



The Robare Group, Ltd.

D/B/A

Robare & Jones Asset Managers

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March 2017

This Form ADV Part 2A ("Disclosure Brochure" or "Brochure") provides information about our qualifications and business practices of The Robare Group, Ltd. doing business as Robare & Jones Asset Managers ("Robare", "us", "we", "our", "Company", the "Firm"). If you ("client", "you", "your") have any questions about the contents of this brochure, please contact us at (281) 374-0756. The information in this Brochure has not been approved or verified by the U. S. Securities and Exchange Commission ("SEC") or by any state securities authority.

We are a registered investment adviser with the SEC. Our registration as an Investment Adviser does not imply any level of skill or training. Additional information about The Robare Group, Ltd. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select "Investment Adviser Search" and type in our firm name). Results will provide you with both Parts 1 and 2 of our Form ADV.

## Item 2 – Material Changes

The only material changes to report since the last annual filing of this Disclosure Brochure, dated March 2016, is the disclosure of a disciplinary action that was brought against the Company, Jack Jones and Mark Robare.

For future filings, this section of the Disclosure Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We may, at any time, update this Disclosure Brochure and send you an updated copy including a summary of material changes, or a summary of material changes that includes an offer to send you a copy (either by electronic means (email) or in hard copy form). If you would like another copy of this Disclosure Brochure, please download it from the SEC website as indicated above or you may contact our Chief Compliance Officer, Mark L. Robare at (281) 374-0756 or via email at [mark@robare-jones.com](mailto:mark@robare-jones.com).

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## **Item 4 – Advisory Business**

### **Firm Description**

Robare & Jones Asset Managers is the marketing name used by Mark Robare and Jack Jones in connection with their provision of financial services to their clients. When those services involve investment advisory services (including discretionary asset management) they are conducted through The Robare Group, Ltd. Robare is an SEC registered investment adviser and a Limited Partnership organized under the laws of the Texas State Securities Board on August 4, 2000. It is 74.12% owned by Mark L. Robare, 15.88% owned by Jack L. Jones, and owned 10% Robare Asset Management, Inc. Persons who offer investment advisory services through Robare are licensed and qualified as Investment Advisor Representatives ("IARs"). (Note that as used in this Brochure, Robare refers solely to the investment advisory business of Robare & Jones. The "Firm" refers to all of the offerings of Robare & Jones, which includes brokerage and insurance as well as investment advisory services.) We have been registered as an investment adviser with the SEC since April 2, 2003, in order to provide the investment advisory products and services described within this document. As of December 31, 2016, we have \$160,000,000 of assets under management managed on a discretionary basis.

In addition to offering discretionary asset management through Robare, the Firm's principals also provide securities brokerage services as registered representatives of Triad Advisors, Inc. ("Triad") and they are also licensed to sell insurance. When Messrs. Robare and Jones initially meet with new clients, they discuss the clients' objectives, financial needs, risk tolerance, short and long term goals, and other assets, among other things. Based on the clients' needs and circumstances, the Firm often recommends that clients invest in one or more of Robare's model portfolios (described below). The Firm may also recommend brokerage or insurance products, which are not offered through Robare. This Brochure addresses certain matters regarding Robare. Since Robare is only one aspect of the Firm's offerings, however, many clients not only have relationships with the Firm through Robare but they may also have a separate brokerage or insurance account with the Firm. When clients implement Robare's asset management services, they will (i) execute a Client Advisory Agreement ("CAA") with Robare; and (ii) open brokerage accounts with Fidelity Brokerage Services, LLC ("Fidelity"). These two agreements permit Robare to exercise discretion in the Fidelity account. Both agreements contain important information and Robare encourages clients to read those agreements.

Please contact Mark L. Robare, Chief Compliance Officer, at (281) 374-0756, or via email at [mark@robare-jones.com](mailto:mark@robare-jones.com), if you have any questions about this Brochure or any other matter relating to Robare.

Mr. Robare and all individuals providing investment advisory advice on our behalf are appropriately licensed and qualified as IARs to provide advisory services on our behalf.

Below is a description of the investment advisory services we offer. For more detail on any product or service please reference the CAA, or speak with your Robare IAR.

### **Description of Advisory Services**

Robare has developed several model portfolios utilizing mutual funds. When Robare executes trades in most security types in client accounts maintained at Fidelity, Fidelity charges the clients' transaction charges. Fidelity has made available to Robare a group of more than 6,000 no-load mutual funds that do not cause clients to incur any transaction fees. Robare uses these no transaction fee ("NTF") funds exclusively in its managed portfolios. Some NTF funds that have transaction-fee alternatives have higher expense ratios but Robare believes that removing the cost to implement trades is more important to its management of client assets and to clients' overall performance. Please see discussion in Items 5 and 14 for more information on NTF funds.

The models range in risk tolerance from conservative to aggressive. Generally, the more aggressive models have higher allocation to equities, as opposed to fixed income and money market funds, than the more conservative models. Robare regularly monitors the performance of each mutual fund selected for each model. Further, Robare typically rebalances the portfolios at least annually if not more frequently.

The Firm endeavors to manage and tailor client portfolios in a manner that is consistent with each advisory contract and each client's investment policies or objectives. We have preferred investment guidelines for our different model Strategies. We will negotiate with clients and customize investment guidelines, including accepting additional or different limitations if we believe we can effectively manage the account. Therefore, clients have the opportunity to place other reasonable restrictions or constraints (e.g., maintain a legacy equity position) on the way your account is managed; however, such restrictions may affect the composition and performance of your overall portfolios. For these reasons, performance of any particular client portfolio may not be identical with our average client.

We may utilize third-party research services to assist us with formulating asset allocation, industry and sector selection, and individual investment recommendations in constructing and maintaining custom portfolios.

### **Wrap fee programs**

Robare does not participate in wrap fee programs.

## **Item 5 – Fees and Compensation**

### **How is Robare Compensated for Advisory Services**

Robare charges an advisory fee based on the asset under management invested in the model programs. The fee is generally ranging from 0.50% to 1.25%. The amount is identified in the CAA. Fees are payable quarterly in arrears and may vary based on the investment objective of the account, account type, size and other factors. Fees may be negotiable based on previous relationships and other factors, such as aggregate level of assets with the Firm, anticipated future earnings capacity at the Firm, anticipated future additional assets at the Firm, account composition at Robare, negotiations with the client, etc. No increase in Robare's fee(s) shall be effective without prior written notification to clients of at least thirty (30) days.

One quarter (1/4) of the total annual investment advisory fee (i.e., percentage of assets under management) amount, prorated according to the date ("inception date") of execution of the CAA, shall be payable at the end of the calendar quarter in which the initial meeting between the Firm takes place. The remaining three quarterly portions of the annual fee amount shall be individually due and payable by the client at the end of each subsequent calendar quarter and such arrangements shall continue in effect unless the CAA is properly terminated or otherwise modified in accordance with the provisions of the CAA. The quarterly fee is based on the quarter end account balance as calculated by Fidelity.

If any advisory relationship begins after the first day of a quarter or terminates before the last day of a quarter, fees are prorated accordingly, and, in the event of termination, the client will receive a refund of any pre-paid attributes to any period after the termination.

### **Other Fees**

In addition to the Firm's investment advisory fee(s), clients are charged other fees by parties independent from the Firm.

Mutual funds, including NTF funds, have their own internal charges, including management fees, distribution and/or 12b-1 fees and other expenses. These fees are detailed in the mutual fund prospectuses. A percentage of the "distribution and/or 12b-1 fees" and/or "other expenses" which are deducted by the mutual fund companies (or paid by the manager of the mutual fund) is paid to Fidelity, which shares some of that revenue with the Firm. This is discussed in Item 14, below.

If securities other than NTF funds are traded in an account (which typically occurs when the Firm liquidates securities that transferred in), clients will be charged commissions by the custodian of record for the account, which will be Fidelity, unless clients have arranged to have assets custodied elsewhere. (Please refer to Item 12 for more information on the Firm's brokerage practices).

All of these other fees are exclusive of, and in addition to, the Firm's compensation. The Firm does not offset its fees by these charges.

### Payment of Fees

*Billing by custodian.* Contemporaneously with the execution of the CAA, clients sign an authorization allowing Fidelity (or the alternate custodian of the accounts) to debit such account(s) the amount of certain service fees owed to the Firm and remit such to the Firm. The authorization shall remain valid until a written revocation of the authorization is received by the Firm. In connection with this fee deduction process, the following procedures shall be followed.

The custodian shall send to the client a statement, at least quarterly, indicating

- all amounts disbursed from the account, and
- the amount of advisory fees paid directly to the Firm.

### Termination of Contracts

The CAA may be terminated by either party at any time by written notice. Fees paid in advance will be prorated to the date of termination and any unearned portion of the fee will be refunded to the client. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract, or, in the case of an oral contract, otherwise signified their acceptance, any other provisions of this contract notwithstanding.

Detailed information on the termination terms and fees can be found in the applicable CAA.

Similar advisory services may (or may not) be available from other registered investment advisors for similar or lower fees.

Your IAR may operate in various capacities including, but not limited to, as an IAR offering you various advisory services, as a Registered Representative recommending the purchase or sale of securities products, or as an Insurance Agent recommending the purchase of insurance products. Therefore, your IAR may recommend securities and other investment or insurance products. As such, a conflict of interest may exist in the



compensation your IAR receives for services offered through Robare and the compensation your IAR may receive as a Registered Representative or Insurance Agent on the purchase or sale of securities and other investment or insurance products.

In an effort to reduce this conflict of interest, if your IAR recommends securities or other investment or insurance products, you have the option to purchase or sell such securities, investment, or insurance products through other brokers or agents who are not affiliated with us.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not charge advisory fees on a share of the capital gains or capital appreciation of the funds or securities in a client account (so-called performance based fees). Our compensation structure is disclosed in detail in Item 5 above.

## **Item 7 – Types of Clients**

We provide investment advisory services to individuals including trusts, estates and high net worth individuals, pension and profit sharing plans, charitable organizations, and corporations. Generally, we impose a minimum fee amount for our investment advisor services. Our fee structure is addressed fully in Item 5 above. Exceptions may be made under certain circumstances (e.g., for related accounts and for the accounts of Robare personnel and their family members).

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

### **Method of Analysis (Investment Process)**

Our process is based on managing at the model/discipline level. We manage approximately eight models/disciplines ranging in risk levels from aggressive to conservative.

The first stage of this process is to allocate across and within asset classes to targeted percentages within tolerances. Broad asset classes would include equities, fixed income, cash, and alternatives. Each asset class may be subdivided to achieve further diversification. The equity allocation would be weighted based on capitalization size, international vs. domestic, value vs. growth, etc. Fixed income would be allocated using corporate debt, sovereign debt, credit quality, and managed based on risks and opportunities in fixed income. Alternative asset classes may also be introduced such as hard assets, real estate, and other commodities for further diversification.

Once the allocation is determined, we then search for manager(s)/mutual fund(s) for the determined asset classes. Screens we use to filter to a small group that we then review individually are included but not limited to:

- Peer group performance short and long term
- Alpha
- Risk adjusted return
- Expense ratio
- Manager tenure

Once we use filters like above to get to a small group, we evaluate each position included but not limited to items like below:

- Asset class weighting
- Quarter over quarter performance (consistency)
- Performance attribution – what cause performance and is that cause repeatable
- Team managed vs. individual managed and pros and cons of each
- Style drift historically
- Standard deviation
- Beta

- Size
- Conversation with the manager or member of investment management firm for a better understanding of how fund is run.
- Other ranking services like Lipper for rankings in different areas.

### **Investment Strategy (Ongoing management)**

Depending on the Model, our investment strategies may include long term and short-term buy and hold, and margin transactions. There may be a high portfolio turnover ratio if we actively trade on margin for your accounts. Additionally, the use of margin may also result in interest charges as well as all other fees and expenses associated with the security or account involved.

We believe in broad-based diversification that utilizes a wide variety of asset classes and management styles. Based on a wide variety of technical and fundamental data, we periodically change our asset allocation across our models/investment disciplines within tolerances. We may use rebalancing to accomplish these changes or exchanges between funds.

We monitor daily the funds we hire to manage their part of our asset allocation. We use specific criteria to alert us to review deeper to determine if underperformance or other criteria we screen for are worthy of a possible manager change. This investigation often leads us to a conversation with the manager or member of investment management firm for explanation. Once we determine a change is warranted, we replace that fund across the models/disciplines that hold it regardless of the size of the account or percentage holding that the position. We exchange funds either to adjust allocation or for risk adjusted performance within the fund's category.

### **Risks**

There are inherent risks involved for each investment strategy or method of analysis we use and the particular type of security we recommend. Investing in securities involves risk of loss which you should be prepared to bear. Depending on the types of securities we invest in, you may face the following investment risks:

*Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

*Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil drilling companies depend on finding oil and

then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

*Interest rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

*Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

*Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

*Margin and Use of Leverage:* Robare, with the client's consent, may open client accounts as margin accounts and if we elect to use margin, such use can magnify risk to client's accounts. Use of margin should be discussed with your IAR. Separately managed accounts wishing to use margin are required to complete a margin agreement.

*Mutual Funds Risk:* Mutual funds are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of our investment strategies will be higher than the cost of investing directly in mutual funds, as there are two levels of fees. Mutual funds are subject to specific risks, depending on the nature of the fund.

The above list of risk factors does not purport to be a complete list or explanation of the risks involved in an investment strategy. You are encouraged to consult your IAR and tax professional on an initial and continuous basis in connection with selecting and engaging in the services provided by us. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed above.

## Item 9 – Disciplinary Information

We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

On September 2014, the SEC alleged failure to disclose and inadequate disclosures to clients related to revenue received by the Firm on certain transactions from its custodian under a revenue sharing agreement. An Order Instituting Administrative and Cease-and-Desist Proceedings (“OIP”) pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 was issued on September 2, 2014. The Firm is committed to a culture of compliance and believed the disclosure language the Firm had been using was adequate and we determined to fight this Order.

On June 4, 2015, following an evidentiary hearing, an Administrative Law Judge dismissed all allegations and charges that were brought by the SEC’s Division of Enforcement against the Firm and its founders, Mark L. Robare and Jack L. Jones. On the last day of the appeal window on June 25, 2015, the Division of Enforcement then appealed the Administrative Law Judge’s decision to the SEC, i.e., the very entity that had authorized the issuance of the OIP in the first place. On November 7, 2016, the SEC reversed the Administrative Law Judge’s decision in favor of the Division of Enforcement. The SEC issued a Cease and Desist Order against the Firm and Mr. Robare, finding that they failed to disclose material conflicts of interest, citing violations of Section 206(2); against Mr. Jones, for causing the Section 206(2) violation; and against the Firm and Messrs. Robare and Jones for making misrepresentations and willful omissions on Forms ADV, citing violations of Section 207. The SEC ordered the Firm, Mark Robare and Jack Jones each to pay a \$50,000 civil money penalty. Notably, the SEC agreed with the Administrative Law Judge’s decision to dismiss all allegations of intentional fraud by the Firm and Messrs. Robare and Jones. The Firm and its founders, Mark Robare and Jack Jones, continue to find fault with the SEC’s actions and decisions and will appeal the SEC’s reversal decision and take it to the U.S. Circuit Court of Appeals.

## **Item 10 – Other Financial Industry Activities and Affiliations**

The Firm is not registered, nor does it intend to become registered, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

As noted above, however, the Firm's IARs are registered representatives of Triad, a registered broker dealer with FINRA/SIPC and various state regulatory agencies. Triad is also registered as an investment adviser, although the Firm does utilize Triad's investment advisory platform. From time to time and with written client permission, the Firm may also recommend separate account managers (through Fidelity) to manage your assets. As such, these individuals, in their separate capacities as registered representatives, will be able to effect securities transactions and will receive separate customary compensation for effecting any securities transactions. Some IARs are also licensed insurance agents. As such, the individuals will also be able to receive separate customary commission compensation resulting from implementing insurance product transaction on behalf of clients.

Although the model portfolios are not executed through Triad, many advisory clients of Robare are also brokerage clients of the Firm. For this reason, clients are advised that IARs, acting in their capacity as registered representatives for Triad, often receive compensation, including but not limited to transaction commission or trails for their brokerage activities to the extent allowed by applicable law and/or regulation.

Triad is a wholly owned subsidiary of Ladenburg Thalmann Financial Services ("LTFS"), which owns or is affiliated with a number of registered investment advisers and broker-dealers.

The above affiliation may be considered material; however, we are not under common control or ownership with Triad or LTFS.

Other than described above, neither Robare nor any of our management persons have any relationship or arrangement that is material to our advisory business or to our clients that Robare or any of our management persons have with an affiliated person that is, under common control and ownership with a:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker,
- Investment company or other pooled investment vehicle,



- Other investment adviser or financial planner,
- Futures commission merchant (or commodity pool operator or commodity trading advisor),
- 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 limited partnerships.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We take great pride in our commitment to serving your needs and the integrity with which we conduct our business. In our recent history, the financial services industry has come under significant scrutiny, especially in the area of the inherent responsibility of financial professionals to behave in the best interests of their clients.

Our firm has adopted a written Code of Ethics in compliance with SEC Rule 204A-1 under the Investment Advisers Act of 1940 (as amended—the Advisers Act) and in compliance with state regulations. All employees of Robare are deemed by the Advisers Act to be supervised persons<sup>1</sup> and are therefore subject to this Code of Ethics. In carrying on its daily affairs, Robare and all of our associated persons shall act in a fair, lawful and ethical manner, in accordance with the rules and regulations imposed by our governing regulatory authority. The Code of Ethics sets forth standards of conduct and requires compliance with state securities laws. Our Code of Ethics also addresses personal trading and requires our personnel to report their personal securities holdings and transactions to our Chief Compliance Officer. We will provide a copy of our Code of Ethics to you or any prospective client upon request within a reasonable period of time at the current address of record.

We have created a Code of Ethics which establishes standards and procedures for the detection and prevention of certain conflicts of interest including activities by which persons having knowledge of the investments and investment intentions of Robare might take advantage of that knowledge for their own benefit. We have in place Ethics Rules (the “Rules”), which are comprised of the Code of Ethics and Insider Trading policies and procedures. The Rules are designed to ensure that our personnel (i) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; (ii) at all times place the interests of our clients first; (iii) disclose all actual or potential conflicts; (iv) adhere to the highest standards of loyalty, candor and care in all matters relating to its clients; (v) conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and (vi) not use any material non-public information in securities trading. The Rules also

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<sup>1</sup> Supervised person means any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.

establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

Under the general prohibitions of the Rules, our personnel may not: 1) effect securities transactions while in the possession of material, non-public information; 2) disclose such information to others; 3) participate in fraudulent conduct involving securities held or to be acquired by any client; and 4) engage in frequent trading activities that create or may create a conflict of interest, limit their ability to perform their job duties, or violate any provision of the Rules.

Our personnel are required to conduct their personal investment activities in a manner that we believe is not detrimental to its advisory clients. Our personnel are not permitted to transact in securities except under circumstances specified in the Code of Ethics. The policy requires all Access Persons<sup>2</sup> to report all personal transactions in securities not otherwise exempt under the policy. All reportable transactions are reviewed for compliance with the Code of Ethics.

We or our personnel may invest for their own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for your accounts, and may engage in transactions that are the same as or different than transactions recommended to or made for the client's accounts. Such transactions are permitted if effected and reported in compliance with our Policy on personal securities transactions. Generally, personal securities transactions will not be pre-cleared when an order for the same or a related security is pending for your account. Our Designated Principal reviews reports of personal transactions in securities by our personnel quarterly or more frequently if required.

### **Investment Policy**

None of our investment advisory representatives may effect for himself or herself or for his or her immediate family (i.e., spouse, minor children, etc.; collectively, "Covered Persons") any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the following Firm Procedures.

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<sup>2</sup> Access person means any of your supervised persons who has access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund, or who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic. If providing investment advice is your primary business, all of your directors, officers and partners are presumed to be access persons.

## **Firm Procedures**

In order to implement our Investment Policy, the following procedures have been put into place with respect to us and our Covered Persons:

1. If we are recommending to you to buy any security, no Covered Persons may purchase that security prior to your purchase of that security; and
2. If we are recommending that you sell any security, no Covered Persons may sell that security prior to your sale of that security.

It is the primary intent of the preceding procedures is to ensure that the best interests of our clients are always served over ours. It could be considered a breach of our fiduciary duty and thus, is aggressively discouraged that trading by us or on our behalf and/or its Covered Persons that result in our interests or its Covered Persons being served over that of our clients.

If you so choose, you may implement investment advisory recommendations by utilizing the IAR's status as registered representatives of Triad. As registered representatives, our associated persons can sell securities to you for commissions. This could present a potential conflict of interest as the associated persons could receive fees for advisory services and/or commissions for brokerage transactions if you choose to implement recommendations of our associated persons in their capacities as registered representatives of Triad.

We do not, nor does a related person, recommend securities to you, or buy or sell securities for your accounts, at or about the same time that we (or a related person) buy or sell the same securities for our own (or the related person's own) account.

We do not execute transactions on a principal or agency cross basis.

## Item 12 – Brokerage Practices

From time to time, Robare may refer clients to broker-dealers for the purposes of the effecting of securities transactions. The factors Robare may consider in selecting such broker-dealers are detailed below.

### **Securities and Brokerage Services**

The Firm is not a broker-dealer. Unless clients direct the Firm otherwise, the Firm recommends Fidelity as the broker and custodian for advisory accounts. The Firm recommends Triad as the broker (with National Financial Services, Inc., a Fidelity affiliate, as the custodian) for brokerage accounts.

Another firm may act in the capacity of “broker of record” for your accounts, in which case, another firm may serve as the custodian for your account(s). Alternatively, such other firm may serve as both the “broker of record” and “custodian” for your accounts. Under no circumstances that we act or attempt to act in the capacity of “broker of record” or “custodian” of your accounts, funds, or other assets.

Although not all-inclusive, we may recommend the following brokers of record and their corresponding custodian.

<b>Broker of Record</b>	<b>Custodian</b>
Triad Advisors, Inc.	National Financial Services, LLC

The Firm selected these broker-dealers and custodians because of their financial strength, reputation, execution, pricing, and service. In return for effecting securities transactions through certain broker-dealers/custodians, the Firm and/or certain of its representatives may receive certain support services that may assist them in their investment decision-making process for all of their clients.

In seeking best execution, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including factors such as execution capability, commission rates, and responsiveness. Accordingly, although the Firm will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for your account transactions.

We will block trades where possible and when advantageous to you. Blocking trades permits the trading of aggregate blocks of securities composed of assets from multiple accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows us to execute trades

in a more timely, equitable and efficient manner and to seek to reduce overall commission charges to you.

The Firm does not receive research or other products or services from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits") nor does the Firm consider whether it or a related person receives client referrals from a broker-dealer or third party in selecting or recommending broker-dealers to clients. However, through our relationship with Fidelity, we may receive certain services and products, such as fundamental research reports, technical and portfolio analyses, pricing services, economic forecasting and general market information, historical data base information and computer software that assist with our investment management process.

In evaluating whether to recommend or require that clients custody their assets at a specific custodian, we take into account the availability of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by a custodian. Clients should be aware that the receipt of such economic benefits by us or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of a custodian for custody and brokerage services. To address these potential conflicts of interest, we have developed and implemented a Compliance Program, which includes a review of the services and execution quality we receive from our custodian.

## **Item 13 – Review of Accounts**

### **Reviews and Reviewers**

We will contact you to review your account(s) at least twice every 12 months, or more frequently by client request. Additionally, clients are not obligated to review their accounts with us on this schedule. Mark L. Robare or his designee shall review your accounts for best execution, suitability, and service. Mr. Robare, or his designee, will review the performance and cost basis for your transactions, comparing executed transactions to the offering memorandum to your financial information. Your objectives are used to review for suitability. Quarterly or bi-annually, transactions are reviewed referencing your objectives for any transaction that may not fit your stated objectives, or our understanding of your objectives will be flagged and reviewed with the investment adviser representative placing the trade.

In addition, our investment committee will conduct bi-monthly reviews of portfolios, and money manager(s)/mutual fund(s).

Events that may trigger further account reviews in addition to the standard quarterly review process may include, but would not be limited to, a notable increase in the volume of your request to effect transactions in your account(s), where such transactions may appear to be inconsistent with your previously stated investment objectives. Other factors may include your requests to liquidate certain securities positions/contracts where such transactions may appear to be inconsistent with your previously stated investment objectives. Additional triggering factors could be the performance on an individual account being an outlier to the performance of accounts with similar investment objectives, and a very important trigger would be customer complaints. This last trigger would be a prime example of a trigger for an intermittent review of your account.

Written monthly statements will be provided to you by the custodian (not by Robare) of the account identifying the account positions by cost basis, current price, and gains/losses for all securities transactions. Upon your request, a written quarterly account appraisal may be created for you as well as a written annual year-end statement.

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

The Firm does not have any arrangement under which they or any related person, directly or indirectly compensates any unrelated person for client referrals. Nor does the Firm or any related person receive compensation from another for client referrals at this time.

The Firm and its related persons do receive compensation from third parties in connection with advisory services provided to clients. From time to time, mutual fund companies or the managers of mutual funds sponsor and pay for client luncheons, or other events, that the Firm hosts. This may include 3<sup>rd</sup> party speakers that Robare does not have to compensate (although Robare may also pay consultants to attend these events or other client meetings to offer their expertise). These arrangements may give rise to conflicts of interest, or perceived conflicts of interest in that the Firm has an incentive to invest client assets in mutual funds companies that provide such benefits to the Firm. The Firm's commitment to its clients and the policies and procedures it has adopted that require the review of such arrangements by the CCO are designed to limit any interference with the Firm's independent decision making when choosing the best mutual funds for our clients.

If clients choose to implement their financial plans through the Firm, they may elect to utilize the Firm and/or some of the Firm's other offerings, such as brokerage or insurance products. In such event, the IARs, acting as registered representatives of Triad or as insurance agents, will receive selling compensation including trails. For example, the Firm may recommend that a client (i) invest in the Firm's models and (ii) purchase a variable annuity. If the client implements through the Firm, the Firm will be compensated in accordance with the CAA for the client funds invested in the models (as well as described below). And the IARs will also be compensated in connection with the variable annuity, which will not be part of any advisory program but will be offered through Triad.

Additionally, as noted in Item 5, above, the Firm has an agreement with Fidelity pursuant to which Fidelity pays the Firm a small percentage of revenue based on total Firm client assets invested in eligible NTF funds (Fidelity funds are not eligible for this revenue sharing agreement)). Under the agreement, Fidelity pays the Firm between 2 to 12 basis points (or from \$.02 to \$.12 for every \$100 every year, depending on the total amount of eligible assets in client accounts) for performing certain back-office, administrative, custodial support and clerical services. The Firm has never received more than 10 basis points for its AUM, to date. Similar to the luncheons and events described above, this arrangement may give rise to conflicts of interest, or perceived conflicts of interest, as the Firm has an incentive to steer client assets into eligible NTF funds that generate such revenue rather than into the Fidelity funds, which do not generate such revenue. Notwithstanding this conflict, the Firm believes that this arrangement does not interfere



with its provision of advice to clients because of its practices and controls. Eligible NTF funds change periodically and Robare is not made aware of which funds are considered eligible by Fidelity. In addition, Robare has procedures in place to periodically review client accounts for adherence to client investment objectives and to ensure that client assets are invested in, what we believe, are the best available mutual funds for the strategies we are implementing and monitoring. We will invest client assets into the Fund(s) we feel is most advantageous to our clients, regardless of additional fee revenues. Clients should note that this additional compensation to the Firm does not directly increase clients' expenses, since they are collected by the mutual funds themselves, anyway, which revenue is then shared with Fidelity. If the Firm does not accept this revenue, Fidelity retains it.

## **Item 15 – Custody**

We do not have custody of client funds or securities; however, we may be granted authority, upon written consent from you, to deduct the advisory fees directly from your account. The custodian will send to you, at least quarterly, an account statement identifying the amount of funds and each security in the account at the end of period and setting forth all transactions in the account during that period including the amount of advisory fees paid directly to us. You should compare the account statements you receive from the qualified custodian with those you receive from us.

## **Item 16 – Investment Discretion**

As described in details in Item 4 above, we exercise, upon receiving written authorization from you, discretion over the specific securities and the amount of securities to be bought or sold on your behalf when it is necessary to assist you in implementing your investment strategy. We will have authority to exercise full discretion without restriction.

## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

As a matter of policy and practice, we do not vote proxies on behalf of advisory clients. Our CAA, or other client documents, provides that our advisory clients expressly retain the authority and responsibility for voting proxies of portfolio securities. We may provide advisory clients with administrative assistance regarding proxy voting or issues; however, the clients have the responsibility to receive and vote any proxies.

In addition, as a general policy, Robare does not elect to participate in class action lawsuits on behalf of a client. Rather, such decisions shall remain with the client or with an entity the client designates. We may assist the client in determining whether they should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with the client.

## **Item 18 – Financial Information**

We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to you given that we do not have custody of client funds or securities, or require or solicit prepayment of more than \$1,200 in fees per client and six months or more in advance. In addition, we are not currently, nor at any time in the past ten years been, subject of a bankruptcy petition.