

# Summit Trail Advisors, LLC

## **ADV Part 2A, Appendix 1 Wrap Fee Program Brochure Dated: July 24, 2015**

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This brochure provides information about the qualifications and business practices of Summit Trail Advisors, LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (212) 812-7010. 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 Summit Trail Advisors, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Summit Trail Advisors, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2            Material Changes**

This is Summit Trail Advisors' initial filing.

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## Item 4 Services, Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

The Registrant generally provides discretionary and/or non-discretionary investment advisory services on a wrap or non-wrap fee basis (See discussion below). If a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage the Registrant on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody).

### SUMMIT TRAIL ADVISORS WRAP PROGRAM

The Registrant provides investment management services on a wrap fee basis in accordance with the Registrant's investment management wrap fee program (the "Program"). Under the Program, the Registrant is able to offer participants discretionary and/or non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, account maintenance, investment management fees, and fees charged by independent managers and/or separately managed accounts. However, clients may be responsible for, but not limited to, trustee fees, mutual fund expenses, ETF expenses, mark-ups, mark-downs, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees are in addition to any fees paid by the client to the Registrant and are between the client and the account custodian.

The current annual Program fee ranges from negotiable to 2.00%, as follows:

<u>Assets Under Management</u>	<u>Annualized Fee</u>
Less than \$5,000,000	2.00%
\$5,000,000 to \$10,000,000	1.75%
\$10,000,000 to \$25,000,000	1.50%
\$25,000,000 to \$50,000,000	1.30%
\$50,000,000 to \$100,000,000	1.10%
More than \$100,000,000	1.00%

Under the Program, if engaged on a discretionary basis, the Registrant shall have written authority to determine the type and amount of securities that are bought or sold. Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, in writing, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Pershing, LLC ("*Pershing*") and/or Fidelity Institutional Wealth Services, ("*Fidelity*") shall serve as the custodian for Program accounts.

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

**Fee Payment:** Clients will be charged in advance, at the beginning of each calendar quarter based upon the market value of the assets on the last business day of the previous quarter. Clients may elect to have the Registrant's advisory fees deducted from their custodial account.

**Please Note: Investment Performance:** As a condition to participating in the Program, the participant must accept that past performance may not be indicative of future results, and understand that the future performance of any specific investment or investment strategy (including the investments and/or investment strategies purchased and/or undertaken by the Registrant) may not: (1) achieve their intended objective; (2) be profitable; or, (3) equal historical performance level(s) or any other performance level(s).

- B. Participation in the Program may cost more or less than purchasing such services separately. Also the Program fee charged by Registrant for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the percentage wrap-fee charged by the Registrant, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if the Registrant were to negotiate transaction fees and seek best price and execution of transactions for the client's account.

**Conflict of Interest.** Because Program transaction fees and/or commissions are being paid by the Registrant to the account custodian/broker-dealer, the Registrant could have an economic incentive to minimize the number of trades in the client's account. **The Registrant's Chief Compliance Officer, Jack Petersen, remains available to address any questions that a client or prospective client may have regarding the corresponding conflict of interest a wrap fee arrangement may create.**

- C. The Program's wrap fee does not include certain charges and administrative fees, including, but not limited to, trustee fees, mutual fund expenses, ETF expenses, mark-ups, mark-downs, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's wrap fee.

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (*Pershing* and/or *Fidelity*). **Please Note:** Clients who engage the Registrant on a wrap fee basis will not incur tradeaway and/or prime broker fees.

- D. Registrant's related persons who recommend the Program to clients do not receive additional compensation as a result of a client's participation in the wrap fee program.

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

The Registrant's clients shall generally include individuals, business entities, trusts, estates, and charitable organizations, and pension and profit sharing plans. The Registrant generally requires minimum asset level of \$5,000,000 for investment advisory services. The Registrant, in its sole discretion, may reduce or waive its minimum asset requirement and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may allocate a portion of a client's Program assets among unaffiliated independent investment managers and/or separately managed accounts in accordance with the client's designated investment objective(s). In such situations, the independent manager(s) or separately managed account managers shall have day-to-day responsibility for the active discretionary management of the allocated Program assets. The Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending independent manager(s) or separately managed accounts include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.
- B. The Registrant acts as the portfolio manager for the Program. Inasmuch as the execution costs for transactions effected in the client account will be paid by the Registrant, a potential conflict of interest arises in that the Registrant may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by the Registrant as a result of the client's participation in the Program may be more than what the Registrant would receive if the client paid separately for investment advice, brokerage and other services.

**Please Note:** When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs (including account transaction fees) incorporated into the wrap fee have been deducted. Accordingly, the Registrant has a conflict of interest because it could have an economic incentive to maximize its compensation by seeking to minimize the number of transactions/total costs in the client's account.

- C. As discussed below, the Registrant also offers to its clients, discretionary and/or non-discretionary investment advisory services, on a non-wrap fee basis, as well as, Financial Planning and Consulting on a stand-alone basis.

## **OTHER ADVISORY BUSINESS SERVICES**

### **INVESTMENT MANAGEMENT ON A NON-WRAP FEE BASIS**

The Registrant may provide discretionary and/or non-discretionary investment advisory services on a non-wrap fee basis. The Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management (generally between negotiable and 1.50%) to be charged quarterly in advance.

Alternatively, the Registrant may offer its non-wrap investment management services on a flat fee basis. To the extent offered, the Registrant's flat fee for non-wrap investment management services will be based upon various subjective and objective factors

Registrant's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE BASIS)**

To the extent specifically requested by a client, the Registrant may be engaged to provide a client with a one time financial plan without ongoing investment management services on a stand-alone separate fee basis. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with the Registrant setting forth the terms and conditions of the engagement describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to the Registrant commencing services.

If requested by the client, the Registrant may recommend the services of other professionals, including certain of the Registrant's representatives in their individual capacities as registered representatives of a broker-dealer, (See disclosure at Item 9) for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising the Registrant's previous recommendations and/or services.

### **MISCELLANEOUS ADVISORY SERVICES DISCLOSURE**

**Business Relationship - Dynasty Financial Partners, LLC.** The Registrant maintains a business relationship with Dynasty Financial Partners, LLC ("Dynasty"). Dynasty offers operational and back office support to the independent investment advisor community either directly or through its network of third-party service providers. Through the Dynasty network of service providers, advisors can access trading technology, transition

support, reporting, custody, brokerage, investments, compliance and other related services.

Dynasty's subsidiary, Dynasty Wealth Management LLC, a registered investment adviser, also provides access to a range of investment services, such as separately managed accounts, mutual fund and exchange traded fund asset allocation strategies and unified managed accounts managed by external third party managers (together "Investment Programs"). The Registrant may avail itself of the services enumerated above and recommend the Investment Programs to its clients.

While the Registrant believes this open architecture structure for both operational and investment services best serves its advisory clients, this relationship may potentially present certain conflicts of interest due to the fact that Dynasty charges a basis point fee on assets utilizing its platform of services that decreases as assets increase. As such an advisor may be incentivized to increase the assets utilizing the Dynasty platform of services in order to decrease its overall expenses. In light of the foregoing, the Registrant seeks at all times to ensure that any such conflicts are addressed on a fully-disclosed basis and handled in a manner that is aligned with its clients' best interests. The Registrant does not receive any portion of the fees paid directly to Dynasty or the service providers made available through its platform, and the Registrant reviews all such relationships on an ongoing basis in an effort to ensure clients are receiving competitive rates in light of the services they receive.

**The Registrant's Chief Compliance Officer, Jack Petersen, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant or insurance agent and no portion of the Registrant's services should be construed otherwise.

To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including certain of the Registrant's representatives in their individual capacities as registered representatives, as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/ evaluating/ revising Registrant's previous recommendations and/or services.

**Private Investment Funds.** The Registrant may provide investment advice regarding unaffiliated private investment funds. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount

of assets invested in the fund(s) shall be included as part of “assets under management” for purposes of Registrant calculating its investment advisory fee. Registrant’s clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund’s offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price.

**Independent Managers/Separately Managed Accounts.** For those clients that require an enhanced and/or specialized level of asset management services, Registrant may also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager[s] and/or separately managed accounts. To the extent applicable, the Registrant shall recommend independent managers or separately managed accounts consistent with the client’s investment objectives. Factors which the Registrant shall consider in recommending independent managers and separately managed accounts include the client’s stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

The Registrant shall continue to render advisory services to the client relative to the ongoing monitoring and reviewing of account performance, for which Registrant shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated independent managers and/or separately managed account.

Please Note: Clients who choose to engage the Registrant on a non-wrap fee basis and elect to utilize independent managers or separately managed accounts will incur costs in addition to the Registrant’s advisory fee. Management fees charged by independent managers or separately managed accounts, together with the fees charged by the broker-dealer/custodian of the client’s assets, are exclusive of, and in addition to, Registrant’s non-wrap investment advisory fee set forth above.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis must be willing to accept that the Registrant cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event of a market correction



during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

**Use of Mutual Funds.** Most mutual funds are available directly to the public. Thus, a client or prospective client can obtain many of the mutual funds that may be recommended and/or utilized by the Registrant independent of engaging the Registrant as an investment advisor. However, if a client or prospective client determines to do so, he/she/it will not receive the benefit of the Registrant's initial and ongoing investment advisory services.

**Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), the Registrant may maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee.

**Please Note:** When the account is holding cash positions, those cash positions will be subject to the same fee schedule as set forth below in Item 5. The Registrant's Chief Compliance Officer, Jack Petersen, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

The Registrant shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Registrant shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on the Registrant's services.

**Please Note:** There is no material difference between how the Registrant manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody) (*See* Item 4.A). The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage the Registrant on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody).

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

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

The Registrant's investment process encompasses three major areas: 1.) Asset Allocation, 2.) Investment Selection, and 3.) Portfolio Construction. The investment process is designed to be highly customized to each client and their particular attributes.

1. Asset Allocation is the process for determining a long-term asset allocation that is appropriate for an investor, as well as considering how each asset class will fare in the intermediate-term in relation to its long-term expectations. The first step is to define which asset classes exist and how to categorize the world of investments. Asset classes must be unique, and investable for consideration. We believe there are roughly 15 asset classes that exist today for sophisticated investors.

It is also important to classify these asset classes more broadly into groups that investors can understand. We believe all asset classes serve one of three purposes: Growth, Preservation, or Inflation Protection. Any asset class can be classified in one of these categories. By using broad categories that establish a clear goal and objective, we believe investors can better determine their proper allocation among the three groups, and therefore have portfolios that better fit their risk profile.

2. Investment selection is the process of determining how to invest in each asset class. We are believers in open architecture, in that we do not select individual securities within our firm. We believe that the best way to build portfolios is to select specialists in each asset class who will have the focus and information to create desirable investment outcomes. We typically utilize a combination of ETFs, Separate Accounts, Mutual Funds, and Limited Partnerships to invest our client's portfolios.

In researching an active management organization, we utilize a unique, time-tested process for evaluating potential firms. We look at investment firms in four parts: Organization, Investment Process, Performance, and Operations. Our review of the organization is focused on determining whether the organization is likely to impede the investment process over the life of our investment. We believe there is a right way and a wrong way to structure an investment management organization, and we seek to invest in firms that have positive attributes we prefer around ownership structure, compensation, product distribution, capacity management and numerous other items. In reviewing an investment process we seek to understand the quality of the information the manager possesses, how they have utilized that information, and how they make portfolio decisions. This is a detailed process that can review hundreds of investments over multiple years. We then will review performance, which is essentially the results of the investment process. Not all strong performance track records are the same, and we seek to understand in depth how a manager has added value, and whether the nature of that added value is likely to continue. Finally, we review the firm's operational capabilities, in terms of their controls and vendors. In the case of Limited Partnerships we conduct a full review of the operations to ensure we are comfortable with the custodian, administrator, auditor, employees, subscription documents, and legal terms for our clients.

Ongoing due diligence is a critical component of manager selection, and it is necessary to continue to review all four aspects of our active managers on a forward-looking basis. We continue to monitor the organization for any changes or signs of maturity or decline. We analyze live data regarding the portfolios, and how the portfolios change over time. We review performance monthly, and analyze performance attribution on a quarterly basis. And we continue to monitor the firm's operations and external vendors for any changes. If there are changes to any of the key attributes of our managers we will make decisions about continuing to use a manager in client portfolios, and could lead us to termination or redemption from an existing manager.

3. Portfolio construction is a process that marries the asset allocation and investment selection with the key attributes of the client. Doing our review process with a client, we will seek to understand their investment risk tolerance, engagement, belief in skill, tax status, income and spending needs, as well as numerous other factors. We will then create an investment policy on allocation to our three major asset class buckets: 1) Growth, 2) Preservation, or 3) Inflation Protection.

Portfolio construction for a client will continue to be an ongoing process as well. Making sure that as their needs and goals change over time, our portfolios change as well.

The Registrant shall utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Investing in securities involves the risk of loss that clients must be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by The Registrant) will be profitable or equal any specific performance level(s).

The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an

accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and/or Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend the use of margin and options transactions. These strategies have a high level of inherent risk.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. Please note: To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

Please Note: Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

Currently, the Registrant primarily allocates client investment assets among various individual equity and fixed income securities, mutual funds and/or exchange traded funds, independent managers, and separately managed accounts on a discretionary and

non-discretionary basis in accordance with the client's designated investment objective(s).

From time to time, and only in those cases where the client is eligible to do so, the Registrant may recommend participating in initial and secondary public offerings ("IPOs"). In addition to the risks set forth above, given the nature of such offerings they may have more volatility in price than existing equities that are currently traded and have a trading history. Accordingly, the decision as to whether to participate in initial or secondary offerings is left totally to the discretion of client.

### **Voting Client Securities**

Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies (However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.).

The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Jack Petersen.

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

The Registrant shall be the Program's portfolio manager. The Registrant shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Registrant shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on the Registrant's services.

As indicated above, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

To the extent the Program utilizes independent Manager(s), the Registrant shall provide the independent manager(s) with each client's particular investment objective(s). Any changes in the client's financial situation or investment objectives reported by the client to the Registrant shall be communicated to the independent manager(s) within a reasonable period of time.

## **Item 8            Client Contact with Portfolio Managers**

The client shall have, without restriction, reasonable access to the Program's portfolio manager.

## **Item 9            Additional Information**

- A. The Registrant has not been the subject of any disciplinary actions.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

**Registered Representatives of a Broker Dealer.** As disclosed above in Item 5.E, certain of Registrant's representatives are registered representatives of *PKS*, a FINRA member broker-dealer. Clients can choose to engage Registrant's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

**Conflict of Interest:** The recommendation by Registrant's representatives, that a client purchase a securities commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase securities products recommended by Registrant through other, non-affiliated registered representatives of a broker-dealer. **The Registrant's Chief Compliance Officer, Jack Petersen, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

The Registrant may, from time to time, refer prospective advisory clients to an unaffiliated investment adviser(s) (the "referred adviser"). To the extent that the prospective advisory client determines to engage the referred adviser, the terms and conditions under which the prospective client shall engage the referred adviser shall be set forth in a separate written agreement between the prospective advisory client and the referred adviser. Upon engagement of the referred adviser by the prospective advisory client, the Registrant, pursuant to the terms and conditions of a separate agreement between the Registrant and the referred adviser, may receive a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities laws or requirements. Any such referral fee shall be paid

solely from the referred adviser, and shall not result in any additional charge to the prospective advisory client.

**Conflict of Interest:** The recommendation by Registrant's that a prospective advisory client engage a referred adviser presents a conflict of interest, as the receipt of a referral fee may provide an incentive to recommend the referred adviser based on the referral fee to be received rather than the prospective advisory client's specific needs. No person or entity is under any obligation to engage a referred adviser recommended by the Registrant. **The Registrant's Chief Compliance Officer, Jack Petersen, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Soft Dollar Arrangement:** In return for effecting securities transactions through a *Pershing* and/or *Fidelity*, Registrant may receive certain investment research products or services which assist the Registrant in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by Registrant may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness.

*Pershing* and/or *Fidelity* may also provide the Registrant with other services intended to help the Registrant manage and further develop its business enterprise, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. In addition, *Pershing* and/or *Fidelity* may make available or arrange and/or pay for these types of services provided by independent third parties, including regulatory compliance.

**The Registrant's Chief Compliance Officer, Jack Petersen, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

As disclosed above, the Registrant may recommend participation in initial and secondary offerings to eligible clients. In such cases, offerings may be available in limited quantities wherein the Registrant may need to allocate shares to clients in a lesser proportion than as requested by the client. These situations create a potential conflict of interest and in such cases the Registrant will manage such conflicts through applicable policies and procedures.

Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.

The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Each quarter, Access Persons shall provide a summary of their personal transactions to the Chief Compliance Officer or his/her designee. Each Access Person must also provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects.

The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **REVIEW OF ACCOUNTS**

For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant’s Principals. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in



person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

The Registrant may receive an indirect economic benefit from *Pershing* and/or *Fidelity*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Pershing* and/or *Fidelity*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* and/or *Fidelity* as result of this arrangement. There is no corresponding commitment made by the Registrant to *Pershing* and/or *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Jack Petersen, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create**

The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

#### **FINANCIAL INFORMATION**

The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.

The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Jack Petersen, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**