

# **Ariel Capital Advisors, LLC**

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**January 20, 2015**

## **FORM ADV PART 2A FIRM BROCHURE**

This brochure provides clients with information about the qualifications and business practices of Ariel Capital Advisors, LLC, a registered investment adviser. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration does not imply that Ariel Capital Advisors, LLC or any individual providing investment advisory services on behalf of Ariel Capital Advisors, LLC possess a certain level of skill or training.

Please contact Ariel Capital Advisors, LLC at (239) 293-9405 if you have any questions about the contents of this brochure. Additional information about Ariel Capital Advisors, LLC and its associated persons is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by the firm's name or by a unique identifying number, known as a CRD number. The CRD number for Ariel Capital Advisors, LLC is 170289.

**Item 2 – Material Changes**

This item discusses specific material changes to the Ariel Capital Advisors, LLC brochure.

Ariel Capital Advisors, LLC will ensure that clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of the firm's fiscal year (which occurs at the end of the calendar year). Ariel Capital Advisors, LLC may further provide other ongoing disclosure information about material changes as necessary.

Ariel Capital Advisors, LLC will also provide clients with a new brochure upon request, at any time, without charge.

There have been no material changes to this brochure since the date of its last annual update (January 15, 2014).

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## **Item 4 - Advisory Business**

### **A. The Company**

Ariel Capital Advisors, LLC is a Florida limited liability company that was founded in 2014 and has been registered as an investment adviser with the U.S. Securities and Exchange Commission since 2014. Throughout this disclosure brochure, Ariel Capital Advisors, LLC is referred to as “ACA” or the “firm.”

The sole owner of ACA is Christopher P. Bray.

### **B. Advisory Services**

ACA offers the following advisory services:

#### Investment Management Services

ACA provides personalized Investment Management Services which consists of giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions, during which a client’s goals and objectives are established, ACA assesses the client’s risk profile and investment guidelines and will prepare an investment policy statement or similar document, reflecting the client’s investment objectives, time horizon, tolerance for risk, as well as any account restraints.

ACA’s Investment Management Services includes the following:

- Investment management and advisory services;
- Tax return preparation;
- Tax planning;
- Cash flow planning;
- Retirement planning; and
- Estate planning.

ACA will create a portfolio principally comprised of all or some of the following investments in accordance with the investment objectives of the client: mutual funds, exchange traded funds (commonly known as “ETFs”), debt and equity securities, real estate, real estate investment trusts (commonly known as “REITS”), private placements, government securities and alternative investments (e.g., hedge funds). Please see the disclosures in Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – for additional information on the types of securities used by ACA to construct portfolios and certain associated risks. ACA’s management of a client’s account will be based on the client’s investment objectives and guidelines as memorialized in the investment policy statement.

Investment Management Services will be provided on a discretionary basis. Clients are required to give ACA full authority to manage the client’s assets in accordance with what the firm deems to be in the client’s best interest based on the client’s investment objectives and guidelines as set forth in the client’s investment policy statement. Clients will retain individual ownership of all securities in their account.

ACA may recommend that the client allocate a portion of a client’s investment assets among unaffiliated independent investment managers in accordance with the client’s designated investment objective(s). Factors considered in making this determination include account size, risk tolerance, the opinion of each client, the investment philosophy of the independent

money manager, performance, services offered, and client needs. In such situations, the independent manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. ACA shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives.

In addition to any advisory agreement entered into with ACA, clients will also enter into an advisory agreement directly with the independent money manager. Clients are requested to refer to the independent money manager's firm brochure for a complete description of services offered and fees charged.

#### Financial Planning Services

In limited circumstances, ACA will provide financial planning as a stand alone service to existing clients. These services will be provided in situations that require extraordinary planning arrangements that would be considered outside the scope of what is typically provided under ACA's Investment Management Services. In the event additional financial planning services are warranted, ACA and the client will enter into a separate agreement that will set forth the services provided and fees charged.

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

ACA offers the same suite of services to all of its clients. However, in order to provide appropriately individualized services, ACA will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds, mutual funds or with respect to certain third-party independent money managers. In addition, a restriction request may not be honored if it is fundamentally inconsistent with ACA's investment philosophy, runs counter to the client's stated investment objectives, or would prevent ACA from properly servicing client accounts.

For those clients that utilize independent money managers, whether such clients will be able to place reasonable restrictions on the types of investments which will be made on the client's behalf is at the discretion of the independent money manager.

#### **D. Wrap Fee Programs**

ACA does not provide portfolio management services to a wrap fee program(s). Under a wrap fee program, advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and transaction services (e.g., execution of trades) are provided for one fee. This is different than traditional investment management programs whereby services are provided for a fee, but transaction services are billed separately on a per-transaction basis.

#### **E. Assets Under Management**

As of December 31, 2014, the total amount of client assets managed by ACA is approximately \$225,430,000. All assets are managed on a discretionary basis.

## Item 5 - Fees And Compensation

### A. Advisory Fees

#### Investment Management Services Fees

The annual fee for Investment Management Services will be charged as a percentage of assets under management according to the following schedule:

Assets Under Management	Maximum Annual Fee (%)
First \$2,000,000	1.25%
\$2,000,001 - \$5,000,000	1.00%
\$5,000,001 - \$10,000,000	0.75%
Over \$10,000,000	0.50%

ACA's annual Investment Management Services fee is pro rated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The first quarter's fee is prorated based on the market value at the time cash is deposited or assets are transferred into the account, and the number of days remaining in the quarter.

The investment management fees charged by the designated independent money manager and corresponding designated broker-dealer/custodian of the client's assets, *are exclusive of, and in addition to*, ACA's investment management fee. As discussed below, the client may incur additional fees than those charged by ACA, the designated independent money manager(s) and corresponding broker-dealer and custodian.

#### Financial Planning Services Fees

Financial Planning Services fees will be charged as a fixed fee and it completely dependent on the nature and complexity of the client's circumstances and the size of the financial planning issue. Details of the Financial Planning Services fee charged are more fully described in the Financial Planning Agreement entered into with each client.

### B. Payment Method

There are two options a client may select to pay ACA's advisory services fees:

#### Direct Debiting

Each quarter, ACA will notify the client's qualified custodian of the amount of the fee due and payable to ACA pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check ACA's fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account the client has designated to pay ACA's advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to ACA.

### Billing

Each quarter, ACA will issue the client an invoice for the firm's services and the client will pay ACA by check or wire transfer within 30 of the date of the invoice, or as otherwise negotiated and documented in the client's advisory agreement.

## **C. Additional Fee Information and Expenses**

### Fees Negotiable

ACA retains the right to modify fees, including minimum account size requirements, in its sole and absolute discretion, on a client-by-client basis. Factors considered include the complexity and nature of the advisory services provided, anticipated amount of assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition. The specific fee schedule is identified in the advisory agreement entered into with the client.

### Mutual Fund Fees and Exchange Traded Funds

All fees paid to ACA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and Exchange Traded Funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay a deferred sales charge. A client could invest in a fund directly, without the services of ACA. In that case, the client would not receive the services provided by ACA which are designed, among other things, to assist the client in determining which funds are most appropriate to each client's financial condition and objectives.

To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by ACA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### Trading and Other Costs

All fees paid to ACA for investment advisory services are separate and distinct from transaction fees charged by broker-dealers associated with the purchase and sale of mutual funds, Exchange Traded Funds, fixed-income and equity securities and options. In addition, fees do not include the services of any co-fiduciaries, accountants, custodians or attorneys. Please see the section entitled "Brokerage Practices" for additional information on brokerage and other transaction costs.

### Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client will be billed directly by such professional(s).

### Money Managers Fees and Expenses

All fees paid to ACA for its investment advisory services are separate and distinct from the fees and expenses charged by independent money managers to their clients.

Each independent money manager used involves different custodial, administrative, and fee arrangements, and may require certain minimum initial account investments. These fees and expenses are described in each independent money manager's firm brochure. These fees will generally include a management fee and possible other fees. The actual management fees may be higher or lower for specific independent money manager employing similar strategies.

In certain circumstances a client could invest with an independent money manager directly, without the services of ACA. In that case, the client would not receive the services provided by ACA which are designed, among other things, to assist the client in determining which independent money managers are most appropriate to the client's financial condition and objectives.

### **D. Termination and Refunds**

A client has the right to terminate an advisory agreement without penalty within five (5) business days after entering into such agreement. In addition, an advisory agreement may be terminated at any time, by either party, for any reason upon thirty (30) days' prior written notice to the other party. ACA is authorized to charge a client the applicable fee for up to 30 days after account termination as reasonable compensation for the orderly winding up of the client's account.

#### *Fees Paid in Advance*

If an account is terminated during a calendar quarter, fees will be adjusted *pro rata* based upon the number of calendar days in the calendar quarter that the advisory agreement was effective. When possible, ACA will credit a client's account for the amount of the refund. Otherwise, ACA will send a check to the client for the amount of the refund.

#### *Fees Paid in Arrears*

If ACA's fees are paid in arrears, the client will not be due any refund, provided, however, that clients may owe fees for any work completed by ACA through the date of termination of the advisory service.

### **E. Additional Compensation**

ACA provides "fee-only" services. ACA does not accept commissions or compensation from any other source (*e.g.*, mutual funds, insurance products or any other investment product) and does not charge a mark-up on clients' securities transactions. Neither ACA nor its associated persons receive "trailer" or 12b-1 fees from an investment company that ACA recommends. Fees charged by issuers are detailed in prospectuses or product descriptions and clients are encouraged to read these documents before investing.



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

ACA's investment advisory services fees are not based on a share of the capital gains or capital appreciation (i.e., growth in value) of the funds in a client's account (a/k/a "performance-based fees").

Side-by-side management refers to an adviser simultaneously managing accounts that do pay performance based fees and those that do not; this can create potential conflicts of interest. ACA does not engage in side-by-side management.

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

### **Clients**

ACA generally provides investment advisory services to high net worth individuals.

### **Engaging the Services of ACA**

All clients wishing to engage ACA for investment advisory services must first sign the applicable advisory agreement and sign/complete any other document or questionnaire provided by the firm. The advisory agreement will describe the services and responsibilities of ACA to the client. It also outlines ACA's fee in detail.

In addition, clients must complete certain broker-dealer/custodial documentation as well as any documentation required by any independent money manager used. Upon completion of these documents, ACA will be considered engaged by the client. Clients will be responsible for ensuring that ACA is informed in a timely manner of changes in investment objectives and risk tolerance.

### **Conditions for Managing Accounts**

As a condition for starting and maintaining a relationship, ACA imposes a minimum account size of \$1,000,000. ACA, in its sole discretion, may accept clients with smaller portfolios based upon the needs of the client and the complexity of the situation. ACA will only accept clients with less than the minimum portfolio size if, in its sole opinion, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. ACA may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### **A. Methods of Analysis and Investment Strategies**

#### Methods of Analysis

ACA's methods of security analysis may include charting, fundamental analysis, technical analysis and cyclical analysis.

### *Charting*

Charting involves the use of patterns in performance charts which might identify favorable conditions for buying and/or selling a security. Charts of market and security activity are reviewed in an attempt to identify when the market is moving up or down and to predict how long the trend will last and when that trend may reverse.

### *Fundamental Analysis*

Fundamental analysis is a method of evaluating securities by attempting to measure the intrinsic value of a stock. Fundamental analysts study the overall economy and industry conditions, the financial condition of a company, details regarding the company's product line, and the experience and expertise of the company's management. The resulting data is used to measure the true value of the company's stock compared to the current market value.

### *Technical Analysis*

Technical analysis involves the examination of past market data rather than specific company data in determining which securities to buy/sell. Technical analysis may involve the use of various quantitative-based calculations, variation metrics and charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of a company. These trends may include put/call ratios, pricing trends, moving averages, volume, changes in volume, among many others. These trends, both short and long-term, are used for determining specific trade entry and exit points and broad economic analysis.

### *Cyclical Analysis*

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (e.g., the entire market/economy) or micro (e.g., company specific) level, rather than the overall fundamental analysis of the health of a particular company. Cyclical analysis involves the historical patterns and trends of securities, markets or economies as a whole in an effort to determine future behaviors, the estimation of price movement and an evaluation of a transaction before entry into the market in terms of risk and profit potential.

### Investment Strategies

ACA will use all or some of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations:

#### *Long-Term Purchases*

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

#### *Short-Term Purchases*

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

### *Trading*

Securities are purchased with the expectation that they will be sold within a very short period of time, generally less than 30 days, in an effort to capture significant market gains and avoid significant market losses during a volatile market.

### *Short Sales*

A securities transaction in which an investor sells borrowed securities in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

### *Margin Transactions*

A securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

### *Option Writing*

An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. An investment strategy utilizing option writing involves selling (writing) an option. When an investor sells (writes) an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller receives from the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

**Investing in securities involves risk of loss that each client should be prepared to bear. It should not be assumed that the future performance of any specific investment or investment strategy will be profitable or equal any specific future or past performance level(s).**

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risks Associated with Investment Strategies*

#### Long-Term Purchases

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., “locking-up” assets that may be better utilized in the short-term in other investments).

#### Short-Term Purchases

Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.

## Trading

Strategies involving frequent trading of securities can affect investment performance through increased brokerage and other transaction costs and taxes.

## Short Sales

Short selling is very risky. The primary risk associated with selling a security that was borrowed in anticipation of a price decline is that if the price of those borrowed shares *increases*, the potential losses are *unlimited*.

## Margin Transactions

When buying stocks on margin, you are employing leverage as an investing strategy. Leverage allows an investor to extend their financial reach by investing using borrowed funds while limiting the amount of their own cash they expend. This can involve a high degree of risk, including, but not limited to:

- Losing more money than you have invested;
- Paying interest on your loan;
- Being required to deposit additional cash or securities in your account on short notice to cover market losses;
- Being forced to sell some or all of your securities when falling stock prices reduce the value of your securities; and/or
- Having your brokerage firm sell some or all of your securities without consulting you to pay off the loan it made to you.

## Option Writing

There are numerous risks associated with transactions in options on securities or securities indexes and therefore, are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss of principal. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. For example, as the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index (e.g., the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well).

## *Risk Associated with Methods of Analysis*

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment. ACA's securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While ACA is alert to indications that data may be

incorrect, there is always the risk that the firm's analysis may be compromised by inaccurate or misleading information.

### Fundamental Analysis

Fundamental analysis, when used in isolation, has a number of risks:

- Information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- The data used may be out of date.
- It ignores the influence of random events such as oil spills, product defects being exposed, acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- The market may fail to reach expectations of perceived value.

### Technical Analysis

The primary risk in using technical analysis is that spotting historical trends may not help predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that the Company will be able to accurately predict such a reoccurrence.

### Cyclical Analysis

The primary risk in using cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore, there is an attendant difficulty in predicting economic trends. Consequently, the changing value of securities that would be affected by these changing trends.

### Charting

The primary risk in using charting analysis is that it may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about a security and yet, day-to-day changes in the market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

## **C. Risks Associated with Specific Securities Utilized**

### Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (i.e., increase the value of the company's stock price).

### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (e.g., corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

#### Exchange Traded Funds (ETFs)

An ETF holds a portfolio of securities designed to track a particular market segment or index. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client’s portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF’s portfolio, may be considered “non-qualified” under certain tax code provisions.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the

risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries. In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

#### Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also have the same risks as set forth under "Fixed-Income Securities" listed above.

#### Mutual Funds - Index Funds

Index Funds have the potential to be affected by "tracking error risk" which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a "sample index" that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund's portfolio, may be considered "non-qualified" under certain tax code provisions.

#### Real Estate Related Securities

Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from clean up of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates. Investing in Real Estate Investment Trusts ("REITs") involves certain unique risks in addition to those risks associated with investing in real estate in general. REITs are dependent upon the skills of management, are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation.

#### Alternative Investments

The performance of alternative investments (e.g., hedge funds; funds of hedge funds, private equity or other types of limited partnerships) can be volatile. Alternative investments generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the offering documents of each specific alternative investment. Due to the speculative nature of alternative investments a client must satisfy certain income or net worth standards prior to investing.

**Note that there may be other circumstances not described here that could adversely affect a client's investment and prevent their portfolio from reaching its objective. ACA's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above risks.**

## **Item 9 - Disciplinary Information**

ACA is required to disclose any legal or disciplinary events that are material to a client's or a prospective client's evaluation of the firm's advisory business or the integrity of ACA's management. Neither ACA nor any member of its management has been involved in a material criminal or civil action in a domestic, foreign or military jurisdiction, an administrative enforcement action, or self-regulatory organization preceding that would reflect poorly upon ACA's advisory business or the integrity of the firm.

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

### **A. Broker-Dealer Registration and Registered Representatives**

ACA is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

### **B. Futures and Commodity Registration**

ACA is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

### **C. Financial Industry Affiliations**

Christopher P. Bray is a partner in the tax and estate planning law firm of Kearns Bray, LLC. From time to time, Mr. Bray will offer clients advice or products from those activities. ACA always acts in the best interest of the client. Clients are in no way required to implement the plan through Mr. Bray in his capacity as an attorney. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Mr. Bray's recommendations.

### **D. Selection of Other Advisers**

ACA does not receive, directly or indirectly, compensation from other investment advisers that it recommends or selects for its clients.



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

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

ACA has adopted a written Code of Ethics to prevent violations of federal securities laws. ACA's Code of Ethics is predicated on the principle that the firm owes a fiduciary duty to its clients. Accordingly, ACA expects all of its associated persons to act with honesty, integrity and professionalism and to adhere to federal and state securities laws. All officers, managers, directors, members and employees of the firm and any other person who provides advice on behalf of ACA and is subject to ACA's control and supervision are required to adhere to the Code of Ethics. At all times, the firm and its associated persons must (i) place client interests ahead of the firm's; (ii) engage in personal investing that is in full compliance with the firm's Code of Ethics; and (iii) avoid taking advantage of their position. A copy of ACA's Code of Ethics is available to any client or prospective client upon request. For a copy, please contact ACA at (239) 293-9405.

### **B. Material Financial Interest**

ACA does not recommend to clients securities in which the firm or any related person has a material financial interest.

### **C. Invest in Same Securities as Clients**

From time to time, individuals associated with ACA may buy, sell, or hold in their personal accounts the same securities that ACA recommends to its clients. To minimize conflicts of interest, and to maintain the fiduciary responsibility ACA has to its clients, the firm has established the following personal securities transaction policy to monitor the personal securities transactions and securities holdings of each of ACA's "access persons." ACA's securities transaction policy requires that an access person must provide the Chief Compliance Officer with a written report of their current securities holdings within ten (10) days after becoming an access person. Additionally, each access person must provide the Chief Compliance Officer with a written report of the access person's current securities holdings at least once each twelve (12) month period thereafter on a date ACA selects. The Chief Compliance Officer is required to review these reports to ensure that personal securities transactions are conducted in accordance with the Code of Ethics.

### **D. Engaging in Transactions at Same Time as Client**

From time to time, individuals associated with ACA may, at or about the same time, buy, sell, or hold in their personal accounts the same securities that the firm recommends to its clients. This practice may create a situation where such individuals are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, ACA has a personal securities transaction policy in place to mitigate any potential conflicts of interest.

## **Item 12 - Brokerage Practices**

### **A. Brokerage Selection**

ACA does not have the authority to determine the broker-dealer to be used or the commission rates paid.

ACA may recommend that Investment Management Services clients utilize the brokerage and clearing services of Charles Schwab & Company, Inc. ("Schwab"), a FINRA and SIPC member. Please see the additional disclosures regarding firm directed brokerage arrangements under "Directed Brokerage" below.

Schwab will hold client assets in an account in the client's name and will buy and sell securities in the client's account when instructed to do so by ACA. Clients will enter in an account agreement directly with Schwab. ACA technically does not "open" accounts for clients, although ACA will assist clients with the account opening process.

#### Best Execution

Best execution has been defined as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while SageBroadview will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

As detailed below, ACA periodically and systematically reviews its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.

#### Broker Analysis

ACA evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving ACA.

ACA's portfolio manager is responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for client accounts to ensure consistent quality executions. In addition, ACA periodically reviews its transaction costs in light of current market circumstances and other relevant information.

#### Research/Soft Dollar Benefits

As stated above, ACA recommends that clients establish brokerage accounts with Charles Schwab & Company, Inc. ("Schwab") to maintain custody of their assets and to effect trades for their accounts. ACA is not affiliated with Schwab. Schwab provides ACA with access to its institutional trading and operations services, which are typically not available to retail investors. These services may include research, brokerage, custody, and access to mutual

funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab may also make available to ACA other products and services that benefit ACA, but may not benefit its clients' accounts. Some of these other products and services assist ACA in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of ACA's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of ACA's accounts, including accounts not maintained at the specific broker-dealer that is offering this particular service. Schwab also provides ACA with other services intended to help ACA manage and further develop its business enterprise. These services may include consulting, publications, conferences and presentations on practice management, information technology, business succession, regulatory compliance, and marketing.

In addition, Schwab may make available, arrange and/or pay for these types of services to ACA by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to ACA. While as a fiduciary ACA endeavors to act in its clients' best interests, the firm's recommendation that clients maintain their assets in accounts with these broker-dealers may be based in part on the benefit to ACA of the availability of some of the foregoing products and services and not solely on the nature cost or quality of custody and brokerage provided by Schwab which may create a conflict of interest.

#### Directed Brokerage

##### *Firm Directed Brokerage*

ACA does not have the discretionary authority to determine the broker-dealer to be used. As stated above, clients in need of brokerage may have Schwab & Company, Inc. ("Schwab") recommended to them. While there is no direct linkage between the investment advice given and usage of Schwab, economic benefits are received which would not be received if ACA did not give investment advice to clients (please see additional disclosures in the "Research/Soft Dollars Benefits" section directly above). ACA does not participate in any transaction fees or commissions paid to the broker-dealer or custodian and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended brokers-dealers.

Not all investment advisers require their clients to direct brokerage. ACA is required to disclose that by directing brokerage, ACA may not be able to achieve most favorable execution of client transactions and this practice may cost clients more money.

##### *Client Directed Brokerage*

Certain clients may direct ACA to use particular brokers-dealers for executing transactions in their accounts. With regard to client directed brokerage, ACA is required to disclose that ACA may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates ACA might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. ACA reserves the right to

decline acceptance of any client account that directs the use of a broker-dealer if ACA believes that the broker-dealer would adversely affect ACA's fiduciary duty to the client and/or ability to effectively service the client portfolio.

As a general rule, ACA encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker-dealer to the client in exchange for the directed brokerage designation.

## **B. Trade Aggregation and Allocation**

### Trade Aggregation

To the extent ACA provides investment management services to its clients, the transactions for each client account generally will be effected independently. However, ACA may determine that the purchase or sale of a particular security is appropriate for more than one client account and may aggregate client trades into one order (i.e. a "block trade") for execution purposes. Block trading allows ACA to execute transactions in a more timely, equitable and efficient manner and seeks to provide, when feasible, based on similar time frames of information required to make a trade decision, the same execution prices for clients at the same custodian and executing broker. Block trading can also avoid the adverse affect on a security's price when simultaneous and competing orders are placed.

ACA will aggregate orders only when such aggregation is consistent with the firm's duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account.

### Trade Allocation

Each client that participates in an aggregated order will participate based on the average execution price in that particular security. All transaction costs will be allocated pro rata based on each client's participation in the transaction. All securities purchased or sold, will be allocated pro rata based on the assets of each account. In the event of a partial fill of an aggregated order, accounts will receive a pro rata allocation, provided; however, that the portfolio manager shall have the discretion to make adjustments to this pro rata allocation to avoid certain adverse trading results such as having odd amounts of shares held in any client account or to avoid excessive ticket charges in smaller client accounts.

## **Item 13 - Review Of Accounts**

### **A. Periodic Reviews**

#### Investment Management Services

While the underlying securities within Investment Management Services accounts are continuously monitored, these accounts are reviewed no less frequently than quarterly by Christopher P. Bray. Accounts are reviewed in the context of each client's stated investment objectives and guidelines, ensuring that the structure of the portfolio is coordinated with these objectives. In addition, investment returns will be measured against the appropriate benchmarks in each asset class.

### Financial Planning Services

These client accounts will be reviewed as contracted for at the inception of the advisory relationship.

### **B. Other Reviews**

More frequent reviews may be triggered by client requests or material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

### **C. Reports**

### Investment Management Services

Clients will receive statements from their custodian at least quarterly. Additionally, monthly statements will be generated as a result of investment activity by the client's custodian. Confirmation statements will be issued for all trading activity. Monthly and/or quarterly statements will include portfolio holdings, dates and amounts of transactions, cost basis and current and prior statement values.

### Financial Planning Services

ACA will provide reports as contracted for at the inception of the advisory relationship.

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

### **A. Economic Benefits**

ACA does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

### **B. Client Referrals**

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

## **Item 15 - Custody**

Custody of client assets will be maintained with the independent custodian selected by the client. ACA will not have custody of any assets in the client's account except as permitted for direct payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize ACA to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. The account statement will also indicate the amount of advisory fees deducted from clients' account(s) for each billing period.

## **Item 16 - Investment Discretion**

ACA requests that it be provided with written authority (*e.g.*, limited power of attorney contained in the firm's advisory agreement) to determine the types and amounts of securities that are bought or sold. ACA's authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between the firm and the client. Any limitations on ACA's discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments are required to be submitted in writing.

## **Item 17 - Voting Client Securities**

### **Proxy Voting**

ACA does not vote proxies on behalf of its clients. Therefore, although ACA may provide discretionary investment management services relative to client investment assets, it is the client that maintains exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. ACA and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients can contact ACA at (239) 293-9405 if they have questions regarding a particular solicitation.

### **Legal Proceedings**

ACA will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Because ACA does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, ACA is not required to include a balance sheet with this firm brochure.

### **B. Financial Condition**

ACA does not have any financial condition that would impair the firm's ability to meet contractual and fiduciary commitments to its clients.

### **C. Bankruptcy**

ACA has never been the subject of a bankruptcy petition.