

**STA WEALTH MANAGEMENT, LLC**  
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Brochure for STA Robo Advisor  
(Service)

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STA Wealth Management, LLC is an investment adviser that is registered with the United States Securities and Exchange Commission. STA Wealth Management, LLC also does business under the name of STA Wealth Advisors. STA Wealth Advisors **is not** a separately registered entity with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

This firm brochure provides information about the qualifications and business practices of STA Wealth Management LLC and has been prepared for clients interested in participating in our **on-line investment management platform, The STA Robo Advisor**. We have a separate brochure to describe our other advisory services offered, which is available to you upon request. If you have any questions about the contents of this firm brochure, please contact us at 281-822-8800 or [hope@stawealth.com](mailto:hope@stawealth.com). The information in this firm brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about STA Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 –MATERIAL CHANGES**

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This is a new firm brochure outlining a new advisory service offered by STA Wealth Management, LLC called The STA Robo Advisor.

ANY QUESTIONS: STA Wealth Management's Chief Compliance Officer, Hope Edick, remains available to address any questions regarding the amendments and any other issue pertaining to this Brochure.

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## ITEM 4 - ADVISORY BUSINESS

### **STA Advisory Description**

STA Wealth Management, LLC ("STA") formerly named Streettalk Advisors, LLC has been in business since October 9, 2002. STA Wealth Management, LLC also uses the name STA Wealth Advisors. The principal owners are Michael Anthony Smith and James "Luke" Patterson.

### ***STA Online Investment Management Accounts***

STA's primary course of business is Traditional Investment Management and Financial Planning Services for which a separate Brochure is available for your review upon request. This Brochure covers STA Wealth Management, LLC's online investment management platform—The STA Robo Advisor.

STA provides The STA Robo Advisor portfolio management service through Institutional Intelligent Portfolios™, an automated, online investment management platform for use by independent investment advisors and sponsored by Schwab Wealth Investment Advisory, Inc. (the "Program" and "SWIA," respectively). STA has branded the Program as The STA Robo Advisor. Through the Program, STA offers clients a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange traded funds ("ETFs") and a cash allocation. The client may instruct STA to exclude up to three ETFs from their portfolio. The client's portfolio is held in a brokerage account opened by the client at SWIA's affiliate, Charles Schwab & Co., Inc. ("CS&Co"). STA is independent of and not owned by, affiliated with, or sponsored or supervised by SWIA, CS&Co or their affiliates (together, "Schwab"). The Program is described in the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ Disclosure Brochure (the "Program Disclosure Brochure"), which is delivered to clients by SWIA during the online enrollment process.

STA, and not Schwab, are the client's investment advisor and primary point of contact with respect to the Program. STA is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. SWIA's role is limited to delivering the Program Disclosure Brochure to clients and administering the Program so that it operates as described in the Program Disclosure Brochure.

STA has contracted with SWIA to provide it with the technology platform and related trading and account management services for the Program. This platform enables STA to make the Program available to clients online and includes a system that automates certain key parts of the STA investment process (the "System"). The System includes an online questionnaire that helps STA determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that STA will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but STA then makes the final decision and selects a portfolio based on all the information STA has about the client. The System also includes an

automated investment engine through which STA manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). STA does not receive a portion of a wrap fee for our services to clients through the Program. Clients do not pay fees to SWIA in connection with the Program, but STA does charge clients a fee for its services as described below under *Item 5 Fees and Compensation*. STA's fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co as part of the Program. Schwab does receive other revenues in connection with the Program, as described in the Program Disclosure Brochure. STA does not pay SWIA fees for its services in the Program so long as STA maintains \$100 million in client assets in accounts at CS&Co that are not enrolled in the Program. If STA does not meet this condition, then STA must pay SWIA an annual fee of 0.10% (10 basis points) on the value of STA's clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with CS&Co.

The Program Disclosure Brochure includes a discussion of various risks associated with the Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Program Disclosure Brochure also discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

#### Conditions and Limitations of the Program:

- Clients enrolled in the Program will not receive financial planning and consulting services.
- Clients with less than \$50,000 in the Program will not be eligible to receive tax loss harvesting services provided by the Program.
- Clients may contact an advisor via email or telephone for questions about their portfolio, but such advice will be limited.
- Enrollment in the Program will generally be limited to clients with asset levels of less than \$500,000. Once a client has reached this asset level, they may be required to convert to a standard advisory relationship in STA's sole discretion.

#### Tailored Advisory Services

While STA has discretion over STA Robo Advisor client's accounts, clients may exclude three specific ETF's from their portfolio; however, they are not allowed to eliminate an asset class all together. In other words they cannot choose to restrict both a Primary and Secondary ETF from an asset class, doing so will restrict the account from trading. If a client chooses to elect a restriction they may do so during the account opening process or after the account is created using the profile tab on the Schwab system. For this reason, not all client accounts will contain the same investments even if invested in the same portfolio model.

## Client Assets under Management

As of November 10, 2016 STA has \$0 assets under management using the STA Robo Advisor and \$726,000,000.00 assets under management in their traditional advisory business. STA does not manage accounts on a non-discretionary basis.

## Other Information

**Please Note: Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If STA recommends that a client roll over their retirement plan assets into an account to be managed by STA, such a recommendation creates a conflict of interest if STA will earn an additional advisory fee on the rolled over assets. No client is under any obligation to rollover retirement plan assets to an account managed by STA. STA's Chief Compliance Officer, Hope Edick, remains available to address any questions that a client or prospective client may have regarding the above and the corresponding conflict of interest presented by such engagement.

**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 STA) will be profitable or equal any specific performance level(s).

**Disclosure Statement** - A copy of STA Wealth Managements written Brochure as set forth in this Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of an STA advisory agreement.

## ITEM 5 - FEES AND COMPENSATION

### Fees on The STA Robo Advisor Accounts

STA charges an annual advisory fee which is prorated and paid payable quarterly in arrears based upon the market value of the assets on the last business day of the previous quarter. The client will sign an investment advisory agreement that clearly details the billing specification.

The advisory fee is deducted from the client's Schwab account on or slightly after the last day of the preceding calendar quarter. The fee deduction is included on the custodial account statement and invoices are available from STA upon request.

These fees are adjusted for any inflows or outflows during such quarter regardless of the amount of the inflows or outflows. If the advisory agreement becomes effective after the first day of a calendar quarter, the fee for that quarter will be calculated proportionately with respect to the number of days in the quarter for which the agreement is in effect. If the agreement is terminated prior to the last day of the calendar quarter, the fee will be calculated proportionately with respect to the number of days in the quarter that the agreement was in effect.

**All STA Online Investment Management Clients (STA Robo Advisor) shall be billed as follows:**

Asset Range	Annual Fee
\$25,000 – 50,000	\$250.00 - per Client household
\$50,001 – 500,000	0.50% of Account Value per client household

### **Other Fees**

The Client will bear additional indirect fees as further disclosed in the Services, Fees and Compensation section of the Schwab Wealth Investment Advisory, Inc. Schwab Intelligent Portfolios™ Disclosure Brochure. Fees paid to STA are separate and distinct from the fees and expense described in the Fees and Compensation section of the Schwab Wealth Investment Advisory, Inc. Schwab Intelligent Portfolios™ Disclosure Brochure.

As described in *Item 4 Advisory Business*, clients do not pay fees to SWIA or brokerage commissions or other fees to CS&Co as part of the Program. Brokerage arrangements are further described below in *Item 12 Brokerage Practices*. STA does not receive any portion of this revenue.

The client should review all fees charged by mutual funds, ETFs, STA and others to fully understand the total amount of fees paid by the client or investment and financial-related services.

Either STA or the client may terminate their Investment Management Agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to STA from the client will be deducted from the client's account prior to termination.

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

STA Wealth Advisors does not receive performance-based fees from any of the STA Robo Advisor clients. Please see our other Firm Brochure for disclosures regarding our other advisory accounts and our management of the Specialized Fund.

Managing accounts with performance-based payments side-by-side with accounts not paying performance-based fees creates a conflict of interest for STA Wealth Advisors, as it may have an incentive to trade more aggressively in, take greater risk for, or allocate more profitable trades to the performance paying accounts or funds. This risk is not present with regard to The STA Robo Advisor since trading is limited to ETFs.

## ITEM 7 - TYPES OF CLIENTS

The **STA Robo Advisor** is only available to individuals with the following account types:

- Individuals, Joint Accounts
- Traditional IRA, Roth IRA, IRA Rollovers
- Revocable Trust Accounts

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

### Method of Analysis

STA uses a combination of the following types of analysis in evaluating investments for client accounts:

- Charting—Analysis of charts of past stock performance
- Fundamental—Analysis of financial attributes of a company, such as revenue growth, debt to equity ratio, inventory turnover, etc.
- Technical—Analysis which assumes past performance is a predictor of future performance

STA uses the following sources of information in its analysis among others:

- financial newspapers and magazines,
- research materials prepared by others,
- corporate rating services, timing services,
- annual reports, prospectuses, filings with the Securities and Exchange Commission, and
- company press releases.

### Investment Strategies

The investment strategies for the STA Robo Advisor include the following:

- long-term purchases (securities held at least a year),
- short-term purchases (securities sold within a year),
- trading (securities sold within 30 days),

### Risk of Loss

Investing in securities, whether through The STA Robo Advisor program or otherwise, involves the risk of loss that clients should be prepared to bear. The significant risks associated with the ETFs comprising the Program portfolios, as well as the risks associated with securities held in those ETFs, are set out in the SWIA Program Brochure, a copy of which is provided to each investor. Clients are urged to read an ETF's prospectus or product description for more information.



## ITEM 9 - DISCIPLINARY INFORMATION

STA, nor any of its officers or principals, has been involved in any investment-related criminal or civil actions in a domestic, foreign, or military court.

STA nor any of its officers or principals, has been found (1) to have caused an investment-related business to lose its authorization to do business, and (2) to have been involved in a violation of an investment-related statute or regulation and the subject of an order in connection with any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

STA has not been involved in any self-regulatory organization proceedings; however, one of the principals had a regulatory action brought against him by the NASD (now FINRA). This action stemmed from an employee agreement. In 2002, Mr. Patterson received a forgivable loan from the firm with which he was employed. The loan was to be forgiven if he stayed with the firm in accordance with his employee agreement. In 2004, Mr. Patterson left the firm for various reasons, which included his not wanting to sell the products the firm offered, as well as differences in investment philosophy. In 2005, the firm filed an arbitration proceeding to collect the portion of the loan that had not been forgiven. Mr. Patterson moved shortly after he left the firm; therefore, he never received the notice of the arbitration and did not appear at the proceeding. This resulted in the suspension of his NASD registration. In 2005, Mr. Patterson's old firm received a default arbitration award. As soon as Mr. Patterson learned of the default arbitration he contacted the firm and settled the matter. His suspension was lifted by FINRA in 2011.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Affiliations with Pooled Investment Vehicles

STA and its affiliates have sponsored a number of private investment funds that they manage. STA and/or its affiliates serve as the general partners to these funds. The funds do not have independent management. Certain STA principals have also invested personal assets in these private funds.

Although this arrangement may give STA heightened control and discretion over its fund clients, STA manages potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in each client's fund offering documents.

From time to time, STA may recommend that qualifying clients invest in one of these private funds. This poses a conflict of interest for STA to the extent it has a financial incentive to recommend that clients invest in the funds, thereby increasing the assets held by the funds and in turn increasing the compensation payable to STA and/or its affiliates, otherwise benefiting them. However, STA does not charge an advisory fee on any assets in its clients' managed accounts that are invested in these private funds, which is aimed at mitigating this conflict of interest. In addition, STA is constrained by fiduciary principles to act in its clients' best interests when managing accounts and will recommend that clients invest in the funds only when it is suitable to do so. STA monitors activity in its clients' accounts in an effort to ensure that transactions are appropriate.

Refer also to Item 6 Performance-Based Fees and Side-By-Side Management in our Firm Brochure for information about the conflict of interest posed by the carried interest allocation based on net profits that is made to STA's affiliate by the Specialized Fund.

Affiliation with Insurance

Clients may receive advice on other insurance-related products such as fixed annuities and various types of insurance. Some of the investment advisor representatives (IAR's) may be independently licensed with various insurance companies and/or Streetwork Insurance Group, LLC, an affiliated insurance Agency.

*Affiliated Insurance Agency – Licensed Agents*

Michael Smith, one of the principals of STA Wealth Management, is also a licensed insurance agent for Streetwork Insurance Group, LLC. Michael Smith, and STA Wealth Management, LLC each own an interest in Streetwork Insurance Group, LLC, an insurance agency. The percentage of interest is as follows: STA Wealth Management, LLC 50%, Michael Smith 25%.

The recommendation by STA Wealth representatives that a client purchase an insurance product from the firm's affiliated insurance agency, presents a **conflict of interest** as the receipt of commissions to the insurance agency benefits STA Wealth Management, LLC and the other owners of the agency. In addition Michael Smith, a licensed agent of Streetwork Insurance Group, LLC, may receive normal and customary commissions for the sale of insurance products. No client is under any obligation to purchase any insurance commission products from STA and/or its representatives. Clients are reminded that they may purchase insurance products recommended by STA through other non-affiliated or insurance agencies. In addition, STA Wealth is constrained by fiduciary principles to act in its clients' best interests when providing advice and will recommend that clients purchase an insurance product only when it is suitable to do so. STA Wealth monitors these arrangements in an effort to ensure that purchases are appropriate.

*Non-Affiliated Insurance Agency - Licensed Agents*

Some of the IAR's acting in the capacity of an insurance agent may recommend insurance products with non-affiliated agencies. This presents a conflict of interest as the IAR may receive fees for the advice and receive commission on the sale of the product. Clients are reminded that they may purchase insurance products recommended by STA Wealth's advisors through other insurance agents. In addition, STA Wealth is constrained by fiduciary principles to act in its clients' best interests when providing advice and will recommend that clients purchase an insurance product only when it is suitable to do so. STA Wealth monitors these arrangements in an effort to ensure that purchases are appropriate.

**STA' Chief Compliance Officer, Hope Edick, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

### Other Business Activity

STA Wealth Management is acting as the liquidating trustee to each series of the Black Swan Opportunity Fund, LP as well as the Black Swan Multi-Strategy Funds. The main duty of STA is to oversee the orderly liquidation of each of the fund's assets and the distribution of disposition proceeds in accordance with the liquidation provisions set forth in the applicable Operating Agreements. STA or its Principals are not employees of Black Swan and receive no compensation or fee.

### Liquidating Trustee

While acting in the capacity poses a risk of misappropriating funds from the various Limited Partner Accounts. The risk is mitigated by having the funds held at a qualified custodian, having a fund administrator producing monthly financials, as well as an annual audit performed on each fund, In addition STA is constrained by the conditions set forth in the Liquidating Trustee Agreement.

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

### **Code of Ethics**

STA has adopted a Code of Ethics which describes the general standards of conduct STA expects of all firm personnel (collectively referred to as "employees"). Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with STA. Any client or prospective client may request a copy of STA's Code of Ethics which will be provided, at no cost, by contacting Hope Edick at 281.822.8800.

The following basic principles guide all aspects of STA's business and represent the minimum requirements to which STA expects employees to adhere:

- Clients' interests come before employees' personal interests and before STA's interests.
- STA must fully disclose all material facts about conflicts, of which it is aware, between STA and its employees' interests, on the one hand, and client and STA's interests on the other.
- Employees must operate on STA's behalf and on their own behalf consistently with STA's disclosures and manage the impacts of those conflicts.
- STA and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- STA and its employees must always comply with all applicable securities laws.

### *Personal Securities Trading*

Trading by STA personnel in their personal accounts is subject to review and, in many cases, requires prior approval by STA's Chief Compliance Officer (CCO). Employees are allowed to trade in their personal accounts in stocks, mutual funds, bonds, ETFs, and pre-approved private placements. Employees may invest simultaneously with clients as long as the same price is obtained. Investing in private placements in personal accounts must be pre-approved by the CCO. Personal trades must be reported quarterly to the STA CCO and holdings are reported annually. Both personal trades and holdings

are reviewed on a periodic basis to ensure compliance with STA's policy. Breaches to the policy are taken seriously and may be met with disciplinary action, including termination of employment.

The STA principals have also invested in the Premier Fund and the Specialized Fund as limited partners; therefore, have ownership interests beyond owning the general partners of each fund. See Item 10 "Other Financial Industry Activities and Affiliations" for more information on the conflict of interest this presents.

#### *Outside Business Activities*

Employees are required to report to STA any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

## **ITEM – 12 BROKERAGE PRACTICES**

### **Broker Selection**

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

Factors that STA considers in recommending *Schwab* and/or *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with STA, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by STA's clients shall comply with STA'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 STA determines, in good faith, that the commission/transaction fee 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 a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although STA 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, STA's investment management fee. STA'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.

### 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, STA may receive from

*Schwab and/or Fidelity* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist STA to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by STA 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 STA 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 STA in managing and administering client accounts. Others do not directly provide such assistance, but rather assist STA to manage and further develop its business enterprise.

STA's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab and/or Fidelity* as a result of this arrangement. There is no corresponding commitment made by STA to *Schwab 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.

**STA's Chief Compliance Officer, Hope Edick, 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 such arrangement may create.**

In addition to our portfolio management and other services, the Program includes the brokerage services of CS&Co, a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co by entering into an account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co, then we cannot manage the client's account through the Program. As described in the Program Disclosure Brochure, SWIA may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Program.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS&Co provides us and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services – trading, custody, reporting and related services – many of which are not typically available to CS&Co retail customers. CS&Co also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. CS&Co's support services described below are generally available on

an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS&Co's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co's support services.

CS&Co's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS&Co's services described in this paragraph generally benefit the client and the client's account.

The availability of services from CS&Co benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co in trading commissions or assets in custody. With respect to the Program, as described above under *Item 4 Advisory Business*, we do not pay SWIA fees for its services in connection with the Program so long as we maintain \$100 Million in client assets in accounts at CS&Co that are *not* enrolled in the Program. In light of our arrangements with Schwab, we may have an incentive to recommend that our clients maintain their accounts with CS&Co based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. We believe, however, that our selection of CS&Co as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of CS&Co's services and not Schwab's services that benefit only us.

### **Brokerage for Client Referrals**

STA does not directly or indirectly compensate any broker for client referrals.

### **Directed Brokerage**

STA requires that all STA Robo Advisor clients to maintain their investment assets at Schwab. STA does not permit clients to direct their brokerage to other broker-dealers.

### **Order Aggregation**

To the extent that STA provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless STA decides to purchase or sell the same securities for several clients at approximately the same time. STA 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 STA'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. STA shall not receive any additional compensation or remuneration as a result of such aggregation.

### ITEM 13 - REVIEW OF ACCOUNTS

#### *Managed Accounts*

Clients in the STA Robo Advisor program are entitled to an account review at least annually. In addition they will receive a copy of our Weekly Market Report.

Through the use of trading and investment software programs, managed account holdings are compared to the selected portfolio model for allocation purposes, as well as monitored for performance. Michael Smith, Luke Patterson (Principals), and other members of the investment team, discuss the performance of each model in a weekly investment committee meeting. STA personnel generally contact clients annually to schedule an in-depth portfolio review with one of the advisors. Clients are also provided access to STA Wealth Advisors' Portal, Advisor View, where they may obtain reporting on their performance and other account information.

### ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Except as stated below, STA does not, nor do any of its principals or employees, receive an economic benefit such as sales, awards or other prizes, from non-clients for providing advisory services to its clients. In addition, STA does not compensate third parties for client referrals.

#### Other Compensation and Arrangements

An Advisor of STA receives compensation from Midwest Trust Company. In these few instances, the advisor receives a portion of the investment management fee that Midwest Trust Company charges certain clients for management of assets received in a litigation settlement. In such cases the STA advisor is not considered the investment manager and does not have discretionary authority. The payments range from 25% to 35% of the annual fee charged by Midwest Trust and are paid quarterly to the advisor.

### ITEM 15 - CUSTODY

Because STA generally has the authority to instruct the account custodian to deduct the management fee directly from the client's account, STA is considered to have "custody" of managed account assets. This limited access is monitored by the client through receipt of account statements directly from the custodian. These statements show the deduction of the management fee from the account. Otherwise, STA may only direct the movement of funds from one account in the client's name to another account with like registration. In addition, since STA or its affiliate is the general partner and/or investment advisor to the STA Specialized Fund LP and Premier Fund, they are also deemed to have custody of those assets.

When clients receive their account statements from the custodian, they should carefully review those statements. If clients receive account statements from STA, they are reminded to compare the statements from STA with the account statements from their custodian. Clients should contact both STA and the custodian if there are unexplained discrepancies.

Additionally, STA engages an outside auditor to conduct an annual audit of the private funds. Although STA attempts to deliver the audited financials to all Premier Fund and STA Specialized Fund investors within 180 of the fund's fiscal year end, delivery has been delayed due largely to the fact that not all fund managers of the underlying funds and/or private equity issuers report to the fund on time. The STA Specialized Fund and the Premier Fund assets are in the custody of a qualified custodian which is sending investors quarterly statements.

#### **ITEM 16 - INVESTMENT DISCRETION**

STA has discretionary authority to manage accounts on behalf of its clients. Clients provide STA with a limited power of attorney granting trading authority and authority to instruct the custodian to withdraw its investment management fee on a quarterly basis. STA determines, for all clients, what securities are to be purchased and sold, how much, when, and negotiates commissions with the account custodians.

This authority is granted for managed accounts through the investment advisory agreement each client executes with STA. This authority is granted to STA for the private funds by the limited partnership agreements.

#### **ITEM 17 - VOTING CLIENT SECURITIES**

STA does not vote client proxies in the Program. Schwab will make all voting decisions.

#### **ITEM 18 - FINANCIAL INFORMATION**

This item is not applicable to STA, as there is no financial condition or circumstance required to be disclosed nor any circumstance requiring STA to include its balance sheet.

**ANY QUESTIONS: STA's Chief Compliance Officer,  
Hope Edick, remains available to address any  
questions regarding this Part 2A.**