



SUMMIT TRAIL ADVISORS, LLC

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Brochure

Dated: July 24, 2015

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.

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.

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ITEM 2: MATERIAL CHANGES

There is Summit Trail Advisors' initial filing.

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ITEM 4: ADVISORY BUSINESS

- A. Summit Trail Advisors, LLC (the “Registrant”) is a limited liability company formed on July 6, 2015 in the State of Delaware. The Registrant became an SEC registered Investment Adviser Firm in June 2015.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, estates, charitable organizations, pension and profit sharing plans, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

Investment Advisory Services

The client can determine to engage the Registrant to provide 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). However, 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).

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.

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.

Summit Trail Advisors Wrap Program

The Registrant may provide discretionary and/or non-discretionary investment management services on a wrap fee basis in accordance with the Registrant’s investment management wrap fee program (the “Program”). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants. 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%, depending upon the amount of the Program assets.

The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure, which is presented to all prospective Program participants in accordance with the disclosure requirements. All prospective Program participants should read both the Registrant's Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program. Pershing, LLC ("*Pershing*") and/or Fidelity Institutional Wealth Services, ("*Fidelity*") shall serve as the custodian for Program accounts.

Please Note: As indicated in the Wrap Fee Program Brochure, participation in the Program may cost more or less than purchasing such services separately. If the client were to engage the Registrant on a non-wrap fee basis, the client would select individual services on an unbundled basis, paying for each service separately (i.e. asset management, brokerage, and custody). When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its asset management services, the balance of the wrap fee after all other costs (including account transaction fees) incorporated into the wrap fee have been deducted. As also indicated in the Wrap Fee Program Brochure, 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. 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 maximize its compensation by seeking 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.

Financial Planning and Consulting Services

To the extent 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. Registrant's planning and consulting fees are negotiable, but generally range from \$5,000 to \$75,000 on a fixed fee basis, and from \$500 to \$1,000 on an hourly basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services on a stand-alone basis, clients are generally required to enter into a *Financial Planning and*



Consulting Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services.

If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including certain of the Registrant's representatives in their individual capacities as registered representatives of a broker-dealer. (See disclosure at Item 10C). 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 their financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Miscellaneous

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, 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 their 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 they are 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 their responsibility to promptly notify the Registrant if there is ever any change in their 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.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. There is no significant 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. asset management, brokerage, custody) (See Item 4.B). The services included in a wrap fee agreement will depend upon each client's particular need.

Please Note: When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its asset management services, the balance of the wrap fee after all other costs (including account transaction fees) incorporated into the wrap fee have been deducted.

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 maximize its compensation by seeking 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.

- E. As of July 24, 2015, the Registrant had \$0 in assets under management on a discretionary basis and \$0 in assets under management on a non-discretionary basis.



ITEM 5: FEES AND COMPENSATION

A. Non-Wrap Basis

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

<u>Assets Under Management</u>	<u>Annualized Fee</u>
Less than \$5,000,000	1.50%
\$5,000,000 to \$10,000,000	1.25%
\$10,000,000 to \$25,000,000	1.10%
\$25,000,000 to \$50,000,000	0.90%
\$50,000,000 to \$100,000,000	0.75%
More than \$100,000,000	Negotiable

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.

Palmetto Designs 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. The current annual Program fee ranges from negotiable to 2.00%, to be charged quarterly in advance, depending upon the amount and type of the Program assets. The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure a copy of which is presented to all prospective Program participants.

<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%

The Wrap Fee Program Brochure is presented to all prospective Program participants in accordance with the disclosure requirements of Part 2A Appendix 1 of Form ADV. All prospective Program participants should read both the Registrant's Brochure and the Wrap Fee



Program Brochure, and ask any corresponding questions that they may have, prior to choosing to participate in the Program.

Pershing and/or *Fidelity* shall serve as the custodian for Program accounts.

Financial Planning and Consulting Services Fees

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$5,000 to \$75,000 on a fixed fee basis, and from \$500 to \$1,000 on an hourly basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the client's assets on the last day of the previous billing period ("Billing Period") as valued by the custodian of the assets. No increase in the annual fee percentage shall be effective without prior written notification.

Please Note: Client's may make additions to and withdrawals from their account(s) at any time. However, if more than \$10,000 in assets are withdrawn from or deposited in the client's account after the beginning of a Billing Period, the quarterly fee will be prorated based on the number of days remaining in the Billing Period.

Please Also Note: All withdrawals are subject to customary securities settlement procedures. The Registrant designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of the client's investment objectives.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *Pershing* and/or *Fidelity* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Pershing* and/or *Fidelity* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). Clients may also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees, IRA and qualified retirement plan fees, surrender charges and other fund expenses).

Please Note: Participants in the Program will not incur brokerage commissions and/or transaction fees in addition to the Program fees.



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. The Registrant’s annual investment advisory fee shall be prorated and paid quarterly, in advance. The Registrant generally requires a minimum asset level of \$5,000,000 for investment advisory services. The Registrant, in its sole discretion, may waive or reduce its minimum asset requirement 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.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage certain of Registrant’s representatives, in their individual capacities, as registered representatives of Purshe Kalan Sterling (“PKS”), a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through PKS, PKS will charge brokerage commissions to effect securities transactions, a portion of which commissions PKS shall pay to Registrant’s representatives, as applicable. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. In addition, PKS, as well as Registrant’s Representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from PKS presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client’s need. No client is under any obligation to purchase any commission products from Registrant’s representatives. 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.
 2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
 3. The Registrant does not receive more than 50% of its revenue from advisory clients as a



result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.

4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). However, a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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

ITEM 7: TYPES OF CLIENTS

The Registrant's clients shall generally include individuals, business entities, trusts, estates, charitable organizations, and pension and profit sharing plans. The Registrant generally requires a minimum asset level of \$5,000,000 for investment advisory services. The Registrant, in its sole discretion, may waive or reduce its minimum asset requirement 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 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

- A. 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 may 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. 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).

- B. 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 stale 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 Purchase and 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 their accounts.

- C. 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.



ITEM 9: DISCIPLINARY INFORMATION

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

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. **Registered Representative of PKS.** As disclosed above in Item 5.E, certain of Registrant's representatives are also registered representatives of *PKS*, a FINRA member broker-dealer.
- B. 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.
- C. **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.

- D. 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.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

- A. 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.

- B. 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.
- C. 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.

- D. 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 in Item 11.C, 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.

ITEM 12: BROKERAGE PRACTICES

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Pershing* and/or *Fidelity*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Pershing* and/or *Fidelity* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees 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/transaction fee is reasonable. 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. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. **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.

Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Pershing* and/or *Fidelity*, without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

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.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through 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 arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.



ITEM 13: REVIEW OF ACCOUNTS

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and representatives. 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.
- B. 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.
- C. 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.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

- A. As referenced in Item 12.A.1 above, 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.

- B. Neither the Registrant nor any of its representatives compensates any person other than its supervised persons for client referrals.



ITEM 15: CUSTODY

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. 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.

Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

ITEM 16: INVESTMENT DISCRETION

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

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.).

ITEM 17: 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 18: FINANCIAL INFORMATION

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