

Liquid Strategies, LLC  
Part 2A of Form ADV

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This brochure provides information about the qualifications and business practices of Liquid Strategies, LLC herein referred to as “Liquid Strategies”. If you have any questions about the contents of this brochure, please contact us at (770) 350-8700. 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.

Liquid Strategies is a registered investment adviser. Registration does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Liquid Strategies is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2- Material Changes

This Part 2A of our Form ADV dated February 1<sup>st</sup>, 2014 serves as our initial disclosure document for prospective and future clients, and has been prepared in accordance with requirements specified by the SEC. In the future, this Item 2 or a separate document will clearly discuss any material changes since the last annual update of this Form ADV.

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## Item 4- Advisory Business

### FIRM DESCRIPTION

Liquid Strategies, LLC (“Liquid Strategies”) is an investment management firm registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser since March 2014. It was organized as a Delaware limited liability company in 2013. Brad Ball is the managing member of Liquid Strategies and serves as the firm’s Chief Executive Officer.

### TYPES OF ADVISORY SERVICES

Liquid Strategies is an employee-owned investment boutique founded in Atlanta, GA in 2013. Liquid Strategies provides discretionary investment advisory services to separately managed accounts and is in the process of registering a mutual fund with the SEC for which it will act as investment adviser. Liquid Strategies generally provides fully

discretionary investment management services to its Clients. The firm may choose to manage fully discretionary client portfolios but, in most cases, clients will be directed to invest in Liquid Strategies via soon-to-be available mutual fund options.

#### **Item 5- Fees and Compensation**

Liquid Strategies generally charges Clients a fixed percentage fee based on assets under management according to the following schedules:

##### **Liquid 8 Strategy**

1.15% per annum for the first \$50 million in a Client's account; (ii) 1.00% per annum for any amount more than \$50 million in a Client's account.

Fees are assessed against all assets in a Client's account. Liquid Strategies reserves the right to adjust this fee schedule for Client accounts depending on the size and type of account, and the services required to be rendered. In some cases, the negotiation of fees may result in different fees being charged for similar services and may be less than the above-stated fee schedule. Should assets fall below a tier minimum due to investment loss, the annual fee would remain at the lower rate previously established.

Liquid Strategies reserves the right to offer preferential fee structures to early investors in certain products we may have available.

Liquid Strategies provides invoices to Clients for their investment management fees. The basic annual fee is typically payable in arrears on a quarterly basis. Such fee is payable as of the last day of the calendar quarter and is based on the market value of the assets under management as of that day. The fee is typically prorated for contributions and withdrawals during the quarter. Pursuant to a Client's investment advisory agreement, the fee may be debited directly from the Client's brokerage/custodial account.

Liquid Strategies' investment management fees are exclusive of brokerage commissions and other trading related costs that may be incurred. See Item 12 Brokerage Practices for additional information. Clients will also incur fees charged by the custodian of their assets that are separate from any fees charged by Liquid Strategies.

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

In certain instances Liquid Strategies may enter into performance based fee arrangements with qualified clients. The terms of any such arrangements are based upon a negotiated agreement with the client. Performance based fee arrangements may create an incentive for Liquid Strategies to favor accounts paying a higher fee in the allocation of profitable trades in an unfair manner. Liquid Strategies mitigates this potential conflict through its policies, procedures and trading strategies which are designed to treat all clients fair and equally. See Item 12 Brokerage Practices for additional information. Employees are not compensated on the performance of individual

accounts thus no incentive exists for them to favor a performance based fee account over other accounts.

### **Item 7- Types of Clients**

Liquid Strategies primarily provides customized investment management services to investment companies, associated trusts, estates, charitable organizations, pension and profit sharing plans, and corporations or business entities.

Liquid Strategies requires separately managed accounts to have a minimum account balance of \$5,000,000. However, this amount may be waived from time to time at the Adviser's discretion.

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

Each of Liquid Strategies' client/fund mandates employs the use of a specific strategy, such as "Liquid 8," whereby Liquid Strategies follows an investment process (outlined below for each of the firm's strategies) to select securities deemed to have potential for outperformance versus a strategy's appropriate benchmark.

Liquid Strategies' investment strategies are centered around the belief that many investors routinely overestimate equity market risk due to losses experienced in the past, leading them to consistently purchase put options to protect their equity holdings. While these put options may occasionally help to offset short-term market losses, we believe over the long-term, the premiums paid for these options on an ongoing basis far outweighs the benefits received. Our strategy seeks to exploit this dynamic by selling these put options on a regular basis, where the premium we are able to collect over the long term far outweigh any short-term liabilities that may arise. Risk management is an important part of this strategy, and as such we rely on our disciplined risk management indicators to significantly reduce our exposure to the equity markets in environments we estimate may be extremely volatile.

#### Liquid 8:

The following outlines the multi-step investment process for Liquid Strategies' "Liquid 8" portfolio:

Investment adviser Liquid Strategies sells listed weekly put options on stock indices, exchange traded funds (ETFs), and/or individual equities. By selling an option, the portfolio will receive premiums from the buyer of the option, which will increase the portfolio's return if the option is not exercised and thus expires worthless. However, if the option's underlying security declines below the strike price at expiration, the option will finish in-the-money and the portfolio will either need to close the option position prior to the market close on expiration or be required to buy the underlying security at the strike price, effectively paying the buyer the difference between the strike price and the closing price. Therefore, by writing a put option, the portfolio is exposed to the amount by which

the price of the underlying security is less than the strike price. The potential return to the portfolio is limited to the amount of option premiums it receives.

As the seller of a listed put option, the adviser may be assigned the option at any time which would obligate the adviser to purchase the underlying instrument at the option's strike price. If a listed put option sold by the adviser is exercised prior to the end of the week, the adviser will purchase the underlying security at the time of assignment at the strike price, and will typically hold the stock until the end of the week. The adviser focuses primarily on equity index options which offer both European settlement (options can only be exercised at expiration date) and cash settlement (the option seller is potentially obligated to pay the difference between the strike price and the settlement value rather than take delivery of securities).

Each put option sold by the adviser will be secured, or "covered", through investments in cash or cash equivalents (e.g. 3-month Treasury Bills). The adviser will avoid the use of leverage as the notional value of the put contracts sold will not exceed the net asset value of the portfolio.

The portfolio construction process is disciplined and relies on guidelines to govern capital allocations based on proprietary volatility readings that indicate a low, moderate or high risk market environment. For example, if the signals indicate low risk, we will be "fully invested" in option positions on equity indices, ETFs and single stocks. The allocation decision among the various indices, ETFs and stocks is based on a combination of quantitative risk measures along with a qualitative assessment to further evaluate potential risk/reward scenarios. The ultimate goal in setting the allocation is to dampen volatility in the portfolio while providing targeted return potential. Overall, the broad allocation decisions to be reasonably stable from week to week. On the last trading day of the week, we are in a moderate or high risk environments, the portfolio's allocation will be much more conservative, with relatively low or no exposure to the equity markets.

On the last trading day of each week, the options that are expiring are typically bought back or allowed to expire and new weekly option positions are established. As a part of this process, the adviser will sell any underlying securities it owns as a result of the portfolio's prior option positions having been assigned prior to expiration. The adviser reserves the right to cover positions mid-week due to market conditions, if it is determined to be to the portfolio's advantage.

### **Risk of Loss**

Before deciding whether to invest in any of the above outlined strategies, prospective investors should carefully consider the risk factors associated with investing, which may cause investors to lose money.

Put Option Risk. Options are generally subject to volatile swings in price based on changes in value of the underlying instrument, and the options written by the Fund may be particularly subject to this risk. The portfolio will incur a form of economic leverage through its use of options, which may increase the volatility of the returns and potentially

increase the risk of loss to the portfolio. While the portfolio will collect premiums on the options it writes, the risk of loss if one or more of the portfolio's options is exercised and expires in-the-money may substantially outweigh the gains to the portfolio from the receipt of such option premiums. The Adviser will either earmark or segregate sufficient liquid assets to cover its obligations under each option on an ongoing basis. Moreover, the options sold by the Adviser may have imperfect correlation to the returns of their underlying stocks.

Equity Risk. The value of the options sold by the Adviser is based on the value of the stocks underlying such options. Accordingly, the portfolio is exposed to equity risk, which is the risk that the value of the stocks underlying options written by the Adviser will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of such stock participate, or factors relating to specific companies. In such event, the value of the options sold by the Adviser will likely decline. Additionally, if the value of the stocks underlying the options sold by the Adviser increases, the portfolio's returns will not increase accordingly.

Implied Volatility Risk. When the Adviser sells a listed put option, it gains the amount of the premium it receives, but also incurs a corresponding liability representing the value of the option it has sold (until the option is exercised and finishes in the money or expires worthless). The value of the options in which the portfolio is invested is partly based on the volatility used by market participants to price such options (i.e., implied volatility). Accordingly, increases in the implied volatility of such options will cause the value of such options to increase (even if the prices of the options' underlying stocks do not change), which may result in a corresponding increase in the liabilities of the Fund under such options. The portfolio may therefore be exposed to implied volatility risk before the options expire or are exercised. This is the risk that the value of the implied volatility of the options sold by the Adviser will increase due to general market and economic conditions, perceptions regarding the industries in which the issuers of such stock participate, or factors relating to specific companies.

#### **Item 9- Disciplinary Information**

Liquid Strategies and its employees have not been involved in any legal or disciplinary events that would be considered material to a client's evaluation of the company or its personnel.

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

##### **Investment Companies and Other Pooled Investment Vehicles**

Liquid Strategies will serve as investment adviser to no-load mutual fund portfolio(s) within the Investment Manager Series Trust, neither of which is affiliated with Liquid Strategies. Liquid Strategies may also act as sub-adviser to portfolios and/or mutual funds offered by other non-affiliated investment companies. Investment strategies for those funds are identical or similar to the strategies employed by Liquid Strategies for its Clients. In some situations, the funds may be viewed as an economical alternative to individually managed separate accounts.

**Other Investment Advisers**

Liquid Strategies is affiliated with Perimeter Capital Partners LLC (“Perimeter”), a registered investment adviser and Concourse Capital Management, LLC (“Concourse”), a registered investment adviser and general partner to the Concourse Capital Partners, L.P. Fund, a long/short global equity private fund. Additional information regarding Perimeter and Concourse is available on the SEC website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Liquid Strategies, Perimeter and Concourse operate in the same office facilities and share certain back office staff and administrative personnel. In addition, all three affiliated entities have adopted the same Compliance Program and Code of Ethics. Certain policies and procedures within each firm’s compliance manual shall apply differently as necessary.

Liquid Strategies seeks to manage potential conflicts of interest as described above with regard to trade allocations (where applicable) and personal trading. On occasion, Liquid Strategies may be assigned a security or investment instrument in which Perimeter and Concourse have an opposing view. As such, it is possible that Liquid Strategies may temporarily hold a security (long) in which Concourse has recommended a short position and/ or Perimeter may have implemented an investment thesis expressing an opposing outlook for the same or similar securities. The portfolio managers of Liquid Strategies, Concourse and Perimeter have discretion to independently implement portfolio recommendations. The firm monitors instances where opposing positions have been implemented to ensure that clients are not unduly disadvantaged by such opposing positions.

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

At times Liquid Strategies’ employees may buy or sell securities for their own account which are also recommended to its Clients. To avoid any potential conflicts of interest involving personal trades, Liquid Strategies requires all employees to strictly comply with the Code. Liquid Strategies’ Code of Ethics requires, among other things, that employees:

- Act within an ethical manner with the public, Clients, prospective Clients and investors;
- Place the interests of Clients above their own personal interests;
- Not take inappropriate advantage of their position;
- Avoid actual or potential material conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;

- Uphold the rules governing, capital markets;
- Comply with applicable provisions of the federal securities laws.

Liquid Strategies' Code of Ethics also requires employee to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide Liquid Strategies with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employee have a direct or indirect beneficial interest.

A copy of Liquid Strategies' full Code of Ethics is available upon request.

### **Item 12- Brokerage Practices**

Although Liquid Strategies seeks competitive brokerage arrangements, Clients will not necessarily pay the lowest brokerage rates available. The compensation paid to any one broker-dealer may be greater than the amount charged by another firm for executing the same transactions if Liquid Strategies determines in good faith that such compensation is reasonable in relation to the value of the brokerage and research services provided. Selecting brokers on the basis of considerations which are not limited to commission rates may result in higher transaction costs.

Liquid Strategies seeks to allocate investment opportunities among Clients in a fair and equitable manner taking into account Clients' best interests. Liquid Strategies' investment personnel routinely review investment allocations to ensure that allocations do not unduly favor any one Client or group of Clients. Liquid Strategies may manage numerous accounts that have investment objectives that are substantially similar. Accounts that have substantially similar investment objectives may not have identical investment portfolios due to the dynamic nature of capital markets and/or Liquid Strategies' portfolio management implementation processes. Differing investment portfolios can be expected to result from several factors including, but not limited to: regulatory constraints that apply to certain accounts but not to others; investment constraints imposed by Clients; the amount of cash available for investment at various times; rapidly moving markets; different weightings between accounts based on the portfolio manager's professional judgment and discretion. In addition, there may be circumstances that warrant one account to sell a security, while another account to purchase the same security, on the same day. As a result of such factors, among others, performance results between managed accounts differ even though such accounts have identical or substantially similar investment objectives.

On occasion, a Client may direct Liquid Strategies to execute securities transactions for their account through a specific broker-dealer. This instruction shall be construed as a "directed brokerage arrangement." In such circumstances, the Client is responsible for negotiating the terms of the directed brokerage arrangement. Liquid Strategies will not seek better execution services or prices from other broker-dealers and may not be able to aggregate the Client's transactions with orders for other Client accounts for execution through other broker-dealers. As a result, Clients may or may not pay materially



disparate commissions, greater spreads or other transactions costs, or receive less favorable net prices on transactions than would otherwise be the case.

In order to facilitate directed brokerage arrangements, Liquid Strategies may elect to conduct “step-out” trades. In such cases, Liquid Strategies will instruct the executing broker dealer to allocate a portion of an intended transaction to a second broker-dealer. Each broker-dealer would receive a commission or brokerage fee with respect to their designated portion of the transaction.

Orders for the same security entered on behalf of more than one Client will generally be aggregated if the aggregation is in the best interests of all participating Clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Filled orders may be allocated separately from subsequent orders or in instances where the market price of the security has not materially changed, subsequent orders may be aggregated with filled orders. Clients participating in an aggregated order shall receive the average price and pay a pro rata portion of commissions subject to any applicable broker dealer minimum ticket charges.

Trade orders are created and electronically pre-allocated on a pro rata basis in the order management system. The allocation of securities across Client accounts will be based on various factors including: account size, diversification, cash availability, as well as round lot considerations, where appropriate. If an order is partially filled, the allocation shall be made in the best interests of all the Clients participating in the order, taking into account all relevant factors including, but not limited to, the size of each Client’s allocation, each Client’s liquidity needs, and previous allocations. Liquid Strategies may purchase certain securities for some accounts and not for others. Liquid Strategies uses its professional judgment and discretion to manage all portfolios in a manner that it feels best suits the Client’s objectives and risk tolerances. Whenever a pro rata allocation may not be reasonable (such as Clients receiving odd lots or de minimis amounts), the individual placing the order may reallocate the order on a random basis.

Broker dealers provide Liquid Strategies with research products or services that fall within the “safe harbor” established by Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) permits the use of soft dollars to obtain brokerage and research services that provide lawful and appropriate assistance to an adviser with its investment decisions. Soft dollar arrangements are generally understood to be situations in which products or services other than the mere execution of securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of client brokerage transactions by the investment adviser to such broker-dealer. Soft dollars are the portion of brokerage commissions that exceed the lowest rate available from that broker-dealer for basic execution services. Payment of this excess amount is frequently referred to as “paying up.”

If a research product or service received from a broker dealer under a soft dollar arrangement has both, a research and non-research use, Liquid Strategies will pay for the non-research portion. The allocation of the cost of the product or service will be

made according to the component that provides assistance to Liquid Strategies in its investment decision-making. The allocation of cost will generally be made based on the percentage of time devoted to Liquid Strategies' use of the product for research or non-research applications.

Investment research and brokerage services received through soft dollar arrangements may be used by Liquid Strategies in servicing various Clients. Not all such services will benefit all Clients. Relationships with broker-dealers providing soft dollar services to Liquid Strategies may influence Liquid Strategies' judgment in allocating brokerage business, and may create a conflict of interest in using the services of such broker-dealers to execute securities transactions for Clients. Selecting broker-dealers on the basis of considerations other than applicable commissions may at times result in higher transaction costs than would otherwise be the case. Liquid Strategies derives substantial direct and indirect benefit from these services, particularly to the extent soft dollars are used to pay expenses which Liquid Strategies would otherwise pay.

#### **Item 13- Review of Accounts**

Generally, accounts are reviewed regularly by the lead portfolio manager assigned to the account. These reviews include monitoring and analyzing securities positions, cash levels, and total portfolio performance. In addition, Liquid Strategies has designated professionals responsible for conducting periodic reviews of Client portfolios. Each client account is reviewed for compliance with account investment objectives, guidelines, restrictions and adherence to other items outlined in the Client's investment advisory agreement and investment policy statement.

Clients are provided with at least quarterly appraisals that include cost basis and current market values. An accompanying letter summarizes Liquid Strategies' investment performance results and a brief discussion of the market environment.

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

Other than the previously described products and services that Liquid Strategies receives from a broker, Liquid Strategies does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

Liquid Strategies does not directly or indirectly compensate any person for client referrals.

#### **Item 15- Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks. Clients should receive at least quarterly statements from the broker/dealer, bank or other qualified custodian maintaining their assets. Liquid Strategies urges Clients to carefully review and consider those statements to be the official custodial record. Quarterly Client updates that we provide may differ and should be considered supplemental information to the custodial statements.

**Item 16- Investment Discretion**

Liquid Strategies has discretionary authority to determine which securities or instruments to buy or sell, the total amount of securities or instruments to buy or sell, the executing broker or dealer for a transaction and the commission rates or commission equivalents paid for transactions.

**Item 17- Voting Client Securities**

Per the fundamental strategy of the firm, the Adviser will only be invested in individual securities on an infrequent basis. Individual securities assigned will be sold within a week, therefore, we believe the incidence of the Adviser holding the security on record date of a proxy will be rare. However, in preparation for such a highly unlikely event, the Adviser shall vote Client proxies in a way that it believes will cause securities to increase the most, or decline the least, in value in order to maximize shareholder value. Consideration will be given to both the short- and long-term implications of the proposal to be voted on. Where there may be a conflict for the Adviser in voting a particular proxy, the firm shall vote in accordance with its affiliate's third party proxy voting agent, Glass, Lewis & Co.

Liquid Strategies' complete proxy voting policy and procedures are memorialized in writing and available to Clients upon request. In addition, Liquid Strategies maintains a record of all proxy votes cast on behalf of Clients, which is also available to Clients upon request.

Liquid Strategies will not advise or take action on behalf of a Client in any legal proceedings, including bankruptcies or class actions, involving securities held in, or formerly held in, Client's accounts. Liquid Strategies will, on a best efforts basis, provide Clients with information we may receive relating to class actions including transactional information that may helpful to the Client should he or she choose to file.

**Item 18- Financial Information**

Liquid Strategies is not aware of any financial condition that is expected to affect its ability to manage client accounts.