

**GLOBAL BALANCED ADVISOR WRAP FEE PROGRAM**

Sponsored by

**LA FERLA GROUP LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of La Ferla Group LLC (hereinafter “La Ferla Group” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, La Ferla Group is required to discuss any material changes that have been made to the brochure since the last annual amendment. There are no such material changes to disclose.

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## Item 4. Advisory Business

The Global Balanced Advisor Wrap Fee Program (the “Program”) is an investment advisory program sponsored by La Ferla Group and offered only on a discretionary basis. In addition to the Program, the Firm offers a variety of advisory services, which include financial planning, consulting, and investment management services under different arrangements than those described herein. Prior to La Ferla Group rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with La Ferla Group setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

La Ferla Group was formed in 2015 and has been owned by Joseph A. La Ferla, Jr., John G. Macri, and Thomas D. Cordovano since May 15, 2015. La Ferla Group was formed in 2015 and has been owned by Joseph A. La Ferla, Jr., John G. Macri, and Thomas D. Cordovano since May 15, 2015. As of August 20, 2015, La Ferla Group had approximately \$193,000,000 assets under management; \$182,000,000 of which was managed on a discretionary basis and \$11,000,000 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of La Ferla Group, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on La Ferla Group’s behalf and is subject to the Firm’s supervision or control.

### Description of the Program

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Clients must open a new securities brokerage account and complete a new account agreement with Schwab Advisor Services™ (“Schwab”) or another broker-dealer that La Ferla Group approves under the Program (collectively “Financial Institutions”). Transactions may be cleared through other broker-dealers with whom the Firm and its custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the Client may be required to sign an additional agreement, and additional fees are likely to be charged.

The Program has been created as a convenience to clients in order to make fees and expenses easier to understand, in an effort to avoid small transaction charges to clients. However, the Firm does not expect to trade securities frequently. In fact, there will be periods where there is limited to no transactions in a client account. In addition, the Firm will look to purchase and sell certain mutual funds and exchange traded funds (“ETF”) for which there is no transaction fees. The lack of transaction fees for these funds results in a

conflict of interest in that the Firm benefits by utilizing these securities instead of funds that would result in transaction charges paid by La Ferla Group. The Firm will use a no-transaction fund (“NTF”) over a fund with transaction charges only where the Firm determines that the NTF fund is equal to or superior to the other fund. This determination will include a review of the expenses that clients are subject to by owning the funds.

At the onset of the Program, clients complete an investor profile describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, La Ferla Group assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios may be managed on a discretionary or non-discretionary basis by La Ferla Group’s investment adviser representatives. La Ferla Group generally allocates clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

## **Fees for Participation in the Program**

The Program is offered on a fee basis, meaning participants pay a single, annualized fee based upon assets under management (“Program Fee”).

This Program Fee generally varies between 50 and 150 basis points (0.50% and 1.50%), in accordance with the following blended fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
First \$500,000	1.50%
Next \$500,000	1.25%
Next \$4,000,000	1.00%
Next \$5,000,000	0.75%
Above \$10,000,000	0.50%

The Program Fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by La Ferla Group on the last day of the previous billing period.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is not adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, concentrated stock positions, accommodation accounts, alternative investments, etc.), La Ferla Group may negotiate a fee rate that differs from the range set forth above.

## **Fee Comparison**

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As referenced above, a portion of the fees paid to La Ferla Group are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. As such, there is an incentive for the Firm to utilize no or low transaction fee products. Further, there is a disincentive for the Firm to incur transaction fees where the Firm absorbs the transactional costs. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

## **Fee Discretion**

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La Ferla Group, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

## **Other Charges**

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In addition to the advisory fees paid to La Ferla Group, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges may include fees attributable to alternative assets, reporting charges, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund Program Fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees.

## **Direct Fee Debit**

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Clients generally provide La Ferla Group with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to La Ferla Group.

## **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to La Ferla Group's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to La Ferla Group, subject to the usual and customary securities settlement procedures. However, La Ferla Group designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. La Ferla Group may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charge) and/or tax ramifications.

## **Commissions and Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with La Ferla Group (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with La Ferla Group.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to PKS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. La Ferla Group may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PKS.

A conflict of interest exists to the extent that La Ferla Group recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that La Ferla Group, in its sole discretion, deems appropriate, La Ferla Group may provide its investment advisory services on a fee-offset basis. In this scenario, La Ferla Group may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of PKS.

## **Compensation for Recommending the Program**

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La Ferla Group has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management program.

## **Item 5. Account Requirements and Types of Clients**

La Ferla Group offers services to individuals, banking/thrift institutions, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Value**

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As a condition for starting and maintaining an investment management relationship, La Ferla Group generally imposes a minimum portfolio value. The minimum portfolio value for the Global Balanced Advisor is \$250,000. La Ferla Group may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. La Ferla Group only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. La Ferla Group may aggregate the portfolios of family members to meet the minimum portfolio size.

## **Item 6. Portfolio Manager Selection and Evaluation**

La Ferla Group acts as the sponsor and sole portfolio manager under the Program.

### **Portfolio Management Services**

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La Ferla Group manages client assets through two primary strategies: i) the Global Balanced Advisor; and ii) the Multi Asset Advisor. This brochure generally describes the services offered under the Global Balanced Advisor. Under a separate engagement, La Ferla Group may provide clients with wealth management services which generally/may include a broad range of comprehensive financial planning and consulting services as well as non-discretionary management of investment portfolios.

The Global Balanced Advisor, or the Program, is managed by La Ferla Group as a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the Firm). La Ferla



Group is the sponsor and manager of the Global Balanced Advisor wrap fee program. The Global Balanced Advisor is only offered through a wrap relationship, but La Ferla Group does provide other services, such as the Multi Asset Advisor described in the Firm's Disclosure Brochure.

The differences between these strategies include the following: i) the Global Balanced Advisor is managed on a discretionary basis and primarily invests in mutual funds and ETFs, while the Multi Asset Advisor is managed on a non-discretionary basis and invests in a wide range of securities and asset classes, where the risk ranges from low to high, depending on a client's risk tolerance; and ii) the Global Balanced Advisor is managed through a wrap relationship where brokerage commissions and transaction costs are absorbed by the Firm while the Multi Asset Advisor is managed outside of a wrap relationship and clients pay brokerage commissions and transaction costs separately.

Participants in the Global Balanced Advisor may pay a higher aggregate fee than if investment management and brokerage services are purchased separately.

## *General*

In addition to the descriptions for the strategies above, where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage La Ferla Group to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, La Ferla Group directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

La Ferla Group tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. La Ferla Group consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify La Ferla Group if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if La Ferla Group determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## **Side-By-Side Management**

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La Ferla Group does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## Methods of Analysis and Investment Strategies

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### *Global Balanced Advisor*

The Global Balanced Advisor is an All-Cap Core Worldwide Strategy managed to moderate risk, searching the world in an attempt to find the best investments predominately in the equity and fixed income markets. This portfolio is not an equity or fixed income strategy. It is a global balanced strategy designed in an attempt to maximize performance by managing risk, investing without favor to either equity or fixed income. Mandated by the Investment Guidelines, this strategy can own up to 80% in equity mutual funds and exchange traded funds, or up to 80% in fixed income mutual funds and exchange traded funds. The investment objectives of the Global Balanced Advisor, is to outperform the Comparative Index, over 3-year, 5-year and 10-year rolling periods, and since inception, after expenses and advisory fees (actual net). The Global Balanced Advisor is guided by these two principles: **Talent is the difference maker** and **Maximize performance by managing risk**.

**Talent is the difference maker** – unlike a traditional portfolio manager that only buys and sells individual stocks and bonds, the Firm only buys mutual funds and exchange traded funds; believing, it is better to buy the mutual fund and exchange traded funds managed by the most talented fund managers, as opposed to buying and selling individual stocks and bonds.

- Portfolio construction begins with a mutual fund search to identify the most talented mutual fund managers for the mutual fund categories that the Firm is considering.
- Exchange traded funds are screened relative to specific mutual fund categories to strategically evaluate active management versus passive management.
- Once the mutual funds and exchange traded funds have been selected, a model portfolio is constructed, so that the Firm can test the model portfolio prior to going active. This process is repeated anytime the Firm replaces or adds mutual funds and exchange traded funds or execute an asset allocation change.
- After the model portfolio has been tested and the portfolio holdings have been finalized, the model portfolio will be constructed.

**Maximize performance by managing risk** – risk management begins with the Investment Guidelines, which clearly states the criteria and limitations for constructing the Global Balanced Advisor. Also, included in risk management, are asset allocation models, a short strategy, and a sell discipline.

## Risk of Loss

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### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of La Ferla Group's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price

movements of stocks, bonds and other asset classes. There can be no assurance that La Ferla Group will be able to predict those price movements accurately or capitalize on any such assumptions.

## *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

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 potentially 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. 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 20,000 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.

## *Use of Mutual Funds and ETFs that Use Short Sales*

In the Global Balance Advisor, the Firm may purchase / sell mutual funds and ETFs that use short sales. The Firm does not short individual securities, but may invest in Mutual Funds and ETFs that use a short strategy. The Global Balance Advisor could, through the purchase of these Mutual Funds and ETFs, have the impact of selling short up to 35% of the portfolio.

Short selling involves the sale of a security that the seller does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the seller must borrow securities from a third party lender. The seller subsequently returns the borrowed securities to the lender by delivering to the lender securities it previously owned or by purchasing securities in the open market. The seller must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with

changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains its right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the seller a fee for the use of the seller's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. A client's account may suffer significant losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

## *Management through Similarly Managed "Model" Accounts*

La Ferla Group manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds, ETFs and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

## **Voting of Client Securities**

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La Ferla Group generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## **Item 7. Client Information Provided to Portfolio Managers**

In this Item, La Ferla Group is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients' investment portfolios. La Ferla Group acts as the sole portfolio manager under the Program and, as such, the Firm has no information to disclose in relation to this Item.

## Item 8. Client Contact with Portfolio Managers

In this Item, La Ferla Group is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with La Ferla Group.

## Item 9. Additional Information

### Disciplinary Information

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La Ferla Group has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

### Other Financial Industry Activities and Affiliations

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#### *Registered Representatives of a Broker-Dealer*

Certain of the Firm's Supervised Persons are registered representatives of PKS and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

### Code of Ethics

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La Ferla Group has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. La Ferla Group's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of La Ferla Group's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact La Ferla Group to request a copy of its Code of Ethics.

## **Account Reviews**

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La Ferla Group monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with La Ferla Group and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

## **Account Statements and General Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from La Ferla Group and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from La Ferla Group or an outside service provider.

## **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

## **Receipt of Economic Benefit and Brokerage Practices**

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La Ferla Group may receive without cost from Schwab computer software and related systems support, which allow La Ferla Group to better monitor client accounts maintained at Schwab. La Ferla Group may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab.

Some of the products, services and other benefits provided by Schwab, including the loan noted above, benefit Advisor and may not benefit Advisor's client accounts. Advisor's recommendation or requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to Advisor, or Advisor's agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

Advisor places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Advisor may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that Advisor is more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.

In addition, Schwab has provided a loan to the Firm to assist its business operations, and the loan is guaranteed by Joseph A. La Ferla, Jr., John G. Macri and Thomas D. Cordovano, principals of La Ferla Group. The terms of the loan require that management fees to the Firm be paid to an account at Schwab for deduction of interest and principal payments on the loan before the Firm may access such management fees. The loan agreement contains various representations and covenants by La Ferla Group, including, among others, that the Firm will maintain at least \$200,000,000 in end-client net assets held at Schwab ("Assets Under Management at Schwab"), and that Advisor will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents and permits. Upon the occurrence and during the continuance of an event of default under the loan agreement, Schwab may terminate and/or accelerate the loan, which may have a material adverse effect on the Firm's ability to perform services for you.

The software and support, including the loan noted above, is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). That support may benefit La Ferla Group, but not its clients directly. In fulfilling its duties to its clients, La Ferla Group endeavors at all times to put the interests of its clients first. Clients should be aware, however, that La Ferla Group's receipt of economic benefits from a

broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, La Ferla Group may receive the following benefits from Schwab:

- The loan referenced above;
- Up to \$110,000 in credits to be used toward qualifying third-party service providers used in connection with the initial set up of the Firm's research, technology and software platforms;
- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### **Financial Information**

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La Ferla Group is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.