



# STRATEGIC

## FINANCIAL SERVICES

**114 Business Park Drive  
Utica, NY 13502  
315-724-1776  
800-937-4461  
[www.investstrategic.com](http://www.investstrategic.com)**

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

**March 15, 2015**

*This Brochure provides information about the qualifications and business practices of Strategic Financial Services. If you have any questions about the contents of this brochure, please contact us at (315) 724-1776 / (800) 937-4461 and/or at [privacy@investstrategic.com](mailto:privacy@investstrategic.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Strategic Financial Services also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Where a reference is made to being a "registered investment adviser" throughout this document, the term "registered" does not imply a certain level of skill or training. "Registered" means that the company has filed the necessary documentation to maintain registration as an investment advisor with the Securities and Exchange Commission.*

## **Material Changes**

Strategic Financial Services is required to disclose all material changes to its brochure since its last annual update. The last annual update was on 3/31/2014. Since the last filing the following changes are being reported:

Strategic has partnered with Chicago Clearing Corporation to file class action claims on behalf of our clients. Chicago Clearing Corporation will deduct a fee of 15% of the clients' share of the plan of allocation of the settlements. Clients are not charged a fee unless they are entitled to proceeds from a filing. Upon request Strategic will opt clients out of this service. Strategic takes no responsibility to file the claims on behalf of a client that choose to opt out of this service. Strategic receives no fee for this service.

## Table of Contents

Advisory Business	1
Fees and Compensation	4
Performance-Base Fees and Side-By-Side Management	7
Types of Clients	7
Methods of Analysis, Investment Strategies and Risk of Loss	7
Disciplinary Information	10
Other Financial Industry Activities and Affiliations	10
Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading	11
Brokerage Practices	12
Review of Accounts	16
Client Referrals and Other Compensation	18
Custody	17
Investment Discretion	18
Voting Clients Securities	19
Financial Information	19

## **Advisory Business**

Strategic Financial Services, hereinto referred to as Strategic, is a registered investment advisor with the United States Securities and Exchange Commission. Strategic has been in business since 1979 and is wholly owned by Alan R. Leist Jr., Judith Vicks Sweet, and Alan R. Leist III.

Strategic Financial Services offers three main advisory services to clients; financial planning, investment management, and retirement plan services. Strategic's advisory services may be utilized independently or interdependently. Clients have the discretion to determine the nature of the services they receive.

### **Financial Planning**

The type of financial planning services Strategic provides include:

- Review of estate planning documents, investments and insurance.
- Evaluation of estate tax strategies.
- Review of client's assets, liabilities and cash flow.
- Charitable giving advice.
- Discussion of prudent protection for a family in the event of a premature death, the inability to work due to an accident or illness, or unanticipated extended care.
- Consultation for owners of businesses including advice regarding corporate finance and ownership transition issues.
- Education forecasting and budgeting.
- Recommendations on investment products.
- Recommendations on the discretionary management of investment accounts.
- Irrevocable Life Insurance Trust administration services.
- Design of investment portfolio.

A client's financial plan is designed according to the specific needs and objectives of that client. During an initial consultation the client and an advisor of Strategic will discuss the client's needs and desired goals and risk tolerance. Plans may involve consultation with other professionals, such as attorneys and accountants. Based on the client's needs the financial plan may or may not be written. The development of a financial plan for a client may be a one-time event or ongoing in nature. The frequency is dependent an agreement, written or verbal, with the client's advisor.

A conflict of interest may exist in that Strategic may recommend specific investment strategies or products that result in greater revenue for Strategic. Strategic addresses this conflict by fully disclosing the fees associated with a particular recommendation.

As part of the planning process Strategic may recommend the implementation of a particular investment strategy. Clients may implement investment strategy recommendations by establishing an account with our investment management division. Clients are under no obligation to implement such recommendations through this division. The accounts are generally managed on a discretionary basis.

Certain advisors of Strategic also serve as an advisor of Cadaret, Grant & Co. under their TIMS (The Investment Management System) platform. Clients may implement investment strategy recommendations by establishing an account as part of the TIMS platform. Clients are under no obligation to implement such recommendations. A Form ADV Part 2 Brochure for Cadaret, Grant & Co. is available upon request. Please refer to the section on *Other Financial Industry Activities and Affiliations* for more information on the relationship between Strategic and Cadaret, Grant & Co and the TIMS platform. TIMSs accounts are managed on a discretionary basis.

Clients may also implement investment strategies and insurance recommendations through a Strategic advisor who is also a registered representative of Cadaret, Grant & Co., a broker dealer, or a licensed insurance agent of various insurance companies. Clients are under no obligation to implement such recommendations through a Strategic advisor. Please refer to *Other Financial Industry Activities and Affiliations* for more information on Strategic advisors who are also registered representatives of Cadaret, Grant & Co., or a licensed insurance agent.

Clients may also choose to implement any investment strategy or product recommendation with the financial institution of their choice.

Strategic does not enforce a minimum account size to receive financial planning services.

Financial plans will be based solely on the information clients provide to Strategic.

### **Investment Management**

Strategic's investment management division's primary advisory service is the discretionary management of client accounts. Strategic manages balanced, fixed income and equity accounts. Clients equity positions are generally invested in our Strategic Growth, Equity Income, and/or Specialized Equity strategies. Client fixed income positions are generally invested into individual bonds, fixed income exchange traded funds, and fixed income mutual funds. Bonds purchased include, but are not limited to, U.S. Treasuries, U.S. Agency Bonds, Municipal Bonds and Corporate Bonds. Please see the section on *Methods of Analysis, Investment Strategies and Risk of Loss* for more information on our equity and fixed income investment strategies.

Strategic also provides advisory services to non-discretionary managed and monitored accounts. Clients can request the non-discretionary management and monitoring of accounts or assets. Services are primarily offered for inherited and/or restricted securities, educational accounts, client directed trading accounts and low basis stock accounts.

Strategic does tailor advisory services to the individual needs of clients. Strategic tailors each client's asset allocation to meet the client's specific needs. Clients can place restrictions on investing in certain securities or types of securities. In addition clients may place restrictions on the sale of certain high basis or legacy securities held in a discretionary account. For portfolio management reasons these restricted securities may be moved to a separate like registered account. Clients may pay an additional custodial fee when an additional account is created. Clients are responsible for communicating any imposed investing restrictions to Strategic.

Strategic does not enforce a minimum account size to open an account. Strategic generally requires a minimum equity account allocation of \$125,000 to invest in one of our actively managed stock portfolios. Strategic currently offers Strategic Growth and Equity Income as our two actively managed stock portfolios. Clients that do not meet the \$125,000 minimum balance will be invested in an alternative portfolio comprised of exchange traded funds and/or mutual funds.

### **Retirement Plan Services**

Strategic's retirement plan division's primary advisory service is to provide retirement plan design, education services and investment selection and monitoring. Strategic may provide one or more of the following services:

- Assisting plan sponsors in developing a customized retirement and investment plan that attempts to fit the needs of individual plan participants.
- Investment selection, ongoing monitoring and performance reviews. Strategic may use various investment options, including mutual fund company shares and asset

allocation models or a combination of the two. The mix and weightings of investments will be based on the available plan options.

- Planning and coordination for plan transfer and/or conversion.
- Assist human resource staff with items regarding plan administration.
- Individual employee meetings, retirement planning, investment advice and distribution consultation.
- Group education and enrollment meetings.
- Assistance with plan administrative tasks such as loan, distribution and rollover processing.
- General information on legislative, Department of Labor and Internal Revenue Service matters relating to qualified plans.
- Preparation of plan investment policy statement.

Each client's retirement plan service needs are different. The services that Strategic provides to each client will depend on the specific needs and objectives of that client.

All recommendations or investment advice provided by Strategic will be based upon the information provided by the plan sponsor and/or plan participant where applicable.

Our firm provides participant directed accounts the option of, when supported by the plan provider, offering Asset Allocation Model Portfolios designed by Strategic. These models offer a selection of managed model portfolios representing different asset allocation strategies based on factors such as time horizon, risk tolerance and other personal circumstances. The model portfolios consist of mutual funds selected from the universe of available no-load or load waived funds with a goal of consistent investment results. To the extent that a provider will allow, Strategic will monitor, manage, and rebalance the model portfolios according to the goals of each model and not according to the individual needs of plan participants.

Clients have the discretion to select the plan providers and platforms of their choice. Strategic, at client request, will recommend a variety of different plan providers to clients. Recommendations are given based on the plan sponsor's objectives and servicing requirements.

Strategic may suggest clients establish a discretionary investment advisory account with our investment management division. Clients are under no obligation to implement such recommendations through this division.

Clients may also implement a retirement plan through a Strategic advisor who is also a registered representative of Cadaret, Grant & Co., a broker dealer. Clients are under no obligation to implement such recommendations. Please refer to *Other Financial Industry Activities and Affiliations* for more information on Strategic advisors who are also registered representatives of Cadaret, Grant & Co and the conflicts this may create. .

Strategic does not enforce a minimum account size to open an account or to receive retirement plan services.

### ***Total Assets Under Management***

As of December 31, 2014 discretionary assets under management totaled \$767,464,799 and non-discretionary assets totaled \$135,808,940.

## **Fees and Compensation**

Fee schedules are based on the type of advisory service provided to a client. All applicable fee schedules are described below. Fees may be negotiated at the discretion of Strategic.

### **Financial Planning**

Strategic does not have a set fee schedule for the creation and implementation of a financial plan. Any initial fee charged for the creation of a financial plan will be negotiated with the client. Clients requiring reoccurring financial planning services may be charged a monthly, quarterly, or yearly fee that is negotiated with the client when the relationship is established. All fees are negotiable.

Strategic does charge a fee of \$500 for ILIT Trust Administration.

At its discretion, Strategic may also charge an Estate Administration fee.

Strategic's clients are mailed a bill for financial planning service fees incurred.

Strategic's financial plans may recommend, among other things, security transactions and the purchase of life, disability and/or long term care insurance. Clients have complete discretion to implement any aspect of the recommended financial plan. Clients that implement securities and insurance recommendations from the financial plan, regardless of who the transactions are conducted through, may pay commissions and fees that are separate and distinct from Strategic's financial planning fees. Clients should, and are encouraged to, inquire about the additional transaction fees that are associated with implementing a financial plan. Each client's financial planning scenarios are different as are the transactions fees associated with implementing the plan. Please refer to the section *Commissions or Sales Charges for Recommendations of Securities or Investment Products*.

Clients pay financial planning fees at the end of their billing period. Clients can terminate their relationship with Strategic at any time. Clients will be billed a pro-rated fee for the billing period in which the relationship is terminated.

### **Investment Management**

Clients of Strategic's investment management division pay a management fee for advisory services. Our primary fee structure is:

- 1.1% on the first \$1,000,000 in market value;
- 0.85% on the next \$4,000,000 in market value; and
- 0.70% on the market value greater than \$5,000,000

Clients can negotiate their fee structure.

Strategic does not have a set fee structure for non-discretionary managed accounts. The fee is negotiated with the client and is based upon the level of activity in the account and the complexity of assets.

The agreed upon fee will be charged every three months in advance. Client accounts will be placed in one of three three-month fee cycles at the discretion of Strategic. The fee will be calculated as of the last business day of each three-month cycle and is based on the market value (as determined by the advisor) of all the assets in the account. The Advisor will receive no start-up or termination fees, nor will it be subject to any penalties. Fee deductions are reflected on custodial statements. Clients may request fee statements directly from Strategic. Any such request should be made to the client's advisor.

Clients can negotiate how fees are paid. Clients may choose to be billed directly for their management fees. If this method is agreed upon the quarterly management fee is mailed to the client. The quarterly bill will include the fee period, fee amount, client's asset value on which the fee is calculated, and the manner in which the fee is calculated. The client is responsible for mailing Strategic a check to pay their quarterly fee.

In addition to Strategic's management fees, clients pay a fee on the portion of their assets that are invested in a money market, mutual fund or exchange traded fund. Money market, mutual fund and exchange traded fund companies set their fees and they are not negotiable. Strategic will provide the client with the fee schedules of money market, mutual fund, and exchange traded funds upon request.

Clients pay a custodial fee to the account custodian. Strategic recommends, but does not require, that clients use Charles Schwab & Co., Inc. (Schwab) as their account custodian. Schwab's current fee structure will be presented to the client upon establishing an account or in advance if requested by the prospective client. Schwab's fee structure is not negotiable.

Clients who choose to use other custodians will pay fees according to that custodian's fee schedule. Clients receive a copy of a custodian's fee schedule prior to establishing an account.

Clients may pay transactions fees to brokers. Strategic selects the brokers that execute trades for client accounts. Brokerage fees vary per broker. Please refer to the section on *Brokerage Practices* for information on how Strategic selects brokers. In certain circumstances clients can request which brokers are used to execute trades for their accounts.

Clients can terminate their relationship with Strategic at any time. A terminated client is rebated a portion of their last paid management fee if the advisory contract is terminated before the end of the billing period. Strategic will rebate the management fee from the date it receives its termination notice to the end of the current billing quarter. The client will receive the rebate via the same method the client pays their management fee.

Strategic has partnered with Chicago Clearing Corporation to file class action claims on behalf of our clients. Chicago Clearing Corporation will deduct a fee of 15% of the clients' pro rata share of the plan of allocation of the settlements. Clients are not charged a fee unless they are entitled to proceeds from a filing. Upon request Strategic will opt clients out of this service. Strategic takes no responsibility to file the claims on behalf of a client that choose to opt out of this service. Strategic receives no fee for this service.

### **Retirement Plan Services**

Strategic does not have a set management fee schedule for retirement plan services; however annual fees generally do not exceed 1% of plan assets. Fees are negotiated with the plan sponsor and are largely dependent on the servicing needs of the client.

Clients are generally billed on either a monthly or quarterly basis from the plan custodian and record keeper. The plan sponsor and Strategic, in a written agreement, will authorize the custodian/record keeper to calculate the management fee based on all plan assets on the first day of the billing month. Clients are generally required to pay the management fee prior to the end of the billing month. The exact billing process will depend upon the agreement with the client.

Generally clients can terminate their Agreement with Strategic at any time upon 30 days written notice (or such period as may be mutually agreed upon by the parties) which shall be effective when received by either party. If a client pays a fee in advance and the advisory contract is terminated prior to the delivery of services the client can request a rebate of unearned fees. Upon request,



Strategic will rebate the management fee from the date it receives its termination notice to the end of the current billing period.

Clients can negotiate the frequency and method of calculating and paying of management fee bills.

Clients that establish retirement plans and execute plan transaction through a Strategic employee who is also a registered representative are only charged the mutual fund company share commissions. Commissions are charged according to the rates disclosed in the prospectus of each mutual fund or a level-fee across each fund. Clients will be provided access to mutual fund prospectuses prior to investment and upon request thereafter. Mutual fund commission rates are not negotiable. Fee-level clients will be provided with an explanation of the fee-level arrangement. Commissions are paid through Cadaret, Grant as described in each fund's prospectus. Please refer to the section *Commissions or Sales Charges for Recommendations of Securities or Investment Products*.

Strategic may recommend, among other things, plan record keepers, custodians and third party administrators. Clients have complete discretion to select these additional service providers. Clients may pay record keeping, custodial and administrative fees that are transactions separate and distinct from Strategic's management fees. Clients should, and are encouraged to, inquire about the additional fees that are associated with their retirement plan. Each client's retirement planning scenarios are different as are the fees associated with their plan.

**Commission or Sales Charges for Recommendations of Securities**

Clients that establish accounts with an advisor that is a registered representative of Cadaret, Grant & Co. are charged under a commission arrangement. Clients are under no obligation to engage such individuals and may choose brokers or agents with no affiliation to Strategic. Under the arrangement Cadaret, Grant & Co. may charge brokerage commissions to effect security transactions and thereafter, a portion of these commissions may be paid by Cadaret to such supervised persons. The brokerage commissions charged by Cadaret may be higher or lower than those charged by other broker-dealers. In addition, such supervised individuals may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

1. The practice of accepting compensation for the sale of securities or other investment products creates a conflict of interest because this relationship gives Strategic a financial incentive to recommend purchases and sales in a client's account based on the commissions we receive, rather than based solely on the client's best interest. Strategic addresses this conflict by fully disclosing the fees or fee schedules associated with any client transactions. In addition all trades are monitored and reviewed in an effort to identify trading that is inconsistent with client's investment objectives, risk tolerance or account restrictions, or is otherwise not in the client's best interest. Clients are urged to monitor trading in their own accounts by reviewing the written trade confirmations and the account statements delivered to them directly from the custodian. The mutual funds that are purchased under this arrangement are generally load based funds.
2. Clients also have complete discretion to establish accounts and execute trades through other brokers or agents that are not affiliated with Strategic.
3. Commissions and other compensation for the sale of investment products we recommend to our clients is not Strategic's primary compensation source.
4. Under the TIMS platform the client may pay the advisor commissions in addition to the advisory fee on the same assets.

## **Performance-Based and Side-By-Side Management**

Strategic does not charge a performance-based fee.

## **Types of Clients**

Strategic generally provides investment advice to the following types of client:

- Individuals
- High-net-worth individuals
- Trusts, Estates, Foundations or Charitable Organizations
- Corporations
- Non-Profit Institutions
- Pension, Profit Sharing Plans, 401(k) Plans and other Qualified Retirement Plans
- Other Business Entities

Strategic requests certain information from clients before preparing a financial plan, retirement plan, or opening an account. Strategic may request the following information from clients (if applicable):

- Name
- Address, Telephone Number, and Email Address
- Date of Birth
- Social Security Number or Tax ID number
- Occupation and Employer
- Net Worth and Annual Income
- Source of Wealth
- Copy of unexpired Driver's License or U.S. Passport
- Trust and Estate Documents
- Long-term care, life and disability insurance
- Financial goals
- Other financial documents
- Corporate Resolution, List of Authorized Signers and Organizational Documents or Business License

Please refer to the section *Advisory Business* for information on requirements for establishing an account/relationship.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Financial Planning**

Strategic will conduct an initial consulting meeting with prospective financial planning customers. During the initial consultation the client an advisor of Strategic will discuss the client's needs and desired goals of the financial planning process. Based upon that meeting and the determined desired financial plan, the client will be asked to provide (if applicable to the desired plan) the following information:

- Most recent income tax returns
- Copies of current estate documents
- List of assets, liabilities and cash flows
- Copies of current investment accounts and cost basis

- Copies of retirement accounts and estimated annual contributions
- Life insurance and disability insurance policies
- Estimated annual living expenses
- Annual social security statements
- Any business contracts
- Summary statements on company provided benefits
- Client goals

Strategic will design a financial plan based upon the information provided by the client and the client's desired goals and objectives. Strategic may perform various techniques in analyzing and designing a financial plan. Techniques may include, but are not limited to forecasting, budgeting, data analysis and financial models. The client is advised that there is no guarantee, stated or implied, that the client's financial planning goals or objectives will be achieved.

All methods of analysis and financial planning involve material risks, including the risk of loss. Forecasting, data analysis and budgeting rely on information provided by the client and relies on historical economic data in an attempt to create a forward looking financial plan. As a result, forecasting and budgeting include the risk of using historical data which is not indicative of future economic trends or future needs of clients. Financial models focus on developing an overall investment asset allocation that is designed to meet the client's objectives and goals. Financial models are subject to material risks, such as loss, and rely on specific economic conditions so that investment accounts may perform in a manner that meets the client's objectives and needs. As a result, financial modeling includes the risk of not taking into consideration the overall state of the economy and markets.

Any investment recommendation made as part of a client's financial plan contains risk and may lose value.

### **Investment Management**

Strategic employs an investment process centered on fundamental research. Fundamental analysis can be considered in macro ("top down") and micro ("bottom up") contexts. Macro analysis includes, but is not limited to, review of major economic activity reports, labor market, interest rate, inflation, commodity, currency data, and central bank policies. Micro analysis, primarily at the level of an industry or individual security, considers current and expected conditions in such variables as sales, earnings, business strategies, credit spreads, and debt coverage. In both macro and micro analysis, we review the level of asset prices, and form judgments as to their worth, both in an absolute, as well as a relative, context.

We design our investment strategies combining top-down analysis, bottom-up selection and secular themes. Asset classes and individual securities that fit favorably among those three criteria are emphasized within our investment strategies.

Clients are advised that investing in any securities involves risk of loss, and should be prepared to bear this risk when investing.

With respect to our fundamental economic and security analysis, it is possible that we could err materially in assessing the attractiveness of an asset, or the overall thrust of an investment strategy, resulting in loss for an investor.

We generally aim to avoid frequent trading of securities and keep portfolio turnover reasonable in order to control transaction costs.

Strategic, depending on the appropriateness to each client's portfolio, may utilize a mix of individual securities, mutual funds, exchange-traded funds, and cash equivalents to construct a diversified portfolio.

The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as adverse economic conditions, changes in the outlook for corporate earnings, and adverse investor sentiment. A security's market value may also decline because of factors that affect a particular sector or industry.

When investing in fixed income, there are many risks to be considered, including, but not limited to, interest rate risk, inflation risk, credit risk, principal risk, duration risk and reinvestment risk.

Some of the risks investing in mutual funds include, but are not limited to, material underperformance, high fees and expenses, trading limitations, tax consequences, capital gains distributions, excessive trading, investment style drift, lack of control over fund transactions, and management turnover.

Risks of investing in exchange-traded funds include cost of trading, availability, liquidity, and tracking error to the respective benchmark.

An investment in a cash-equivalent money market fund or stable value fund is not a bank deposit, and is not insured or guaranteed by the FDIC or any other government agency. The value of investment in the fund can fluctuate, sometimes resulting in a loss of principal.

The risks outlined above are not exhaustive and client portfolios may be subject to material losses, including a complete loss of principal, that result from factors beyond the scope of this discussion.

### **Retirement Plan Services**

Strategic will conduct an initial consulting meeting with a prospective client. During the initial consultation the client and an advisor of Strategic will discuss the client's needs in areas such as plan design, administration and investments. This discussion and consultation will serve as the basis for an in-depth screening process aimed at launching a full range of retirement plan services for the client.

Strategic's primary method of analysis and investment strategy is mutual fund analysis and the implementation of Asset Allocation Model Portfolios designed by Strategic. These models offer a selection of managed model portfolios representing different asset allocation strategies based on factors such as age, risk tolerance and personal circumstances. The model portfolios consist of mutual funds selected from the universe of available no-load or load waived funds with a goal of consistent investment results. To the extent that a provider will allow, Strategic will monitor, manage, and rebalance the model portfolios according to the goals of each model and not according to the individual needs of plan participants.

All methods of analysis and investment strategy involve material risks, including the risk of loss. Financial models focus on developing an overall investment asset allocation that is designed to meet the objectives and goals of a certain model allocation. Financial models are subject to material risks, such as loss, and rely on specific economic conditions to perform in a manner that meets the objectives of the model. As a result, financial modeling includes the risk of not taking into consideration the overall state of the economy and markets. In addition the use of modeling may take into account the historic performance of certain asset classes either throughout history or during specific economic conditions. Historical performance is not an indicator and cannot predict future performance. As a result relying on historically performance to make decisions is flawed and can result in loss.

The majority of investment recommendations made by Strategic involve the use of mutual funds. Investing in mutual funds involves material risks, including the risk of loss. One of these material risks is the cost of sales charges, annual fees and other expenses impairing fund performance. Lack of control is also a risk that investors encounter. Investors and advisors 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. Another risk is price uncertainty. Mutual fund investors face this risk because the price at which shares are purchased and sold is based on the fund's net asset values, which may not be calculated until hours after the transaction has already been processed. Clients should read a fund's prospectus and shareholder reports to learn about its investment strategy for potential risks.

The risks outlined above are not exhaustive and client portfolios may be subject to material losses, including a complete loss of principal, that result from factors beyond the scope of this discussion.

### **Disciplinary Information**

Strategic Financial Services does not have any reportable disciplinary events.

### **Other Financial Industry Activities and Affiliations**

#### **Registered Representative of a Broker Dealer**

Alan R. Leist, Jr., Iris L. Buczkowski, Alan R. Leist, III and Clinton Kane, advisors of Strategic, are also registered representatives of Cadaret, Grant & Co., a broker dealer. In their capacity as registered representatives they may sell general securities for which they may receive commissions. Advisors of Strategic may recommend, but do not require, that clients implement aspects of their investment portfolio with one of the above mentioned registered representatives of Cadaret, Grant & Co. Clients are under no obligation to implement such recommendations through a Strategic advisor who is also a registered representative of Cadaret, Grant & Co. Please refer to the section on *Fees and Compensation* for more information. Nancy Meininger, Michael Leist, Michael McGraw, Doug Walters and Kim White are also a registered representative of Cadaret, Grant & Co. At this time Nancy, Michael L., Michael M., Doug and Kim do not actively seek to sell general securities. In addition, Laura Powers is an administrative representative of Cadaret, Grant & Co.

Employing individuals who are registered with a broker dealer can create a conflict of interest for Strategic. It can be difficult for the client to fully understand when the advisor is acting as a registered rep of a broker dealer or as an investment advisor of a registered investment advisor. When acting as a registered rep of a broker dealer the advisor is required to fulfill a suitability obligation to their clients. The suitability obligation can be defined as making recommendations that the advisor reasonable believes are consistent with the best interests of the underlying client or customer. The advisor is compensated when the recommendation he or she makes are executed. (See section on *Commission or Sales Charges for Recommendations of Securities above*.) In addition, the broker dealer model may place limitations on the type of products that are available to our clients.

When acting as an investment advisor of a registered investment advisor, Strategic is paid on a fee basis and the advisor is held to a fiduciary standard that requires them to put the client's interests above their own. It is Strategic's belief that the fiduciary standard better protects clients than the suitability standard. In an attempt to mitigate the risks associated of operating with advisors who are registered reps of a broker dealer and investment advisors of registered investment advisor, Strategic's plan is to open all new accounts under our investment advisor fee based business. There are a few exceptions to this, mainly 529 and annuity accounts.

In addition, Strategic may request existing broker dealer clients move their accounts to our fee based model. This may create a conflict in that Strategic will now be charging a management fee on securities that we have already received upfront commission payments. Strategic will review each client's new fee structure to ensure that it is appropriate considering the services we are providing.

#### **The Investment Management System (TIMS)**

Certain advisors of Strategic may also conduct business as an advisor of Cadaret, Grant & Co., Inc, through its TIMS (The Investment Management System) platform. The TIMS platform is a fee-based asset management program that uses a large selection of no load and load waived mutual funds, general securities, and other investments to achieve the client objectives.

TIMS has a minimum account size of \$25,000. Cadaret, Grant & Co., Inc. reserves the right to negotiate the minimum account size.

The current management fees our advisors currently charge for the TIMS program is 1.1% annually on all assets. This fee can be negotiated. Management fees are charged quarterly and in advanced based upon the previous calendar year quarter end market value. Fees are deducted directly from the clients account. Cadaret, Grant does not reimburse clients for any portion of the fees paid with respect to the quarter in which termination becomes effective.

In addition to management fees, clients may also pay ticket charges for purchases and mutual fund expenses. Generally ticket charges for mutual fund purchases are \$18. Ticket charges may be more or less and is dependent on the specific fund. In certain circumstances, and at the advisor's discretion, the ticket charges may be covered by the advisor. Mutual fund companies set their fees and they are not negotiable. Strategic will provide the client with the fee schedules the mutual funds used in our TIMS line-up upon request. Finally, accounts that maintain a balance below \$100,000 may be charged an additional administrative fee of \$25 per quarter. In certain circumstances, and at the advisor's discretion, the advisor will cover the \$25 per quarter fee.

All of the accounts for which Strategic managed under the TIMS platform use Pershing, LLC as the custodian.

Clients can refer to Cadaret, Grant & Co., Inc. Form ADV 2 for more information on the TIMS program. Clients will be provided with a copy of Cadaret, Grant & Co., Inc.'s Form ADV 2 prior to or at the time of entering into the TIMS Client Agreement.

No new accounts will be opened under Cadaret, Grant's TIMS platform.

#### **Receipt of Insurance Commission**

Alan Leist, Jr., Iris Buczkowski, Andrew Russo and Clinton Kane are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. A conflict of interest exists to the extent that the advisor may recommend the purchase of insurance products where he or she receives insurance commissions or other additional compensation.

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

Strategic enforces rules of conduct for all their employees under a Code of Ethics. The Code of Ethics is designed to, among other things; govern personal securities trading activities in the accounts of certain employees, immediate family/household accounts and accounts in which an employee has a beneficial interest. The Code is based upon the principle that Strategic and its employees owe a

fiduciary duty to Strategic's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid:

- a. Serving their own personal interests ahead of clients,
- b. Taking inappropriate advantage of their position with the firm, and
- c. Any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Strategic continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

A copy of Strategic's Code of Ethics will be presented to any client or prospective client upon request.

Strategic does not recommend to clients, or buy or sell for client accounts, securities in which Strategic or an employee of Strategic has a material financial interest.

Employees of Strategic may invest in the same securities that are recommended to clients. This activity may create a conflict of interest because employees may perform personal security transactions before, or after, clients' transactions are executed to obtain a more favorable outcome. Strategic takes several steps to ensure that:

- a. The interest of client accounts will at all times be placed first;
- b. All personal securities transactions will be conducted in such a manner to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- c. Employees must not take inappropriate advantage of their positions.

To address the potential risks, Strategic's Code of Ethics requires reporting requirements that allow Strategic access to review and monitor certain employee personal trading activity. Transactions that are deemed inconsistent with Strategic's Code of Ethics are subject to cancellation or correction at the employee's expense. Employees that seek to enter a transaction in a security held in one of our equity stock strategies or ETF strategies are required to receive prior written consent from the CCO. Employees who violate the Code of Ethics as it relates to personal trading practices may be subject to sanctions, which may include, among other things, education or formal censure; a letter of admonition; disgorgement of profits; restrictions on such person's personal securities transactions; fines, suspension, reassignment, demotion or termination of employment; or other significant remedial action. Determinations regarding appropriate disciplinary responses will be made and administered on a case-by-case basis.

## **Brokerage Practices**

### **The Brokers and Custodians We Use**

Strategic's objective is to obtain the lowest commission rates that commensurate with the research and brokerage services made available to Strategic. Strategic considers the following factors when selecting and determining the reasonableness of broker-dealer commissions.

- a. Ability to execute orders
- b. Ability to execute orders in volatile markets
- c. Commissions rate



- d. Knowledge of market
- e. Financial Strength
- f. Service quality
- g. Confidentiality
- h. Familiarity with firm
- i. Soft Dollar Arrangements
- j. Research offerings and quality

Strategic has a fiduciary obligation to obtain best execution of clients' transactions. Strategic may pay a broker dealer an amount greater than the compensation that could be obtained from another broker or dealer if the research or other services are deemed superior. If a broker is allowed a commission in excess of that which another broker might have charged for executing the same transaction, it is done in recognition that such broker's special services are of great importance to us and our client(s). Research services furnished by brokers may be used in servicing all of our accounts and not just those whose commission's dollars contributed to the services. All clients benefit from the research received from all brokers with whom we deal. Strategic does not seek to allocate benefits to client accounts proportionately to the soft dollar credits the accounts generate. Although we seek best execution of transactions, you should understand that obtaining research and services by means of soft dollar benefits represents a conflict of interest since it enables us to receive research that we might otherwise have to produce ourselves or purchase with our own money. Research may be proprietary or third party. Proprietary research is provided directly from a broker (for example, research provided by broker analysts and employees about a specific security or industry or region). Third party research is provided by the payment by a broker, in full or in part, for research services provided by third parties.

Strategic does maintain a written soft dollar agreement with Merrill Lynch. Strategic may instruct Merrill Lynch to make payments, from the pool of available commissions funds, toward a subscription toward Bloomberg Professional service. The Bloomberg Professional service provides Strategic with a wide array of global data and analytics that assist Strategic in both micro and macro research. The soft dollar benefits from this arrangement benefits all accounts and all clients and not just those whose commission dollars contributed to the services. Strategic does not seek to allocate benefits to client accounts proportionately to the soft dollar credits the accounts generate. Strategic, at times, may pay Merrill Lynch more than the lowest available commission rate because of the benefits provided under the soft dollar agreement. Strategic benefits from the use of soft dollar to access the research capabilities of the Bloomberg Professional service software because it relieves Strategic from using hard dollars to obtain such research or products. Strategic, at times, may have an incentive to select brokers based on soft dollar arrangement and the added benefit received, rather than getting the most favorable execution.

Strategic will evaluate the quality and cost of services received from broker/dealers on at least an annual basis. As part of the evaluations, Strategic will consider the quality and cost of services available from alternative broker/dealers. Strategic will summarize its reviews in a written format on an annual basis. The review will be conducted by members of Strategic's Investment Team.

When selecting or recommending brokers, Strategic does not consider whether it or an employee of Strategic receives client referrals from the broker.

Strategic does not routinely recommend, request, or require that a client direct us to execute transactions through a specified broker dealer. Strategic is granted, by the client, discretionary authority to enter orders for securities transactions with the brokers, dealers, or issuers as Strategic selects. This authority is granted to Strategic in Strategic's Investment Advisory Agreement. As stated above, we have a soft dollar arrangement with Merrill Lynch. Please see this section for potential conflicts of interest.



Clients are permitted to direct brokerage. Clients who choose to direct brokerage are required to complete a Directed Brokerage Agreement. Clients who select directed brokerage may limit Strategic's ability to achieve best execution. Directed brokerage may cost clients more money because Strategic may not be able to aggregate orders to reduce transactions costs, or the client may receive a less favorable price. In addition, these trades may be placed behind aggregated orders resulting in what could be a less favorable price.

Strategic maintains a Trade Allocation Policy for the purchase and sales of securities. The allocation policy states Strategic will aggregate trades when it is consistent with the duties of best execution. Trades will be aggregated when the opportunity is present and clients have not entered into a Directed Brokerage Agreement. Clients that participate in an aggregated trade will participate at the average share price of the transaction. Clients will be presented with a copy of Strategic's Trade Allocation Policy upon request.

Strategic does purchase individual bonds for individuals. Strategic's policy for allocating fixed income is based first on a "wait list" and then on which client account is furthest from its target fixed income allocation. "Wait list" refers to the bond allocation list that is kept to track those client accounts for which Strategic is seeking to purchase individual bonds. Strategic will first purchase bonds for those clients that have been on the list the longest. If two clients have been on the wait list for the same period of time Strategic will seek to allocate a trade to the client account that is furthest from its target fixed income allocation.

As previously mentioned Strategic recommends, but does not require, that clients establish their advisory accounts with Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, Member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab or any other custodian our client's elect to use. Even though your account may be maintained at Schwab, or another custodian, we can still use other brokers to execute trades for your account, as described above.

If a client elects to establish an account with a custodian other than Schwab it may affect Strategic's ability to achieve best execution. In addition, it may affect Strategic's ability to aggregate these trades with accounts held at other custodians or Strategic's ability to trade with certain brokers. If a client account is unable to be aggregated with accounts of other custodians it may cost clients more money because the client may pay more in commissions, or receive less favorable net prices on transactions for the account than would otherwise be the case. If there are multiple aggregated orders the largest orders will be placed and completely filled before the next largest aggregate order is placed.

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institution 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 are generally available on an unsolicited basis and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, it may charge us quarterly service fees. Here is a more detailed description of Schwab's support services:

Services that Benefit You the Client. 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 the Client. 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 some 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; and
- assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Strategic. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its 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.

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 we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give us as an incentive to recommend 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. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only us. We have over \$775 million in client assets under management, and do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

In addition to the benefits described above, Strategic has an additional Client Benefit Agreement with Schwab. Schwab also agrees to allocate \$100,000 each year, for a period of three years (2014, 2015 and 2016), to be used towards expenses related to technology, and marketing. A portion of these funds may also be applied towards the compliance consulting fees. A tier schedule has been created which outlines the benefits Strategic will receive based upon assets under management held at Schwab.

#### Year One

Assets Under Management	Benefit Amount
\$100,000,000	\$25,000
\$200,000,000	\$50,000
\$300,000,000	\$75,000
\$400,000,000	\$100,000

## Year Two

Assets Under Management	Benefit Amount
\$100,000,000	+\$25,000
\$200,000,000	+\$50,000
\$300,000,000	+\$75,000
\$400,000,000	+\$100,000

## Year 3

Assets Under Management	Benefit Amount
\$100,000,000	+\$25,000
\$200,000,000	+\$50,000
\$300,000,000	+\$75,000
\$400,000,000	+\$100,000

The monetary benefit amounts that Schwab may give us as an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's monetary benefit our business rather than based on your interest in receiving the best value in custody services. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only us. We have undergone an intense custodian due diligence process and we believe that our selection of Schwab as a custodian is in the best interest of our clients. In addition, the conversion process to Schwab has come at a great expense to Strategic and the potential monetary benefits help offset some of those costs. Ultimately, we believe that any monetary benefit we receive from Schwab will allow Strategic to better service our clients.

## **Review of Accounts**

### **Financial Planning**

Strategic does not have a set periodic review of clients' accounts or financial plans. Strategic does, however, recommend quarterly, semi-annual, or at the very least yearly review meetings with clients. At review meetings accounts and financial plans are reviewed for investment suitability and performance. Plans and accounts are reviewed by:

Alan R. Leist, Jr., CFP – CEO  
 Judith Vicks Sweet, CFA - CFO  
 Alan R. Leist, III, CFA – CIO  
 Iris Buczkowski – Managing Director  
 Andrew Russo – Managing Director  
 Aaron Evans – Analyst/Financial Planning Associate  
 Melissa Fernald- Financial Planning Associate  
 Mike McGraw – Financial Planning Associate

Frequency of review meetings is generally at the discretion of the advisor, with input from the client, and is subject to the ongoing planning arrangement.

Volatile markets and other market conditions, such as security or sector performance, may trigger reviews of client accounts and financial plans. Changes in client objectives, financial standing or constraints may also trigger additional reviews. Clients can also request more frequent reviews.

Clients receive a monthly or quarterly account statement directly from the custodian, broker dealer, or Mutual Fund Company. Strategic generated reports, such as a portfolio summary, portfolio appraisal, portfolio performance, insurance summaries and financial plan overviews are also offered on a case by case basis as we meet with clients throughout the year or at the client's request. Clients can request more specific reports. Strategic provides clients with the option of accessing electronic reports from a secured online portal. Clients need to request online access before it will be granted. The majority of Strategic reports are generated from Advent's Axys® portfolio management and reporting software.

### **Investment Management**

Strategic periodically reviews clients' accounts. Accounts are reviewed at a minimum on a yearly basis. Account reviews are more frequent when the client requests multiple review meetings throughout the year. Strategic does recommend quarterly, semi-annual, or at the very least yearly investment review meetings with clients. Accounts are reviewed for investment suitability and performance against predetermined benchmarks. Accounts are reviewed by:

Alan R. Leist, Jr., CFP – CEO  
Judith Vicks Sweet, CFA - CFO  
Alan R. Leist, III, CFA – CIO  
Max Berkovich – Portfolio Manager/Head Trader  
Iris Buczkowski – Managing Director  
Andrew Russo – Managing Director  
Aaron Evans – Analyst/Financial Planning Associate  
Melissa Fernald- Financial Planning Associate  
Mike McGraw – Financial Planning Associate

Volatile markets and other market conditions, such as security or sector performance, may trigger more periodic reviews of client accounts. Client changes in objectives or constraints may also trigger additional and more frequent reviews. Clients can also request more frequent reviews.

Clients receive a monthly or quarterly custodial statement directly from the custodian. Strategic will, at a minimum, send the client a realized gain and loss report on an annual basis (if not included on clients 1099). Reports, such as a portfolio summary, portfolio appraisal, and fee statement are mailed to the client quarterly. Performance reports are also offered on a case by case basis as we meet with clients throughout the year or at the client's request. Clients can request more specific reports. Strategic provides clients with the option of accessing electronic reports from a secured online portal. Clients need to request online access before it will be granted. The majority of Strategic reports are generated from Advent's Axys® portfolio management and reporting software.

### **Retirement Plan Services**

Strategic monitors the performance of plan investment options and Strategic Asset Allocation Models on a quarterly basis or as market conditions require. Strategic does recommend semi-annual or annual review meetings for plan sponsors. These meeting allow Strategic to determine if there are any material changes in the overall retirement planning needs of the client. In addition plan investment offerings will be reviewed for suitability and adequate performance. Frequency of review meetings is at the discretion of the client.

Strategic is available to plan participants for additional reviews as needed.

Retirement plans and investment options are reviewed by:

Alan R. Leist, Jr., CFP – CEO  
Judith Vicks Sweet, CFA - CFO  
Alan R. Leist, III, CFA – Managing Director  
David Lemire – Managing Director  
Laura Hailston – Director of Retirement Plan Services  
Clinton Kane – Retirement Plan Services Associate  
Kim White – Retirement Plan Services Associate

Volatile markets and other market conditions, such as security or sector performance, may trigger reviews of investment options and Strategic Asset Allocation Models. Changes in client objectives, financial standing or constraints may also trigger additional reviews. Clients can also request more frequent reviews.

Plan sponsor and plan participants (where applicable) receive a monthly or quarterly account statement directly from the custodian, broker dealer, or Mutual Fund Company. Strategic generates reports such as a plan summary, plan cash flow, mutual fund line-up performance, and mutual fund review commentary are also offered on a case by case basis as we meet with clients throughout the year or at the client's request. Clients can request more specific reports. Custodians and plan providers may offer electronic account access to plan participants and plan sponsors.

### **Client Referrals and Other Compensation**

Strategic does not have any arrangement where an individual or organization is provided an economic benefit for referring clients to Strategic.

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

### **Custody**

In certain circumstances Strategic is deemed to have custody of client funds or securities. This is dependent upon the fee deduction arrangement among the client, advisor and custodian and the authority that the qualified custodian grants to the advisor as part of the Terms and Conditions of the relationship. In all circumstances a qualified custodian will maintain the physical custody of client funds and securities. Clients directly receive custodial account statements on a monthly or quarterly basis. Clients that request and receive monthly or quarterly statements directly from Strategic are urged to compare the statements they receive from Strategic and the statements they receive from the qualified custodian. Strategic may engage an independent public accountant to conduct annual surprise audits related to the firm's custodial role.

### **Investment Discretion**

Strategic does accept discretionary authority to manage securities account on behalf of clients. Strategic will exercise this authority when the client has signed a Strategic Investment Advisory Agreement or a TIMS Client Agreement, both of which grant Strategic discretionary authority. Strategic will take discretion over the securities to be purchased and sold, the amount of securities to be purchased or sold, when transactions are made, and the financial institutions to be utilized. Clients may request limitations of this authority. For example, limitations may be placed on the type of securities that can be bought or sold.

Strategic's retirement plan division does not have the discretionary authority over the retirement plan assets or of the accounts of plan participants. However, Strategic may have the discretionary

authority to add/replace/remove funds and rebalance our Asset Allocation Models. New clients grant Strategic this authority through our Investment Management Agreement. Clients may request limitations of this authority. For example, limitations may be placed on the type of securities that are available for plan participants to purchase.

Clients are encouraged to review any agreement they sign with Strategic.

### **Voting Client Securities**

Strategic will accept the authority to vote client securities on behalf of clients. Strategic will only accept this authority when it has been granted to them as part of our Strategic Investment Advisory Agreement. Strategic recognizes the importance of this role as a driver in enhancing shareholder value. Strategic has adopted Proxy Voting Guidelines that provide a framework for supporting proposals that insure sound corporate governance and that align the long-term interests of the shareholder with company management. Strategic will evaluate each proposal on an individual basis and vote in a manner determined to be in the best interest of the shareholders. Although not a preferred option, clients can direct Strategic's vote in particular solicitations by providing instructions to Strategic. Strategic addresses potential conflicts of interest thru the Strategic Investment Committee. Responsibility and input of any conflicted party in regards to proxy voting would be eliminated if it is determined there is a conflict of interest. Clients are provided a copy of proxy voting records and Proxy Voting Guidelines upon request.

In instances where Strategic does not have the authority to vote client securities, clients will receive their proxies or other solicitations directly from their custodian. Clients can request the opinion of Strategic as it relates to a particular solicitation. Strategic will provide an independent unbiased opinion that is in our perceived best interest of the client. Strategic will not offer an opinion if a conflict of interest is identified. Strategic will notify the client of the conflict of interest and refuse an opinion.

### **Financial Information**

This section is not applicable to Strategic.