

Item 1 – Cover Page  
**FORM ADV PART 2A**

**Sweetwater Financial Advisors, LLC  
4665 Sweetwater Blvd., Suite 105  
Sugar Land, TX 77479  
P: 281-491-3333  
www.sfacorp.com**

**February 2016**

**This brochure provides information about the qualifications and business practices of Sweetwater Financial Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at 281-491-3333 and/or Bryan@SFACorp.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Sweetwater Financial Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Sweetwater Financial Advisors, LLC is 118372.**

**Any references to Sweetwater Financial Advisors, LLC as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

**Item 2 - MATERIAL CHANGES**

February 2016

Amended Item 4.E assets under management as follows:

12/31/2015	\$124,500,000 discretionary
12/31/2014	\$196,315,000 discretionary

\*\*\*\*\*

At least annually, this section will discuss only specific material changes that are made to the Brochure and provide you with a summary of such changes. Additionally, reference to the date of the last annual update to this Brochure will be provided.

The material changes discussed above are only those changes that have been made to this brochure since the firm's last annual update of the brochure. The date of the last annual update of the brochure was February 12, 2016.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year, which is December 31st. We may further provide other ongoing disclosure information about material changes as necessary.

Additionally, we will further provide you with a new brochure as necessary based on change or new information, at any time, without charge.

Our brochure may be requested free of charge by contacting Bryan Teel at 281-491-3333 and/or Bryan@SFACorp.com. Additional information about Sweetwater Financial Advisors, LLC is also available via the SEC's website [www.adviser.sec.gov](http://www.adviser.sec.gov). The website also provides information about any persons affiliated with Sweetwater Financial Advisors, LLC who are registered, or are required to be registered, as investment adviser representatives of Sweetwater Financial Advisors, LLC.

.

Item 3 - **TABLE OF CONTENTS**

Item 1 – COVER PAGE.....	Cover Page
Item 2 - MATERIAL CHANGES .....	2
Item 3 - TABLE OF CONTENTS .....	3
Item 4 - ADVISORY BUSINESS .....	4
<b>Portfolio Management Services</b> .....	4
<b>Financial Planning and Analysis Services</b> .....	5
<b>General Information</b> .....	5
Item 5 - FEES AND COMPENSATION .....	6
<b>Portfolio Management Services</b> .....	6
<b>Financial Planning and Analysis Services</b> .....	8
Item 6 - PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT .....	9
Item 7 - TYPES OF CLIENTS .....	9
Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	10
Item 9 - DISCIPLINARY INFORMATION .....	11
Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	11
Item 11 - CODE OF ETHICS, PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	11
Item 12 - BROKERAGE PRACTICES .....	12
Item 13 - REVIEW OF ACCOUNTS .....	16
Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION .....	17
Item 15 - CUSTODY .....	18
Item 16 - INVESTMENT DISCRETION .....	18
Item 17 - VOTING CLIENT SECURITIES .....	19
Item 18 - FINANCIAL INFORMATION .....	19
Item 19 - REQUIREMENTS FOR STATE REGISTERED ADVISERS .....	19

Brochure Supplements

#### **Item 4 - ADVISORY BUSINESS**

Sweetwater Financial Advisors, LLC (hereinafter referred to as “SFA”) is an investment advisory firm offering a variety of advisory services customized to your individual needs.

- A. SFA was established in June of 2001. Mark Snelling and David Bryan Teel are the Managing Members and owners.
- B. SFA offers the following advisory services. As previously stated, each of the services is more fully described below.
  - Portfolio Management
  - Financial Planning and Analysis Services
- C. SFA tailors the advisory services it offers to your individual needs. You may impose restrictions and/or limitations on the investing in certain securities or types of securities. SFA will ask you to complete a Client Profile form and an Investment Suitability Questionnaire (ISQ) to assist SFA with obtaining information about your financial situation and history. Additionally, the information gathered will assist SFA to determine a portfolio type and strategy suitable to your financial situation. Depending on the services you have requested, SFA will gather various financial information and history from you including, but not limited to:
  - ☐ Investment objectives
  - ☐ Investment horizon
  - ☐ Financial information such as investment accounts, bank accounts, etc.
  - ☐ Employment information
  - ☐ Retirement assets and accounts
  - ☐ Cash flow analysis
  - ☐ Cost of living needs
  - ☐ Savings tendencies
  - ☐ Other applicable financial information required by SFA in order to provide the investment advisory services requested.
- D. SFA does not participate in any wrap fee programs.
- E. As of December 31, 2015, we have approximately \$124,500,000 of client assets under our discretionary management. We do not have non-discretionary client assets under management.

#### **Portfolio Management Services**

Upon SFA completing its analysis of your situation, SFA will determine an asset allocation customized to your financial goals, objectives and risk tolerance based on SFA’s model portfolios. SFA has designed various model portfolios. After evaluating your information gathered by SFA, SFA will determine which of its model portfolios would be most suitable for you. If necessary, SFA will customize your portfolio allocation taking into consideration your limitations or restrictions, the market and economy at the time and your financial situation, goals and objectives.

SFA will provide continuous and ongoing management of your account. Unless otherwise expressly requested by you, SFA will manage your portfolio on a discretionary basis. Therefore, SFA will make changes to the allocation as deemed appropriate by SFA. SFA will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. SFA may actively trade securities and hold such securities for periods of 30 days or less or maintain positions for longer or shorter term periods. Discretionary authority will be granted by you to SFA by execution of the Advisory Services Agreement.

If you elect to have your accounts managed on a nondiscretionary basis, no changes will be made to the allocation of your account without prior consultation with you and your expressed agreement.

SFA primarily uses open-ended mutual funds (no-load and load waived or mutual funds purchased at net asset value (NAV)), exchange traded funds (ETFs), and individual equities. However, managed accounts are not exclusively limited to the aforementioned types of securities.

You are advised transactions in the account, account reallocations and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

### **Financial Planning and Analysis Services**

SFA provides a financial plan analyzing the client's current financial situation with regard to numerous aspects which may include, but are not limited to, insurance coverage, estate planning, educational needs analysis, savings accounts and debt retirement, together with preparation of a written report and advice concerning implementation.

Plans are based on your financial situation at the time and are based on financial information disclosed by you to SFA. You are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. SFA cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review the plan and update the plan based upon changes in your financial situation, goals, or objectives or changes in the economy. Should your financial situation or investment goals or objectives change, you must notify SFA promptly of the changes. You are advised that the advice offered by SFA may be limited and is not meant to be comprehensive. Therefore, you may need to seek the services of other professionals such as an insurance adviser, attorney and/or accountant.

You are not obligated to implement advice through SFA or Advisory Representatives. Should you implement the plan with SFA's Advisory Representatives commissions or other compensation may be received in addition to the advisory fee paid to SFA.

### **General Information**

You are advised the investment recommendations and advice offered by SFA are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your

attorney and/or accountant. You are advised that it is necessary to inform SFA promptly with respect to any changes in your financial situation and investment goals and objectives. Failure to notify SFA of any such changes could result in investment recommendations not meeting your needs.

## Item 5 - FEES AND COMPENSATION

### Portfolio Management Services

- A. Fees are negotiable and are not based on a share of capital gains or capital appreciation of the funds or any portion of the funds.

You may make additions to or withdrawals from the Account, provided the Account continues to meet minimum account size requirements. Additional assets deposited into the Account after it is opened will be charged a pro-rata fee based upon the number of days remaining in the then current quarter. Additionally, partial withdrawals from the account will result in a prorated portion of the fee being credited to the Account and will be issued on the following quarter's fee calculation. No fee adjustments will be made for Account appreciation or depreciation.

SFA may change its fee schedules upon 30-days prior written notice to you.

Percentage Fee Based On Assets Under Management	
Account Size	Annual Fee
Less than \$500,000*	1.75%
\$500,001 to \$2,500,000	1.50%
\$2,500,001 to \$5,000,000	1.25%
Over \$5,000,000	1.00%

**\*Clients with less than \$500,000 of assets under management are advised that SFA may impose a minimum annual fee of \$5,000. Such fee may be deemed excessive compared to other investment advisers and may exceed 3% of the clients overall portfolio value. Clients are further advised that portfolio management services may be available from other investment advisers at a lower cost**

#### Performance Based Fee

SFA also offers a performance based fee arrangement for certain clients who qualify for the Performance Based Fee Program. Clients must qualify for consideration for participation in the program by having a net worth of at least \$2 million, exclusive of home and home furnishings, or have at least \$1 million of assets under management with SFA.

SFA will charge a performance fee of 15% of the profits on the account as determined on December 31 of each year. The high water mark will be determined each year and will be based on the value of the account as of December 31 each year, less any performance fee paid for the year. However, in the event there is year where the value of the account remains the same or goes down, SFA will not earn a fee and the high water mark will remain unchanged

from the previous year. Should the account value be equal to or less than the prior December 31 value, SFA will not earn a fee.

Existing Clients

*Base Management Fee:*

maximum of 1.00% annually, fee is negotiable

*Base Rate of Return:*

The base rate of return is defined as 5% return on a pro rata basis during each calendar year on a non-cumulative basis. The above "Base Rate of Return" may also be altered to include a "flat" or "fixed" return as agreed upon by the client and SFA on a case-by-case basis. Should client prefer and agree to a "flat" or "fixed" return threshold, SFA will negotiate a return threshold that will typically range from 6% to 8%. Should the client's account produce a return above the threshold or high water mark, SFA will receive a performance based fee. The return on the client's account will be calculated taking into consideration deduction of SFA's base management fee.

Participation Fee:

10% - 50% of the return above the calculated (or agreed upon) base rate. The Base Management Fee will be due to SFA on a calendar quarterly basis in advance. Accounts established during a quarter or closed during a quarter will be charged (or refunded in the case of an account closing during a quarter) a prorated fee.

- B. Advisory fees will generally be collected directly from your account, provided you have given SFA written authorization. You will be provided with an account statement reflecting the deduction of the advisory fee direct from the account custodian. If the Account does not contain sufficient funds to pay advisory fees, SFA has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to SFA, except for ERISA and IRA accounts.
- C. In addition to the advisory fees above, you will pay transaction fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. Additionally, you may pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the Account. Such fees are not charged by SFA and are charged by the product, broker/dealer or account custodian. SFA does not share in any portion of such fees. Additionally, you may pay your proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase. Such advisory fees are not shared with SFA and are compensation to the fund-manager.
- D. Percentage Fee Based on Assets Under Management  
SFA's fees will be charged on a calendar quarterly basis in advance within the first 15 days of the first month following the most recently completed calendar quarter. The fee will be calculated based on the market value of the Portfolio, including cash equivalents, determined as of the close of business on the last day of the most recently completed quarter, or in the case of new clients, on the day the Portfolio account is opened and assets deposited. The initial fee for Portfolios established during a calendar quarter will be prorated from the date of Portfolio establishment, to the end of the calendar quarter.

Performance Based Advisory Fees

Fees will be due to SFA on a calendar quarterly basis in advance. Accounts established during a quarter or closed during a quarter will be charged (or refunded in the case of an account closing during a quarter) a prorated fee. The Base Rate of Return fee will be calculated on the last trading day of the calendar year. For accounts established during the calendar year, the Base Rate fee will be calculated on a pro-rata basis considering the number of days the account is open, divided by the number of days in the calendar year. The Participation Fee is calculated on an annual basis on the last trading day of the calendar year. For accounts established during the calendar year, the Participation Fee will be calculated based on the accounts' return compared to the pro-rata adjusted Base Rate of Return as established in the above paragraph. The Participation Fee (if applicable) is payable annually and is due within the first 15 days of January of the subsequent year for which performance based fees are applicable.

#### Termination Provisions

You may terminate investment advisory services obtained from SFA, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with SFA. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the Account such as transaction fees for any securities transactions executed and Account maintenance or custodial fees. Thereafter, you or SFA may terminate the agreement at any time and for any reason, upon three (3) working days prior notice. Upon notice of termination, SFA shall refund any unearned advisory fees as determined by SFA for the quarter from the date of termination to the end of the calendar quarter.

#### Performance Fee Termination

In the event of termination during a year, the client will be charged a performance based fee based on the performance of the account on the date of termination.

### **Financial Planning and Analysis Services**

You are advised that fees for planning services are strictly for planning services. Therefore, you may pay fees and/or commissions for additional services obtained such as asset management or products purchased such as securities or insurance.

Fees are negotiable. Your fees will be dependent on several factors including time spent with SFA, number of meetings, complexity of your situation, amount of research, services requested and staff resources.

<b>Fee Type</b>	<b>Maximum Fee</b>	<b>Payable</b>
Fixed Fee	\$5,000	Payable one-half (1/2) upon execution of the advisory agreement with SFA and the balance due at the time of presentation of the plan, unless otherwise negotiated with you.

Following the initial preparation of the financial plan, *SFA* will provide ongoing reviews and updates on a periodic basis *SFA* will not charge for ongoing reviews and updates provided you participate in



SFA's Portfolio Management program. If you elect not to participate in SFA's Portfolio Management program, you will be charged a fee for any updates to the financial plan and for reviews.

#### Termination Provisions

You may terminate advisory services obtained from SFA, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with SFA. Thereafter, you may terminate investment advisory services upon delivery of written notice to SFA. You will be responsible for any time spent by SFA.

### **Item 6 - PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

As stated above under Item 5, SFA offers a performance based fee arrangement for certain clients who qualify for the Performance Based Fee Program. You must qualify for consideration for participation in the program by having a net worth of at least \$2 million, exclusive of home and home furnishings, or have at least \$1 million of assets under management with SFA.

You are advised that this program may be considered a high risk program and may have considerable conflicts of interests, including but not limited to, SFA may be prone to take a more risky and aggressive management approach and strategy and SFA's fee is directly correlated to the success of the performance of the account. SFA offers no assurances to you that you will experience investment success. The potential losses (or opportunity for gains) to you maybe significant. However, you must consider the affect of SFA's fee on any gain you may experience in that SFA's fee will reduce the overall gain to you. The advisory fees charged for this program may be considered excessive compared to the advisory fees charged by other investment advisers. Further, you may find other advisory programs that offer the same possibility of investment success at a lower cost. Clients participating in this program must take a long term approach to investing and must be willing and able to accept and experience large swings in the performance and value of the client's account.

SFA manages accounts that are charged a performance based fee and accounts that are charged an asset-based fee. SFA has a conflict of interest managing the accounts at the same time in that SFA has an incentive to favor accounts for which it receives a performance based fee. However, since SFA manages accounts based on a model, SFA believes this conflict is minimized.

### **Item 7 - TYPES OF CLIENTS**

SFA's services are geared toward individuals both high net worth (i.e. clients with a net worth of \$2,000,000) and other than high net worth individuals. Further, SFA offers services to pension and profit sharing plans.

SFA may require a minimum amount of assets be deposited to an account for the purpose of obtaining portfolio management services. The minimum initial purchase for investment in limited partnerships managed by SFA is \$250,000, although this minimum may be waived at the discretion

of the general partner. SFA will generally require clients to deposit a minimum of \$500,000 (cash or securities) (based on an aggregate of all of a client's accounts under management with SFA) in a brokerage account in order to participate in investment management services offered by SFA. However, under certain circumstances, SFA may waive the minimum account size requirement and accept accounts less than \$500,000. Such circumstances may include, but not be limited to, the understanding that additional assets will soon be deposited, client has other accounts with SFA, or accounts may be accepted from other family members of a current client.

You are advised there may be management limitations such as limitations with diversifying the account, certain securities may have account size requirements and performance of the account may be impacted as a result of the limitations. Additionally, clients with less than \$500,000 of assets under management are advised that SFA may impose a minimum annual fee of \$5,000. Such fee may be deemed excessive compared to other investment advisers and may exceed 3% of the clients overall portfolio value. You are further advised that portfolio management services may be available from other investment advisers at a lower cost.

#### **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

- A. SFA conducts fundamental and technical analysis. Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure. Technical analysis generally involves studying trends and movements in a security's price, trading volume, and other market-related factors in an attempt to discern patterns.
- B. You are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the management programs offered by SFA will require you to be prepared to bear the risk of loss and fluctuating performance.

SFA does not represent, warrant or imply that the services or methods of analysis used by SFA can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by SFA will provide a better return than other investment strategies.

- C. As stated above in Item 5, SFA primarily uses mutual funds, exchange traded funds, and equities. The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of managers, and fund straying from its objective. Open ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. Mutual fund fees are described in the fund's prospectus, which the custodian mails directly to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's Web site. At the client's request at any time SFA will direct the client to the appropriate Web page to access the prospectus.

ETFs trade on an auctionable market. Therefore, there is more price fluctuation with ETFs than with mutual funds since ETFs trade throughout the day, whereas mutual funds are priced once a day. Also, since most ETFs only mirror a market index, such as the S&P 500, they won't outperform the index.

The risks with stocks and bonds are that their prices fluctuate throughout the day. Stocks can drop in value and become worthless. The risks with stocks are market risk and company specific risk. The price of a stock can decline due to company-specific reasons as well as the health of the overall stock market. Even dividends, which many beginning investors believe are guaranteed payments by the company, can decline or be totally eliminated.

### **Item 9 - DISCIPLINARY INFORMATION**

There is no reportable disciplinary information required for SFA or its management persons that is material to your evaluation of SFA, its business or its management persons.

### **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A. Neither SFA nor any of its management persons are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. SFA is not and does not have a related person who is a: futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. Further, SFA is not and does not have a related person who is: broker/dealer or other similar type of broker or dealer; investment company or other pooled investment vehicle, other investment adviser or financial planner; futures commission merchant or commodity pool operator; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; real estate broker or dealer; or sponsor or syndicator of a limited partnership.

### **Item 11 - CODE OF ETHICS, PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **Code Of Ethics**

- A. SFA has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. SFA takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as SFA's policies and procedures. Further, SFA strives to handle your non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides you with SFA's Privacy Policy. As such, SFA maintains a code of ethics for its Advisory Representatives, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information

about your transactions. Further, SFA's Code of Ethics establishes SFA's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.

- B. Neither SFA nor its associated persons recommends to clients or buys or sells for client accounts any securities in which we have a material financial interest.
- C. From time to time, SFA may cause you to buy a security in which SFA or an associated person has an ownership position, or SFA or an associated person of SFA may purchase a security of the same class as securities held in your account. It is SFA's policy not to permit associated persons (or certain of their relatives) to trade in a manner that takes advantage of price movements caused by clients' transactions.
- D. SFA is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

#### **Prohibition on Use of Insider Information**

SFA has adopted policies and procedures to prevent the misuse of "insider" information (i.e. material, non-public information). A copy of such policies and procedures is available to any person upon request.

### **Item 12 - BROKERAGE PRACTICES**

Factors SFA used in determining the selection of a broker/dealer include the full range of products offered by the broker/dealer compared to that of other brokerage houses, reputation in the industry, ability to work with clients, trading capabilities, and customer service. Furthermore, SFA believes that the commissions and trading costs of broker/dealers with whom SFA may suggest to you are competitive with other brokers.

SFA participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. SFA receives some benefits from TD Ameritrade through its participation in the program.

Additionally, SFA has an arrangement with Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to provide clients execution and custodial services. SFA is independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

There are no limitations on the authority of SFA and/or related persons to determine, without obtaining your specific consent, the investments to be bought or sold. You will grant such authority to SFA by execution of the client agreement. You may terminate discretionary authorization at any time upon receipt of written notice by SFA. Additionally, you are advised:

- 1) You may set parameters with respect to when account should be rebalanced and set trading restrictions or limitations;
- 2) Advisory Representative must obtain your written consent to establish any account;
- 3) With the exception of deduction of SFA's advisory fees from the account, if you have authorized automatic deductions, SFA will not have the ability to withdraw your funds or securities from the account.

As disclosed above, Advisor participates in Schwab's and TD Ameritrade's institutional customer program and Advisor may recommend Schwab and TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to Schwab and TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. Schwab and TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by Schwab and TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at Schwab or TD Ameritrade. Other services made available by Schwab and TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Schwab or TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of Schwab or TD Ameritrade for custody and brokerage services.

In most cases, SFA also has complete discretion over the selection of brokers and dealers to be used and the compensation to be paid. In addition to using brokers as "agents" and paying commissions, SFA may cause you to buy or sell securities from or to dealers acting as principal at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters or dealers. The following

discussion summarizes the material aspects of SFA's practices in selecting brokers and dealers to execute client transactions.

#### Execution Quality

SFA will generally seek "best execution" in light of the circumstances involved in transactions. In evaluating a broker's or dealer's ability to provide "best execution," historical net prices (after commissions or other transaction-related compensation) will be a principal factor, but SFA may also consider, among other factors: the execution, clearance, error resolution and settlement capabilities of the broker or dealer generally and in connection with securities of the type to be bought or sold; the broker or dealer's willingness to commit capital; the broker or dealer's reliability and financial stability; the size of the transaction; and the market for the security. SFA will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.

#### "Soft Dollars"

Generally. In addition to execution quality, SFA may consider the value of various products and services a broker-dealer may provide. Selecting a broker-dealer in recognition of services or products other than simply transaction execution is known as paying for those services or products with "soft dollars." Because many of those services could be considered to provide some benefit to SFA, and because the "soft dollars" used to acquire them will be assets of SFA's clients, SFA could be considered to have a conflict of interest in allocating client brokerage business. That is, SFA could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation SFA might otherwise be able to negotiate. In addition, SFA could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

#### The Role of "Research" and Other Products and Services.

"Research" products and services provided to SFA may include research reports on, or recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment and other computer hardware for use in running software used in investment decision making; and other products or services that provide lawful and appropriate assistance to SFA in the performance of its investment decision-making responsibilities.

SFA will generally make decisions involving "soft dollars" in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. That is, before placing orders with a particular broker, SFA will generally determine, considering all the factors described here, that the commissions to be paid are reasonable in relation to the value of all the brokerage and research products and services provided by that broker-dealer. In making that determination, SFA may consider the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in SFA's performance of its overall responsibilities to all of its clients. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might

charge. And in some cases, a client's transactions may be executed by a broker in recognition of services or products that are not used in managing that client's account.

Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a "research" application, but is also useful to SFA for non-"research" purposes, SFA may allocate the cost of the product or service between its "research" and non-"research" uses and pay only the "research" portion with soft dollars. SFA's interest in making such allocations may differ from clients' interests in that SFA has an incentive to designate as great a portion of the cost as "research" as possible in order to permit payment with soft dollars.

Where a particular service or product provides benefits to investment-limited partnerships, other clients and/or SFA itself, SFA may allocate the cost among the various persons who receive benefits. However, the limited partnership agreement does not obligate SFA to do so. SFA may compensate brokers or dealers for "research" or other services with transactions effected at a net price with markups or markdowns or acquire services in a manner that does not satisfy the current interpretations of the requirement under Section 28(e) that services be "provided" by a broker.

#### Amount of Payment.

When a broker-dealer provides research or other products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. In making its brokerage selections, SFA considers those suggestions as part of its evaluation of the factors described above. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but may -- and SFA expects that it often will -- exceed that level. This may be in part because the total brokerage business generated by clients may exceed the aggregate amounts requested by all brokers and dealers from which SFA receives services and products, and in part because the brokers and dealers that provide such services and products may also provide superior execution and may therefore be the most appropriate broker-dealers for particular transactions regardless of whether or not they provided such services or products. In other cases, a broker or dealer may establish "credits" based on brokerage commissions paid in the past, which may be used to pay, or reimburse SFA, for specified expenses. Brokers and dealers will not be excluded from consideration of receiving brokerage business simply because they have not provided "research" or other services or products, although SFA may not be willing to pay the same commission to such broker as SFA might have been willing to pay had the broker provided research products and services.

#### Review.

SFA monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

#### Referrals.

In addition to the factors described above, for clients not governed by ERISA, SFA may select a broker or dealer to execute transactions in recognition of that broker's or dealer's referral of clients or investors in investment limited partnerships, or in anticipation of future referrals. As with soft dollar payments for research or other services or products, in some cases the transaction

compensation paid in connection with such a selection might be higher than that obtainable from another broker-dealer who did not provide (or undertake to provide) referrals. However, SFA will always seek “best execution.” Awarding transaction business to broker-dealers in recognition of past or future referrals, may involve an incentive for SFA to cause clients to effect more transactions than they might otherwise do in order to stimulate more referrals.

#### Aggregation of Orders

SFA may perform investment management services for multiple clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by SFA, some of which accounts may have similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when SFA believes that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

SFA may aggregate (“bunch”) transactions in the same security on behalf of more than one client in an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients. However, aggregated or bunched orders will not reduce the transaction costs to participating clients. SFA conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. Participating clients will obtain the average share price per share for the security executed that day. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated on a random basis. Under certain circumstances, the amount of securities maybe increased or decreased to avoid holding odd-lot or a small number of shares for particular clients.

### **Item 13 - REVIEW OF ACCOUNTS**

- A. SFA reviews its Managed Accounts at least monthly. You may request a review at any time and may set thresholds for triggering events that would cause a review to take place. Levels of reviews will vary depending on your needs, changes in financial status or position (tax status or otherwise), financial goals, current market conditions, performance standards, suitability changes and age, among other things. SFA will monitor for changes or shifts in the economy, changes in the management of a mutual fund or company in which your assets are invested, and market shifts and corrections.

With regard to financial planning reviews, after the initial plan and advice is given to you, the plan will be reviewed on an as needed basis, or as often as you desire. Such periodic reviews will be conducted by SFA for no additional charge, as long as you participate in a portfolio management program with SFA.

The following individuals review accounts:

Bryan Teel, Advisory Representative and Chief Compliance Officer  
Mark Snelling, Advisory Representative  
Kenneth DuBose, Advisory Representative



- B. You are advised that you must notify SFA promptly of any changes to your financial goals, objectives or financial situation as such changes may require SFA to review the portfolio allocation and make recommendations for changes.
- C. SFA sends quarterly reports to you showing performance, balances and holdings in your accounts. You should compare the report with statements received directly from the account custodian. Should there be any discrepancy the account, the custodian's report will prevail. You will be provided statements at least quarterly directly from the account custodian. Additionally, you will receive confirmations of all transactions occurring directly from the account custodian.

#### **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

- A. SFA may receive client referrals from TD Ameritrade, Inc. ("TD Ameritrade") through its participation in TD Ameritrade Advisor Direct (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in Advisor Direct, SFA may have been selected to participate in Advisor Direct based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with SFA and there is no employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise SFA and has no responsibility for SFA's management of client portfolios or SFA's other advice or services. SFA pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to SFA ("Solicitation Fee"). SFA will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by SFA from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired SFA on the recommendation of such referred client. SFA will not charge clients referred through Advisor Direct any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade Advisor Direct Disclosure and Acknowledgement Form.

SFA's participation in Advisor Direct raises potential conflicts of interest. TD Ameritrade will most likely refer clients through Advisor Direct to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, SFA may have an incentive to recommend to clients that the assets under management by SFA be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, SFA has agreed not to solicit clients referred to it through Advisor Direct to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at

other custodians, except when its fiduciary duties require doing so. SFA's participation in Advisor Direct does not diminish its duty to seek best execution of trades for client accounts.

- B. SFA may enter into arrangements with individuals ("Solicitor") whereby the Solicitor will refer clients who may be a candidate for investment advisory services to SFA. In return, SFA will agree to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with SFA for advisory services. Compensation to Solicitor will be an agreed upon percentage of SFA's advisory fee. SFA's referral program is in compliance with the federal regulations as set out in 17 CFR section 275.206(4)-3. The solicitation/referral fee is paid pursuant to a written agreement retained by both the investment adviser and the solicitor. The Solicitor will be required to provide the client with a copy of SFA's Form ADV Part II and a Solicitor Disclosure brochure prior to or at the time of entering into any investment advisory contract with SFA. Solicitor is not permitted to offer clients any investment advice on behalf of SFA. Clients' advisory fee will not be increased as a result of compensation being shared with Solicitor.

### **Item 15 - CUSTODY**

With the exception of deduction of SFA's advisory fees from your accounts, SFA does not take custody of your funds or securities.

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct your account custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Your account custodian maintains actual custody of your assets. You will receive account statements directly from your account custodian at least quarterly. They will be sent to the email or postal mailing address you provided. You should carefully review those statements promptly when you receive them.

### **Item 16 - INVESTMENT DISCRETION**

You may grant SFA authorization to manage your account on a discretionary basis. Discretionary authority will give SFA the authority to buy, sell, exchange, convert securities in your managed accounts. Additionally, the authority will authorize SFA to determine the amount of the transaction and the timing of the transaction. You will grant such authority to SFA by execution of the advisory agreement. You may terminate discretionary authorization at any time upon receipt of written notice by SFA.

Additionally, you are advised that:

- 1) You may set parameters with respect to when account should be rebalanced and set trading restrictions or limitations;
- 2) Your written consent is required to establish any mutual fund, variable annuity, or brokerage account;
- 3) SFA requires the use of the broker/dealer with which your Advisory Representative is registered for sales in commissionable mutual funds or variable annuities, if you elect to

- implement recommendations through your Advisory Representative;
- 4) With the exception of deduction of SFA's advisory fees from the account, if you have authorized automatic deductions, SFA will not have the ability to withdraw your funds or securities from the account.

#### **Item 17 - VOTING CLIENT SECURITIES**

SFA does not vote your securities. Unless you suppress proxies, securities proxies will be sent directly to you by the account custodian or transfer agent. You may contact SFA about questions you may have and opinions on how to vote the proxies. However, the voting and how you vote the proxies is solely your decision.

#### **Item 18 - FINANCIAL INFORMATION**

- A. SFA will not require you to prepay more than \$1,200 and six or more months in advance of receiving the advisory service.
- B. As stated above, SFA has discretionary authority over client accounts; however that authority does not extend to the withdrawal of any client assets, with the exception of deduction of SFA's advisory fees from your accounts. We are financially stable. There is no financial condition that is likely to impair our ability to meet our contractual commitment to you or any other client.
- C. Neither SFA nor any of its Advisory Representatives has been the subject of a bankruptcy petition.

#### **Item 19 - REQUIREMENTS FOR STATE REGISTERED ADVISERS**

This section is not applicable to SFA. SFA is not state registered. SFA is registered with the Securities and Exchange Commission.