest as we may have an incentive to allocate more favorable executions to our own accounts or the accounts of our personnel.

Our policies to address this conflict are as follows:

1. We will disclose our aggregation policies in this brochure;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients. The trade also needs to be consistent with the terms of our investment advisory agreement with each client that has an account included in the aggregation;
3. No account will be favored over any other account. This includes accounts of SRCM or any of our personnel. Each account in aggregated trade will participate at the average share price for all of

our transactions in a given security on a given business day (per custodian). All accounts will pay their individual transaction costs;

4. Before entering an aggregated order, we will prepare a written statement (the "Allocation Statement") specifying the participating accounts and how we intend to allocate the order among those accounts;
5. If the aggregated order is filled entirely, we will allocate shares among clients according to the Allocation Statement; if the order is partially filled, we will allocate it pro-rata according to the Allocation Statement;
6. However, we may allocate the order differently than specified in the Allocation Statement if all client accounts receive fair and equitable treatment. (See also **Item 12 – Brokerage Practices** below.) In this case, we will explain the reasons for a different allocation in writing, which the CCO must approve no later than one hour after the opening of the markets on the trading day following the day the order was executed;
7. If an aggregated order is partially filled and we allocate it differently than the Allocation Statement specifies, no participating account may purchase or sell the security for a reasonable period following the execution of the block trade. This only applies when the participating account sells or receives more shares than it would have if the aggregated order been completely filled;
8. Our books and records will separately reflect each aggregated order and the securities held by, bought, and sold for each client account;
9. Funds and securities of clients participating in an aggregated order will be deposited with one or more qualified custodians. Clients' cash and securities will not be held collectively any longer than is necessary to settle the trade on a delivery versus payment basis. Following settlement, cash or securities held collectively for clients will be delivered out to the qualified custodian as soon as practical;
10. We do not receive additional compensation or remuneration of any kind as a result of aggregating orders; and
11. We will provide individual investment advice and treatment to each client's account.

Participation or Interest in Client Transactions

The following items represent situations where a conflict of interest may exist between the client and SRCM and our personnel.

Cross Transactions

At times, a client may need to sell a security that we think is a good fit for another client's account. In this case, we may internally cross the security from the account of the selling client to the buying client's account. We will only do this when the proposed transaction is in the best interests of both clients. We do not "dump" a security into a client's portfolio just because another client needs to sell, nor do we decide to sell a security from one client's account just because another client needs a similar security. Usually, this situation comes up with fixed income securities where we can get a better deal for both clients by crossing the security instead of going into the open market to complete separate transactions.

The price for a cross transaction will be determined by an independent broker-dealer, and is usually the mid-point between the best bid and offer prices available for the size of the transaction. We will also take into account any additional fees charged to cross the security to ensure that the transaction is still appropriate for both clients.

SRCM does not act as broker for any cross transactions effected for clients, and will never receive any commissions or other compensation for these trades (other than our normal advisory fees for managing the accounts). SRCM will provide details pertaining to all cross trades to participating clients prior to or promptly following each crossed transaction.

ITEM 12 - BROKERAGE PRACTICES

The Custodians and Brokers We Use

SRCM requires clients to open one or more custodian accounts in their own name at a "qualified custodian," generally a broker-dealer or bank, of the client's choice. We request that clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. The accounts will always be held in the name of the client and never in SRCM's name. Not all advisors request their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see **Your Brokerage and Custody Costs**). We will sometimes use brokers other than Schwab to execute purchases and sales of bonds. For assets managed within a life insurance product, the account will be held with the insurance company.

How We Select Brokers/Custodians

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)

- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see *“Products and Services Available to Us From Schwab”*)

Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab’s commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account.

These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see ***How We Select Brokers/Custodians***).

We will use broker-dealers other than Schwab to execute bond trades when the execution we receive from these bond brokers after the deduction of the additional “prime broker” or “trade away” fees will net a lower cost or better price for the client than if Schwab executed the trade.

Additionally, we often recommend DFA Funds for client accounts. Schwab charges \$35 per DFA fund purchase. However, DFA funds do not have ongoing 12b-1 fees. We believe that the savings the client receives by buying low-cost funds without ongoing 12b-1 fees exceeds the \$35 cost over typically a short holding period.

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

Services That Benefit You

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services. In other cases, they will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive their fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum may give us an incentive to request that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see ***How We Select Brokers/Custodians***) and not Schwab's services that benefit only us.

Directed Brokerage Transactions

Clients who direct SRCM to use a particular broker-dealer for trading may pay higher commission charges. Under these circumstances, SRCM may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. Clients should further understand that when they direct SRCM to use a specific broker disparity in transaction charges might exist between the transaction costs charged to other clients. SRCM may not be able to aggregate orders to reduce transaction costs and clients who direct SRCM to use a particular broker-dealer may receive less favorable prices.

Aggregation and Allocation of Transactions

We describe our aggregation practices in detail under ***Item 11 - Aggregation with Client Orders*** above.

ITEM 13 - REVIEW OF ACCOUNTS

Managed Account Reviews

We manage portfolios on a continuous basis and generally review all positions in client accounts at least quarterly. We offer account reviews to clients typically on a quarterly, but no less frequently than on an annual basis. Clients may choose to receive reviews in person, by telephone, or in writing. Portfolio Managers, Advisory Associates, and/or Investment Adviser Representatives, conduct all reviews based on a variety of factors. These factors may include but are not limited to account holder's personal, tax or financial status, certain additions or withdrawals and/or market factors.

In addition, we may conduct a special review of an account based one or more of the following:

- A change in the client's investment objectives, guidelines and/or financial situation;

- Changes in diversification;
- Macroeconomic; or
- Company specific events.

Financial Plan Reviews

SRCM reviews financial plans only upon request unless the client retains SRCM to update the plan on a continuous basis. Portfolio Managers, Advisory Associates, and/or Investment Adviser Representatives, prepare all financial plans and conduct all reviews.

Account Reporting

Each investment management client will receive a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, SRCM provides written reports detailing current holdings and asset allocation of each advisory client's accounts on a quarterly basis.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Solicitors

SRCM has entered into and in the future may enter into written contractual agreements with unaffiliated individuals and/or organizations ("solicitors"). These solicitors refer clients to us. When an unaffiliated solicitor introduces a client to SRCM, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements.

If an unaffiliated solicitor introduces a client to SRCM, that solicitor will disclose the nature of the solicitor relationship with SRCM at the time of the solicitation. In addition, the solicitor will provide each prospective client with a copy of this brochure, and a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between SRCM and the solicitor, including the compensation the solicitor will receive from SRCM.

Outside Compensation

SRCM may refer clients to unaffiliated professionals for specific needs, such as accountants or estate planning or other attorneys. At SRCM, we do not have any agreements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals.

SRCM only refers clients to professionals we believe are competent and qualified in their field. We have an internal process to gather information on the services and qualifications of each professional we recommend, but it is ultimately the client's responsibility to evaluate the provider. We will generally provide the client with a list of professionals that the client can contact, and it is solely the client's decision whether or not to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and SRCM has no control over the services provided by

another firm. Clients who chose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by SRCM.

If the client desires, SRCM will work with these professionals or the client's other advisers (such as an accountant, attorney, or other investment adviser) to help ensure that the provider understands the client's financial plan and to coordinate services for the client. SRCM will never share information with an unaffiliated professional unless first authorized by the client.

ITEM 15 - CUSTODY

SRCM has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' funds and securities. Clients will receive statements directly from your qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of SRCM's fee. Clients should carefully review the account statements you receive from your qualified custodian. When clients receive statements from SRCM as well as from the qualified custodian, clients should compare these two reports carefully. Clients with any questions about your statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from your qualified custodian at least quarterly should also notify us.

ITEM 16 - INVESTMENT DISCRETION

Discretionary

For discretionary accounts, SRCM has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. SRCM will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

Limited-Discretionary

For limited-discretionary accounts, SRCM will typically contact the client and obtain the client's verbal or written consent before making asset allocation changes in the client's account. However, SRCM is not required to contact the client when the planned trades are to rebalance the client's account to a previously agreed upon allocation. We believe in working closely with our clients to keep them informed of our investment recommendations and to ensure our recommendations are consistent with the changing circumstances of the client. Clients grant us limited-discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit SRCM's discretionary authority, such as where the client prohibits transactions in specific security types or directs SRCM to execute transactions through

specific broker-dealers. See also **Item 4 - Tailored Services and Client Imposed Restrictions** and **Item – 12 Brokerage Practices**, above.

Non-Discretionary

For non-discretionary accounts, SRCM will contact the client before making recommendations we deem appropriate for the client. Non-discretionary clients should be aware that recommendations are typically time sensitive and the following circumstances may cause market movements to work against the client:

1. SRCM will not effect the transaction until we receive verbal or written instructions from the client;
2. SRCM generally will not aggregate transactions for non-discretionary accounts with discretionary and limited-discretionary accounts; and
3. Transactions for non-discretionary accounts will generally be effected after transactions in discretionary and limited-discretionary accounts.

ITEM 17 - VOTING CLIENT SECURITIES

Proxy Voting

SRCM does not accept or have the authority to vote client securities. SRCM will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

ERISA

For accounts subject to ERISA, an authorized plan fiduciary other than SRCM will retain proxy voting authority. Our investment advisory agreement and/or the plan's written documents will evidence and outline this authority.

Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

Class Actions

SRCM does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. SRCM does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.