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**Part 2A of Form ADV: Firm Brochure**

**Dated: August 30, 2017**

This brochure provides information about the qualifications and business practices of **Capital Strategy Group, Ltd. ("CSG")**. 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 CSG also is available on the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Wherever CSG is referred to as a "registered investment adviser," the term "registered" does not imply a certain level of skill or training. "Registered" means CSG has filed the necessary documentation to maintain registration as an investment advisor with the Securities and Exchange Commission. Please contact us at 315.471.1547 with questions.

## **2 MATERIAL CHANGES**

Capital Strategy Group, Ltd. ("CSG") is required to disclose all material changes to its Form ADV, Part 2A since its last update. The prior version of CSG's Form ADV, Part 2A was last updated on July 17, 2017. Since that update, CSG has amended its Form ADV, Part 2A as follows:

### **Item 9 – Disciplinary Information.**

Disclosure was added to reflect that on August 1, 2017, Cadaret, Grant & Co., Inc. ("Cadaret, Grant"), CSG's affiliate and the program sponsor to the Advisors Edge program, consented to the entry of an Order Instituting Administrative and Cease-and-Desist Proceedings by the U.S. Securities and Exchange Commission. The Order alleges that Cadaret, Grant failed to disclose conflicts of interest resulting from financial incentives to place Cadaret, Grant advisory clients, including Advisors Edge clients (collectively, "Advisory Clients"), in higher fee mutual fund share classes and to adopt written compliance policies or procedures governing share class selection. The Order also alleges that Cadaret, Grant failed to refund prepaid advisory fees to Advisory Clients who terminated their relationship with Cadaret, Grant before Cadaret, Grant earned all of the prepaid fees.

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#### 4 Advisory Business

Incorporated November 15, 1983, CSG is an investment advisor registered with the Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940. CSG offers investment management and supervisory services to meet the individual needs of its clients. A more detailed description of the services provided by CSG follows.

CSG is an affiliate of Cadaret, Grant, & Co, Inc., (Cadaret, Grant). Arthur F. Grant is the principal owner of both firms.

CSG provides investment management and supervisory services to meet the individual needs of its clients. The client's investment objectives will be determined based on answers to an investment strategy questionnaire, as well as other information provided by the client and information provided by the Cadaret, Grant Investment Advisor Representative (IAR) working with the client. Services offered by CSG include:

CSG Separately Managed Customized Accounts – CSG provides continuous advice to clients regarding the investment of client funds based on the individual needs of the client. Through personal discussions either directly or through investment advisor representatives associated with Cadaret, Grant (IARs), in which goals and objectives based on a client's particular circumstances are established, CSG develops a client's personal investment strategy to create and manage a portfolio based on that policy. During the data-gathering process, CSG or the IAR will determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. Ultimately, a broad investment strategy would be determined to begin the individual portfolio design process. Portfolios are typically allocated using publically traded equity and fixed-income securities. Clients retain individual ownership of all securities. Custom account strategies may include:

- Income
- Balanced
- Equity Income
- Moderate Risk
- Equity
- Aggressive Growth

CSG manages these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives, as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Account minimums are typically \$100,000, while CSG retains the option to manage portfolios of a smaller size at its discretion. Custom accounts may be managed in a wrap fee program or on a transactional basis; management style does not differ between the two. When accounts are managed within the wrap fee program, CSG retains a portion of the wrap fee.

Advisor's Edge – CSG provides a mutual fund/ETF asset allocation program to meet the individual needs of its clients. In the Advisor's Edge program, CSG offers a variety

of asset allocation strategies, each targeting a specific investment objective. The strategies provide different balances of risk and reward depending on a client's risk tolerance and time horizon. Through personal discussions both directly or through IARs, the client's goals and objectives are established and CSG determines which, if any, model portfolio is appropriate for the client's circumstances.

Portfolios are allocated between open-end mutual funds and exchange traded funds. CSG monitors the performance of each investment and investment strategy and updates and modifies these strategies based on market conditions, CSG's investment outlook, and any changes to the client's financial circumstances and investment needs. Advisor's Edge models include:

- Income
- Balanced
- Growth and Income
- Growth
- Aggressive Growth

CSG manages these advisory accounts on a discretionary basis. The Advisor's Edge program is custodied on Pershing, LLC's ("Pershing") platform. Account minimums are typically \$50,000, while CSG retains the option to manage portfolios of smaller size at its discretion. Advisor's Edge is part of CSG and Cadaret, Grant's wrap fee program, of which both CSG and Cadaret, Grant retain a portion of the wrap fee.

As of 7/24/2017, CSG's discretionary assets under management totaled \$ 62,729,945

## **5 Fees and Compensation**

### **CSG Separately Managed Customized and Model Accounts**

Accounts are billed under the wrap fee program sponsored by Cadaret Grant or on a transactional basis, with the client paying for clearing services separately. The fees charged, under a wrap fee arrangement with Cadaret, Grant, are negotiable with an annual maximum of 2.2% annually. CSG bills all fees quarterly in advance.

The agreement can be terminated for any reason by any party effective upon receipt of written notice of such termination by the parties. Client will be entitled to a prorated refund of any unearned, pre-paid quarterly account fees based upon the number of days remaining in the quarter after the termination date. Upon termination, the client will have immediate access to account assets, subject to any limitations or restrictions imposed by the custodian.

CSG retains a portion of the wrap fee. Cadaret, Grant will send a quarterly billing invoice to the client and the custodian setting forth the fee due in advance for that quarter and the manner in which the fee is calculated. The client authorizes payment of the fee directly to Cadaret, Grant from the account upon presentation of this invoice.

The fees charged as a stand-alone service are an asset management fee equal to:

A quarterly fee of 0.3125% of the first \$1 million of portfolio assets. Plus a quarterly fee of 0.2344% of the next \$ 9 million of portfolio assets.

CSG reserves the right to independently negotiate any contract.

#### Advisor's Edge Accounts

Advisor's Edge accounts are billed under the wrap fee program sponsored by Cadaret Grant. The fees charged under the wrap fee arrangement are negotiable with a maximum of 2.20% annually, plus an account administrative fee of \$37.50 per quarter for accounts with less than \$100,000. Cadaret, Grant reserves the right to negotiate the minimum annual fee. Fees are billed in advance of each calendar quarter based on the value of the account on the last business day of the ending quarter and, if applicable, an administrative fee. The initial quarterly fee will be prorated and the remainder of the quarters will be billed at the standard fee. Cadaret, Grant will send a quarterly billing invoice to the client and the custodian setting forth the fee due in advance for that quarter and the manner in which the fee is calculated. The client authorizes payment of the fee directly to Cadaret, Grant from the account upon presentation of this invoice. Additional deposits of funds and/or securities will be subject to the foregoing billing calculation. In the event the account is not opened on the first day of a calendar quarter, the initial quarter's assessment will be prorated. The IAR has the discretion to discount fees.

#### Other Fees and Expenses

The account fees noted above are separate and distinct from other fees that might apply, including transaction fees, custodial fees, and underlying mutual fund fees and expenses paid to the fund by shareholders of the fund as outlined in each fund's prospectus. In addition to the account fees noted above, the client may also incur certain charges imposed by third parties in connection with investments made through CSG. These include mutual fund or money market 12b-1 fees and sub-transfer agent fees, mutual fund and money market management fees and administrative expenses, mutual fund transaction fees, certain deferred sales charges on previously purchased mutual funds transferred into the account, other transaction charges and service fees, IRA and qualified retirement plan fees, and other charges that may be required by law. CSG does not participate in these fees. Any portion of 12b-1 fees paid to Cadaret, Grant attributable to the client's assets held in the Advisor's Edge account will be credited to the client's Advisor's Edge account.

Mutual funds generally offer multiple share class options for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to retail share classes (often, but not exclusively, referred to as Class A, B and C shares). Mutual funds may also offer institutional share classes (often, but not exclusively, referred to as Class I shares) or other share classes that are typically designed for purchase by investors who meet certain specified eligibility criteria, including, for example, whether an account meets certain minimum dollar amount thresholds or is enrolled in an eligible fee-based investment advisory program. Institutional share classes usually have a lower expense ratio than other share classes, often because institutional share classes do not carry 12b-1 fees. While overall share class cost is one of several factors taken into account by CSG when assessing investment decisions, Cadaret, Grant and its IARs have a financial incentive to recommend or select share classes that have higher expense ratios because such share classes generally

result in higher compensation. Cadaret, Grant has taken steps to minimize this conflict of interest, including by providing its IARs with training and guidance on this issue, as well as by conducting periodic reviews of client holdings in mutual fund investments to ensure the appropriateness of mutual fund share class selections and whether alternative mutual fund share class selections are available that might be more appropriate given the client's particularized investment objectives and any other appropriate considerations relevant to mutual fund share class selection. Regardless of such considerations, CSG clients should not assume that they will be invested in the share class with the lowest possible expense ratio. Retail share classes may result in the payment of 12b-1 fee payments to Cadaret, Grant however, any portion of 12b-1 fees paid to Cadaret, Grant attributable to the client's assets held in the Advisor's Edge account will be credited to the client's Advisor's Edge account. CSG does not participate in these fees. .

The appropriateness of a particular mutual fund share class selection is dependent upon a range of different considerations, including but not limited to: the overall dollars invested in an account and the overall mutual fund purchases at issue, the asset-based advisory fee that is charged; whether transaction charges are applied to the purchase or sale of mutual funds; the overall cost structure of the advisory program; operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the mutual fund sponsors and the ability to access particular share classes through the custodian); share class eligibility requirements; and the availability of revenue sharing, distribution fees, shareholder servicing fees or other compensation associated with offering a particular class of shares. Similarly, clients that are invested in retail share classes may be charged lower advisory fees or may receive 12b-1 rebates or other fee offsets designed to minimize the impact of being invested in a more expensive share class. Please contact CSG for more information about share class eligibility.

Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus. Certain fee amounts and arrangements are negotiable and CSG may, in its sole discretion, waive any fee, whether on an ongoing or a one-time basis. CSG may also allow for the aggregation of assets from "related accounts" for purposes of determining the amount of assets under management and, thus, the applicable advisory fee paid by a client. CSG reserves the right to determine whether accounts are "related" for purposes of the forgoing aggregation exception.

#### Conflicts of Interest

The compensation practices described in this section present a conflict of interest and may give these principals an incentive to recommend investment products based on the compensation received, rather than on a client's needs. CSG has adopted a standard of conduct under its Code of Ethics, which emphasizes putting the client's interest first and avoiding conflicts of interest, by focusing on investments that are reasonably believed to be in the best interest of the client. Any violations of these standards are to be reported to CSG's senior management, who will evaluate violations and may impose sanctions. Potential conflicts are disclosed to clients through required disclosures such as this document. CSG's compliance personnel and senior management review and evaluate the facts and circumstances of conflicts that do arise on a case by case basis. As circumstance

necessitates, CSG will contact clients directly to explain and/or address conflicts. Clients always have the option to purchase recommended investment products through other brokers or agents that are not associated with CSG or Cadaret, Grant.

## **6 Performance-Based Fees and Side-by-Side Management**

Item 6 of the Form ADV Part 2 instructions is not applicable to CSG's brochure. CSG does not charge performance-based fees based on a share of capital gains or capital appreciation of the assets held within a client's account.

## **7 Types of Clients**

The types of clients to whom CSG generally provides investment advice include individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

Minimum account size information can be found in the sections of this brochure titled Advisory Business and Fees and Compensation.

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

Capital Strategy Group, Ltd. Accounts

For our CSG accounts, we divide equity research into two broadly defined groups:

Core stocks form the foundation of the portfolio and tend to be large, well-known firms, representative of their specific equity sector. For diversification purposes, the size of individual stock positions are calculated from S&P 500 index sectors, or groups of sectors, if individual sectors are too small for economic purchase.

Tactical stocks form the variable part of the portfolio. CSG expects these stocks to add incremental performance. When CSG's market position changes, the percentage of tactical holdings will increase or decrease corresponding to the viewpoint change. We employ two different sub approaches in selection of tactical stocks:

Top-down: This approach begins with the broadest possible analysis and moves down toward specific selections. CSG analyzes the economy in order to highlight market sectors expected to perform well. We assess the prospects for change in major economic conditions, industrial goods prices and outlooks for major industries. The possible effects of these changes are forecast to select industries with the best relative benefit. For individual stock selection within industries, the bottom-up approach is used.

Bottom-up: This approach starts with confidence in a specific investment and moves toward its appropriateness to the forecasted economic environment. Stocks considered either undervalued, on an absolute basis or relative to their growth rates, are identified. Once a company is identified as attractive from a bottom-up viewpoint its size, cost competitiveness and trading activity is reviewed. When a security passes all these tests,

price limits for possible purchase and sale are set. Our limits are dynamic, often changing as new information becomes available.

For the Fixed income positions, we utilize a variety of approaches. Interest rate anticipation emphasizes rates forecasting to determine the maturities of bond investments. Analysis of company financials helps to forecast improved credit ratings and thus improve relative bond performance. Dedication strategies involve offsetting specific future payments, may be used where it is appropriate for a specific client. Some or all of these approaches are used to select each bond or note, as well as overall strategy. Among the key elements in this selection process are maturities, issuers, credit quality, call provisions, yields, and coupon interest rates.

We invest account credit balances in a variety of short-term instruments, including money market funds, tax-exempt instruments, or Treasury bills depending on the outlook for short-term rates and inter-market spreads.

When CSG selects an investment for an account, the account the portfolio manager will consider both the risk and return of the investment and the incremental change of risk and return to the total portfolio in a total return environment. First priority is to keep the total portfolio within the risk level of the stated investment objective. To achieve this priority at times any single investment may have a risk and return profile that deviates from the total portfolio or the clients stated objective.

Different invest selection methodologies can and will be used in various market environments. However, all methods of analysis and investment strategies involve some material risks, including the risk of loss. CSG clients should understand investing in securities involves risk of loss that clients should be prepared to bear.

#### Advisor's Edge Accounts

We use a combination of selecting the best-ranked mutual funds within each investment area, in conjunction with our experience in portfolio management to put together an overall portfolio for each client. At times when we wish to focus on a specific target area of the investment spectrum, we may also use an ETF position to enhance the portfolio.

We rank the order of funds available to us for use on the Pershing platform. Our propriety ranking uses a number of factors we believe help identify those funds which will continue to provide best in category returns. These factors include but are not limited to:

- The Morningstar Ranking for the fund.

- A propriety relative performance ranking with multiple factors from the Morningstar relative performance returns.

- A propriety return stability ranking, favoring stable return funds.

- A propriety tenure ranking favoring the most experienced managers.

- A ranking of turnover favoring slow trading funds.

- A ranking favoring lower operational cost funds.



Once all funds are ranked, they are ranked within each Morningstar category. Starting with the highest ranked funds, the portfolio manager builds a portfolio with various investment themes as a global goal. Each position added to an account is expected to be held for at least one year. When ranking the funds, if one of our holdings falls into the lower half of our rankings we will replace it with a new fund.

Over time different global themes are used to capture the current trends. As a portfolio approach consideration is given to:

- Level of equity exposure
- Level of exposure to any given investment sector
- Large Cap exposure Vs Small Cap exposure
- US Based Equity exposure Vs Foreign exposure
- Level of inflation related investments
- Level of income the portfolio will generate.

The portfolio manager will also consider the level of risk of the investment and how the added risk affects the overall risk of the portfolio. Care is taken to keep the portfolio within the risk level of the portfolios investment objective.

## **9 Disciplinary Information**

Allegations.

On August 1, 2017, Cadaret, Grant, CSG's affiliate and the program sponsor to the Advisors Edge program, consented to the entry of an Order Instituting Administrative and Cease-and-Desist Proceedings ("Order") by the U.S. Securities and Exchange Commission (the "SEC"). The Order focuses on aspects of Cadaret Grant's fee-based advisory business, including the Advisors Edge program, during the period of 2011 to 2016 as it pertains to mutual fund share class selection and the refund of prepaid advisory fees.

In summary, the SEC found that Cadaret, Grant advisory clients, including certain Advisors Edge clients (collectively, the "Advisory Clients"), were placed in mutual fund share classes with 12b-1 fees where lower-fee share classes of the same mutual funds were available without 12b-1 fees. Similarly, the SEC found that Cadaret, Grant received marketing support payments from two mutual fund complexes when Cadaret, Grant invested the Advisory Clients in mutual fund share classes that charged 12b-1 fees, but would not pay such fees when Cadaret, Grant invested them in lower-fee share classes that did not charge such fees. The SEC found that the financial incentives for Cadaret, Grant to place the Advisory Clients in higher fee share classes presented conflicts of interest that should have been disclosed to clients and that the practice of investing the Advisory Clients in mutual fund share classes with 12b-1 fees rather than lower-fee share classes without 12b-1 fees was inconsistent with Cadaret, Grant's duty to seek best execution. The SEC also concluded that Cadaret, Grant failed to adopt written compliance policies or procedures governing mutual fund share class selection. Finally, the SEC concluded that Cadaret,

Grant failed to refund prepaid advisory fees to Advisory Clients who terminated their relationship with Cadaret, Grant before all of the prepaid fees had been earned.

Sanctions.

Without admitting or denying the SEC's findings, Cadaret, Grant agreed to a censure and to cease and desist from committing or causing any violations and any future violations of Sections 206(2), 206(4) and 207 of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. Cadaret, Grant agreed to pay disgorgement of \$2,591,000, prejudgment interest of \$177,000, and a civil penalty of \$280,000, with the total amount of \$3,048,000 to be distributed to the applicable past and present Advisory Clients affected by the conduct highlighted in the Order.

To address the issues presented in the Order, Cadaret, Grant and CSG have implemented new policies and procedures relating to mutual fund share class selection designed to expand the number of lower cost share classes available to advisory clients, provide additional training on share class selection, move existing Advisory Clients into lower cost share classes that do not charge 12b-1 fees, prohibit Investment Advisory Representatives ("IARs") from prospectively investing Advisory Clients in mutual fund share classes that charge 12b-1 fees, and, to the extent that Advisory Clients are invested in mutual fund share classes that charge 12b-1 fees on a going forward basis, require the rebate of all 12b-1 fees to such Advisory Clients. Cadaret, Grant has also enhanced its Form ADV disclosures. In addition, the Firm has enhanced its policies and procedures to ensure that all Advisory Clients are provided with a prorated refund of any unearned, pre-paid quarterly account fees based upon the number of days remaining in the calendar quarter after the account termination date.

## **10 Other Financial Industry Activities**

The principal business of Cadaret, Grant is providing a full line of services as a FINRA member securities broker/dealer. In its capacity as a broker/dealer, Cadaret, Grant is involved in the sale of securities of various types, including stocks, bonds, mutual funds, limited partnerships, unit trusts, and variable annuities. Sales of securities products are carried out by independent contractor registered representatives who maintain registration and/or licenses through Cadaret, Grant.

CSG is affiliated with Cadaret, Grant and is registered as an investment advisor with the Securities and Exchange Commission due to its affiliation with Cadaret, Grant. CSG acts as a sub-advisor and portfolio manager for Cadaret, Grant's wrap fee program, including the Adviser's Edge program. The principals of CSG may also be registered representatives or principals of Cadaret, Grant and may share in brokerage commissions paid in connection with investment transactions, which are recommended by CSG in its capacity as investment advisor. CSG's principals may also hold advisory accounts with Cadaret, Grant. Please refer to the sections of this document titled Advisory Business and Fees and Compensation for information on the terms and conditions of the services offered, fees charged under these programs, and potential conflicts of interest.

## **11 Code of Ethics, Participation or Interests in Client Transactions and Personal Trading**

CSG has adopted a Code of Ethics and Personal Securities Trading Policy to comply with SEC Rule 204A-1. The following is a summary of the main components of this Policy:

- Requirement that employees comply with all state and federal securities laws and regulations.
- Adoption of standards of conduct which emphasizes putting the client's interest first and avoiding any conflicts of interest.
- Protection of the client's personal non-public confidential information.
- Prohibition against the use of material non-public information (insider trading).
- Reporting of personal securities transactions for all "access persons".
- Requirement to report any violation of these policies to senior management.
- A complete copy of our Code of Ethics may be obtained by writing or calling CSG at the address or phone number listed above.

CSG is aware of the potential risks of a conflict of interest when CSG's "Access Persons" trade securities in their own accounts that they also recommend to clients or trade on behalf of clients. A conflict may arise when CSG's "Access Persons" have the ability to take advantage of investment opportunities that could have been made for clients or their knowledge of pending client transactions. To address these potential risks, CSG's Code of Ethics includes reporting requirements that allow CSG access to review and monitor personal trading activity. CSG's "Access Persons" must also refrain from executing a personal trade of the same security as that of an advisory client, either for themselves or for a member of their household, on the same day as that of an advisory client, unless the client receives the better price or both trades are completed as a block trade and average pricing is applied (excluding open-end mutual funds and general obligations of the United States). Transactions deemed inconsistent with this policy are subject to cancellation or correction at the Access Person's expense.

## **12 Brokerage Practices**

CSG is affiliated with Cadaret, Grant, which is dually registered as an SEC Registered Investment Advisor, and as a broker/dealer with FINRA, and may provide various services as a broker/dealer for whom it will be compensated by a commission. CSG may recommend to their advisory clients that they utilize Cadaret, Grant broker/dealer services, in which case services are offered at the same cost as to non-advisory clients. However, if a CSG client maintains a brokerage account with Cadaret, Grant, in its capacity of a broker/dealer, they may incur a higher transaction cost in the form of commissions or ticket charges than if their accounts were held elsewhere.

Except as provided for in any wrap fee program, the brokerage commissions and/or transaction fees charged by Pershing, LLC, or any other designated broker/dealer are exclusive of and in addition to CSG's fee.

Currently, CSG recommends Pershing, LLC (Pershing) to maintain custody of client's assets and to effect trades for their advisory client's accounts. Pershing also acts as Cadaret, Grant's clearing broker. CSG is independently owned, and is not affiliated with Pershing. The commissions and/or transaction fees charged by Pershing may be higher or lower than those charged by other broker/dealers. The commission paid by CSG shall comply with CSG's duty to obtain "best execution". However, a client may pay a commission that is higher than another qualified broker/dealer might charge to effect the same transaction where CSG determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and 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. Consistent with the foregoing, while CSG will seek competitive rates, they may not necessarily obtain the lowest possible commission rates for client transactions. Pershing provides CSG with access to institutional trading, portfolio management, brokerage and custodial services, research, and access to mutual funds and other investments that are otherwise generally available only for institutional investors or would require a higher minimum initial investment.

CSG may receive other products and services from Cadaret, Grant, or Pershing that benefits CSG but not client accounts. Some of these other products and services assist CSG in managing and administering client accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitating trade execution (and allocation of aggregated trade orders for multiple client accounts), facilitating payment of client fees from accounts, and assist with back office functions, record keeping and client reporting. These services may be used to service all or a substantial number of client accounts.

CSG may also receive services from Cadaret, Grant or Pershing that are intended to help CSG manage and further develop its business. These services may include information technology, regulatory compliance and marketing.

As a fiduciary, CSG endeavors to act in the best interest of its clients, and CSG may make recommendations that clients maintain their assets in accounts through Cadaret, Grant with Pershing. These recommendations may be based in part on the benefits to CSG, such as the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Cadaret, Grant or Pershing, which may create a conflict of interest. Clients of CSG must be aware that directing CSG to use a particular broker/dealer may limit CSG the ability to achieve best execution, negotiate commissions with other brokers on behalf of the client, or limit the client's participation in block trading.

CSG may (but is not obligated to) combine or "batch" orders to obtain the best execution and to equitably allocate among their clients the difference in price that might have been obtained had such orders been placed independently. Account allocations must be

determined prior to execution of any aggregate purchases or sales. Purchases and sales that are not aggregated when the opportunity exists should be placed in an order that does not give preferential treatment to one client over another. Examples include random, alphabetical or account number sequential order. When purchases and sales are not aggregated when the opportunity exists, the potential costs to clients are generally price related. For instance, some clients may receive worse prices than others based on the timing or size of their orders as compared to other clients. Generally larger orders and round lot orders (100 shares of stock or 5 bonds) receive better execution than smaller orders.

### **13 Review of Accounts**

Accounts held by CSG clients, both upon initial investment and periodically thereafter, are analyzed to determine whether the types of accounts, investments, and fee structures assigned by CSG are appropriate for each client in light of the services provided, the projected costs to CSG clients pursuant to alternative fee structures, each client's evolving overall financial portrait and investment objectives, trading history, portfolio size, percentage of cash in each portfolio, and the nature of the securities held pursuant to each client's fee arrangement. CSG believes that not all clients, either because of investment goals or amounts of assets to be invested, are well-situated for wrap-fee arrangements. As a result, CSG considers each client's overall investment goals and financial portrait both prior to placing a client in a wrap-fee arrangement and throughout the client's investment in such a program. In making such an assessment, CSG reviews relevant factors applicable to an investor's risk tolerance and investment objectives, including whether its clients or prospective clients have requested and are well-situated to be invested in Cadaret Grant's Adviser's Edge platform.

CSG and Advisors Edge accounts are also continuously monitored by a designated portfolio manager. Each quarter a complete report package is sent to each client including:

- A Performance Report – stating the client's year to date performance.
- A Portfolio Appraisal Report – stating what the client owns including cost basis.
- An Unrealized Gain and Loss report – stating client's asset values verses their cost basis.
- An Income Report – stating the portfolios year to date earned income.
- A Realized Gain and loss report stating the actual gains and losses for the year.

### **14 Client Referrals and Other Compensation**

CSG does not receive economic benefit from non-clients for providing investment advice to its clients. CSG also does not directly or indirectly compensate any persons who are not supervised persons for client referrals.

### **15 Custody**

CSG does not hold custody of client accounts. The Client will receive statements directly from the custodian. CSG's affiliate, Cadaret, Grant is subject to a surprise custody examination, of certain CSG clients' assets, by an independent public accountant as required under Investment Advisers Act of 1940 rule 206(4)-2(a)(4).

At a minimum, all clients with an account receiving investment supervisory services will receive a monthly and/or quarterly statement from the qualified custodian, detailing activity in the account, and account holdings. Clients should carefully review those statements.

Clients will also receive quarterly reports directly from CSG detailing performance, activity in the account, and account holdings. Clients are urged to compare the account statements they receive from the qualified custodian with the reports they receive from Cadaret, Grant.

## **16 Investment Discretion**

CSG accepts and provides discretionary account management for the assets in client's accounts. Discretionary authority begins upon receipt of all required paperwork in good order, and when the account is funded to expected levels. Discretionary authority is authorized within CSG's Investment Advisory Agreement. As stated in the Investment Advisory Agreement, discretionary authority may be terminated by either party with written notification. Clients may place reasonable restrictions on CSG's discretion with respect to purchasing or selling a specific security. Restrictions are reviewed by CSG prior to agreement and approval.

## **17 Voting Client Securities**

CSG does not take any action on behalf of the client, and is not obligated to provide any advice to the client concerning the voting of proxies solicited by, or with respect to, the issuers of any securities held in the client's portfolio(s) or legal proceedings involving securities or other investments currently or previously held in the client's portfolio(s), or the issuers of those securities, including bankruptcies. Unless CSG and the client make other written arrangements, the custodians will send all such proxy and legal proceedings information and documents it receives to the client so that the client may determine what action to take.

## **18 Financial Condition**

CSG has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.