

**ITEM 1: COVER PAGE FOR PART 2A OF  
FORM ADV: FIRM BROCHURE  
June 2018**

**PRIVATE CLIENT GROUP**



This brochure provides information about the qualifications and business practices of Sterling Global Strategies LLC. Please note use of the term “registered investment adviser” and description of Sterling Global Strategies LLC and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firms’ associates who advise you for more information on the qualifications of our firm and its employees. 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 Sterling Global Strategies LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

If you have any questions about the contents of this brochure, please contact:

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## ITEM 2: MATERIAL CHANGES TO OUR PART 2A OF FORM ADV: FIRM BROCHURE

**Sterling Global Strategies LLC** is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note we do not have to provide this information to a client or prospective client who has not received a previous version of your brochure.

Since our last annual amendment update, we have added the Veracity model described in Items 4 & 5 below.

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## ITEM 4: ADVISORY BUSINESS

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Sterling Global Strategies LLC ("SGS") is a limited liability company formed in the State of Delaware. We have been conducting business as a registered investment adviser since 2010.

### **Ownership Structure**

SGS is an independent firm owned by Sterling Wealth Management Group, Inc. ("SWMG") and Mark Eicker. Gregory Carroll and Michael Haig, executive officers of our firm, retain 2/3 of the equity interests in SGS through their ownership in SWMG. The remaining 1/3 equity interest is held directly by Mark Eicker.

### **Private Client Advisory Services**

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#### **Asset Management**

Our mission is to help our clients achieve their financial objectives by serving as a valued advisor involved in every step of the wealth management process. Total wealth management requires a "holistic" approach – working together as a family and team – to help accumulate, preserve and transfer wealth to future generations. We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), mutual funds, annuities and other insurance products as well as other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives.

#### **Veracity Model:**

This rotation strategy seeks to provide absolute returns during any market cycle or condition. The strategy employs an equal weighted strategic rotation model, trading between commodities, REIT's, bonds, international and domestic equities. Market volatility is mitigated by utilizing a unique go-to-cash risk management tool. Model represents leverage added to existing Tactical Rotation Strategy (50% allocation) and a Risk Parity Strategy (50%). This model utilizes a maximum of 160% exposure and is long/short. SGS selects and overweights the two asset classes that are experiencing the most strength while attempting to avoid those classes which are in downward trends. Asset classes are equally weighted 50/50 on or near the last trading day of every month. Cash is the only asset class that can be weighted 100%.

#### **Retirement Plan Consulting:**

Our firm provides retirement plan consulting services to employer plan sponsors on an ongoing basis. Generally, such consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed

retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, asset management, plan structure and participant education.

### **Comprehensive Financial Management**

Our Comprehensive Financial Management service encompasses asset management as well as providing a financial plan that is monitored and updated as often as necessary or requested. We provide ongoing financial consulting to clients with on-call access to the advisor and customized rebalancing and dollar cost averaging, while implementing option strategies when clients may gain income and/or protection. We conduct at least one, but sometimes more than one meeting annually (in person if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we propose an investment approach to the client. We may propose an investment portfolio, consisting of exchange traded funds (“ETFs”), mutual funds, individual stocks or bonds, or other securities. We review accounts on a regular basis and at least quarterly. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client’s investments.

### **Tailoring of Advisory Services**

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We offer individualized investment advice to clients utilizing the following services offered by our firm: Asset Management and Comprehensive Financial Management.

We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. In the rare instance that we would allow restrictions, it would be limited to our Asset Management and Comprehensive Financial Management services.

### **Participation in Wrap Fee Programs**

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We do not offer wrap fee programs.

### **Assets under Management<sup>1</sup>**

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As of December 31, 2017, our firm manages a total of \$223,000,000, of which \$200,000,000 is on a discretionary basis and \$23,000,000 is on a non-discretionary basis.

## **ITEM 5: FEES & COMPENSATION**

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for your advisory services. Our fees are negotiable in certain circumstances generally based on the scope of the engagement.

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<sup>1</sup> Please note that our method for computing the amount of “client assets we manage” can be different from the method for computing “assets under management” required for Item 5.F in Part 1A of Form ADV. The amount of assets we manage may be disclosed by rounding to the nearest \$100,000. Our “as of” date must not be more than three months before the date we last updated our Brochure in response to Item 4.E of Form ADV Part 2A.

## **Advisory Fees**

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### **Asset Management**

<u>Assets under management</u>	<u>Annual Percentage of assets charged:</u>
\$0 to \$499,999.99	1.50%
\$500,000 to \$999,999.99	1.40%
\$1,000,000 to \$2,999,999.99	1.25%
\$3,000,000 and over	1.00%

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Fees will generally be automatically deducted from your managed account. As part of this process, you understand and acknowledge the following:

- a) You provide written authorization permitting us to be paid directly from the managed account held by the independent custodian;
- b) Our firm sends an electronic request to the custodian indicating the amount of the fee to be paid from the client's managed account;
- c) Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us;

\* We do not offer direct billing as an option to our asset management clients.

### **Comprehensive Financial Management**

<u>Assets under management</u>	<u>Annual percentage of assets charged:</u>
\$0 to \$249,999.99	2.50%
\$250,000 to \$499,999.99	2.30%
\$500,000 to \$999,999.99	2.00%
\$1,000,000 to \$1,999,999.99	1.50%
\$2,000,000 to \$4,999,999.99	1.30%
\$5,000,000 and over	1.00%

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Fees will be calculated on a blended tier basis. The Client's percentage rate will decrease as the aggregate balance under management reaches a new tier. Each portion of the balance has its own rate according to the schedule above. Client's first payment will include the pro-rated amount for the remaining days of the first quarter as well as the fees for the second quarter.

Fees will generally be automatically deducted from your managed account\*. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms; We send our invoice directly to the custodian;
- c) It is your responsibility to verify the calculation of advisory fees deducted from the account.

\* We do not offer direct billing as an option to our comprehensive financial management clients.

### **Veracity Fees**

This strategy shall be subject to an annual fee of up to 2.00% of assets under management, and/or a performance based fee. The specific arrangements will be determined on a client by client basis, and will be laid out in the executed client agreement.

For clients agreeing to performance fees, this fee will be assessed at the end of the last trading day of every calendar year quarter (March 31, June 30, September 30, December 31). The fee will be 20% of the net account value that is above the highest prior end of quarter net account value (the "high-water mark"). If the assessable quarter's net account value is less than the high-water mark, *no performance fee will be assessed*. The fee will be assessed based on the net account value as reported by the custodian (Schwab) on the last trading day of the quarter as stated above. The high-water mark is exclusive of all fees and costs associated with the strategy over the course of the quarter (margin fees, borrowing costs, trading and administrative fees).

### **Retirement Plan Consulting:**

Our Retirement Plan Consulting services are billed on a flat fee basis or a fee based on the percentage of Plan assets under management. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. Our flat fees range up to \$10,000. Fees based on a percentage of managed Plan assets will not exceed 1.00%. The fee-paying arrangements for Retirement Plan Consulting service will be determined on a case-by-case basis and will be detailed in the signed consulting agreement.

### **Other Fees**

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Clients will incur transaction charges for trades executing in their accounts and interest charges on any margin balances. These transaction fees are separate from our fees and will be disclosed by the firm trades are executed through. Bond accounts incur an annual fee and may also have a flat rate per transaction. Also, clients will pay the following separately incurred expenses, of which we do not receive any part: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), and fees charged by variable annuity programs.

### **Refunds following Termination**

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We charge our advisory fees quarterly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

### **Commissionable Securities Sales**

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Our supervised persons are registered representatives of Comprehensive Asset Management and Servicing, Inc., member FINRA/SIPC which clears and executed trades through Pershing, LLC, a member FINRA, NYSE and SIPC. As registered representatives our supervised persons may suggest

that advisory clients purchase products and/or place transactions through Comprehensive Asset Management and Servicing, Inc. Under such circumstances, these supervised persons may receive normal commissions, thus a conflict of interest exists between our interests and that of our clients since there is incentive to recommend investment products based on the compensation received, rather than on client's needs. Such conflicts are disclosed to clients prior to investing. Advisory fees are generally not reduced in situations where commissions are charged. Clients are under no obligation to purchase products recommended through us, Comprehensive Asset Management and Servicing, Inc., or insurance companies. Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with Sterling Global Strategies LLC.

#### **ITEM 6: PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT**

We only charge performance based fees on our Veracity model. The details of this arrangement are specified in Item 5 above.

#### **ITEM 7: TYPES OF CLIENTS & ACCOUNT REQUIREMENTS**

We have the following types of clients:

- Individuals and High-Net Worth Individuals;
- Investment Companies;
- Trusts, Estates, Endowments, Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations, Limited Liability Companies and/or Other Business Types.

Our requirements for opening and maintaining accounts or otherwise engaging us:

- We require a minimum account balance of \$250,000 for our portfolio management services. We may group certain related client accounts for the purposes of achieving minimum account balance requirements and determining the annualized fee. Generally, this minimum account balance requirement is negotiable, and may be waived at the discretion of management.

#### **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS**

##### **Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

- Charting;
- Fundamental;
- Technical;
- Cyclical.



## **Investment Strategies We Use**

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We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

- Long term purchases (securities held at least a year);
- Short term purchases (securities sold within a year);
- Margin transactions;
- Option writing, including covered options, uncovered options or spreading strategies.
- SGS Proprietary Investment Strategies

### **SGS Investment Strategies**

While our stated goal is to possibly reduce downside exposure to the broad markets and to attempt to produce positive returns on an annual basis, there still remains the possibility of losing capital. SGS understands the inherent risks of overweighting volatile asset classes, such as commodities, REITs, international equities, U.S. equities, emerging market country specific equities, inflation-protected securities, high yield bonds, as well as international and emerging market bonds. A large number of mutual funds, ETFs, and asset managers stay fully invested during bear markets, but we believe we offer an alternative with our tactical strategies. Our strategies are outlined below.

**Sterling Tactical Rotation Strategy:** The rotation strategy seeks to provide absolute returns during any market cycle or condition by employing an equally weighted strategic rotation model, trading between commodities, REITs, bonds, international and domestic equities. We strive to mitigate market volatility by utilizing a go-to-cash risk management algorithm. The Sterling Tactical Rotation Strategy intends to replicate the Sterling Tactical Rotation Index. Further details on the Sterling Tactical Rotation Index may be found on Bloomberg.com under the symbol STLGSTRR:IND.

**Sterling Emerging Markets Strategy:** The emerging markets strategy was created to take advantage of the long-term growth prospects being enjoyed by Brazil, China, and India. We have added two developed countries (Germany and Australia) to lower the correlation of the portfolio components. The low correlation, coupled with our go-to-cash risk management process, is designed to capture the upside potential of these three high growth markets while lowering overall downside risk.

**Sterling Tactical Bond Strategy:** The bond strategy was designed to outperform during a rising interest rate environment by rotating between emerging market bonds, international bonds, domestic high-yield and investment grade bonds, TIPS, and cash. The strategy employs a risk management tool that allows 100% cash exposure during declining bond markets.

**Sterling Alternative Bond Strategy:** Based on Sterling Global Strategies' belief that we may be at the tail end of a 30-year bond bull market and will experience a possible rise in interest rates over the next 15 to 25 years, SGS launched this new strategy in May 2012. The alternative bond strategy attempts to perform well during a rising interest rate environment and was created by adding an inverse 20+ year Treasury ETF to the Sterling Tactical Bond Strategy.

**Sterling Global Allocation Strategy:** The global allocation strategy combines three of our investment methodologies into one all encompassed investment vehicle. The proportional allocation of investments is 50% to Sterling Tactical Rotation Strategy, 30% to Sterling Tactical Emerging Markets Strategy, and 20% to Sterling Tactical Bond Strategy.

**Please note:**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock/bond market may increase and your account(s) could enjoy a gain, it is also possible that the stock/bond market may decrease and your account(s) could suffer a loss. It is important you understand the risks associated with investing in the stock/bond market, are appropriately diversified in your investments and ask us any questions you may have.

### **Cash Balances in Client Accounts**

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We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to comprehensive financial management and asset management, as applicable.

## **ITEM 9: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

### **Other Financial Industry Activities**

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Our supervised persons are registered representatives of APW Capital, Inc., an unaffiliated broker-dealer and member FINRA/SIPC which clears and executed trades through Pershing, LLC, a member FINRA, NYSE and SIPC. Mr. Carroll, Mr. Haig, Mr. Nance and Mr. Paladino are a registered representative of APW Capital, Inc. In their separate capacity as registered representatives, they may earn commissions from securities sales. These sales would be executed through APW Capital, Inc.

Our supervised persons are also licensed insurance agents/brokers. They may offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn.

John Nance is a Business Development Consultant for Deal Box, Inc., a technology company for private equity capital raises and allocations. His duties include acting as an advisor to the executive board, networking industry professionals, providing strategic advice, and reviewing marketing/informational materials. Mr. Nance devotes approximately 40 hours per month to this investment related business, with none devoted during securities trading hours.

Our SGS Investment Strategies are made available to institutional advisors on various platforms. Our firm earns a portion of the fees that are collected by institutional advisors from accounts placed in our investment strategies. The institutional advisor or portfolio manager provides the relationship management portion of the service and makes the recommendation to offer our investment strategy to their clients. The institutional advisors or managers ultimately have the fiduciary duty to these clients to ensure that the strategy is suitable for their clients' portfolios.

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

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

#### **Personal Securities Transactions**

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Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize these conflicts of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Employees may trade at the same time as client accounts only when consistent with our duty to obtain best execution. It is the expressed policy of SGS that no person employed by SGS may buy or sell for their own accounts the same securities they recommend to clients unless included in a block trade (which is allocated equally as to price among block trade participants).

## ITEM 12: BROKERAGE PRACTICES

### Selection of Brokerage Firms

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We do not maintain custody of your assets on which we advise although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (Please see Item 15 of this Brochure). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to.

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. It is noted that clients may pay higher or lower commissions than another qualified broker dealer might charge to effect similar transactions where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions

We consider a wide range of factors when recommending a particular custodian/broker, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below in Item 12A1(b)

While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described in the next paragraph.

## Research and Other Soft Dollar Benefits

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Schwab offers to independent investment Advisers non-soft dollar services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some non-soft dollar benefits from Schwab through our participation in the program. (Please see the disclosure under Item 14 of this Brochure.)

Schwab also makes certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by Schwab directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by Schwab to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Schwab to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab 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. Schwab'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 as long as we keep a total of at least \$10 million of the assets of our firm's advisory clients in accounts at Schwab. The availability to us of Schwab'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 Schwab's support services:

*Services that Benefit You.* Schwab'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. Schwab's services described in this paragraph generally benefit you and your account.

*Services that May Not Directly Benefit You.* Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;

- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

*Services that Generally Benefit Only Us.* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

The availability of the services described above from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give us an incentive to require that you maintain your account with Schwab based on our interest in receiving Schwab's and the third parties' services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's or third parties' services that benefit only us or may only indirectly benefit you.

We do not acquire client brokerage commissions (or markups or markdowns) in return for soft dollars. Although investment research products and services that may be obtained by our firm will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

We do not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

### **Brokerage for Client Referrals**

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Our firm does not use client brokerage to compensate or otherwise reward brokers for client referrals.

### **Directed Brokerage**

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We routinely require that clients direct us to execute securities transactions through Schwab. Each client will be required to establish their account(s) with Schwab if not already done. Please note that not all advisers have this requirement.

We do not allow client-directed brokerage to achieve the most favorable execution of client securities transactions. For example, in a client-directed brokerage account, clients may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or they may receive less favorable prices.

### ***Special Considerations for ERISA Clients:***

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Trade Aggregation and Allocation**

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We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

## **ITEM 13: REVIEW OF ACCOUNTS OR FINANCIAL PLANS**

We review accounts on at least a quarterly basis for our clients subscribing to our Asset Management and Comprehensive Financial Management services. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we contact clients who subscribe to the following services: Asset Management and Comprehensive Financial Management.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

## **ITEM 14: CLIENT REFERRALS & OTHER COMPENSATION**

### **Other Compensation**

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Our firm may recommend that clients establish brokerage accounts with Schwab to maintain custody of Clients' assets and to effect trades for their accounts. Our firm is independently owned

and operated and not affiliated with Schwab. Our firm may also recommend that Clients establish accounts with firms other than Schwab. Our firm places trades for its Clients' accounts subject to its duty to seek best execution and its other fiduciary duties.

Our firm may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that we are more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Some of the products, services and other benefits provided by Schwab benefit us and may not benefit our firm's client accounts. Our recommendation/requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to us, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

Schwab also makes available to our firm other products and services that benefit us but may not benefit clients' accounts. These benefits may include national, regional or specific to our firm, educational events organized and/or sponsored by Schwab Institutional. Other potential benefits may include occasional business entertainment of personnel of our firm by Schwab Institutional personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist us in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our firm's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to us other services intended to help our firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us. While, as a fiduciary, Our firm endeavors to act in its clients' best interests, our recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

But for soft dollar arrangements, we would have to obtain the aforementioned services and products for cash. As a result of receiving such products and services for no cost, we may have an incentive to continue to place Client trades through broker-dealers that offer soft dollar



arrangements. This interest conflicts with the Clients' interest of obtaining the lowest commission rate available. Therefore, our firm must determine in good faith, based on the "best execution" policy stated above that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers.

From time-to-time our firm may make an error in submitting a trade order on a client's behalf. When this occurs, we may place a correcting trade with the broker-dealer which has custody of the client's account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for the client to retain the gain, or our firm confers with the client and the client decides to forego the gain (e.g., due to tax reasons). If the gain does not remain in the client's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the client's account, they may be netted.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## **Client Referrals**

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Our firm pays referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to the referred client. In this regard, our firm maintains Solicitors Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Solicitors to our firm will be given full written disclosure describing the terms and fee arrangements between our firm and Solicitor(s). In cases where state law requires licensure of solicitors, our firm ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If our firm is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

## **ITEM 15: CUSTODY**

All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information.

Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly.

They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them.

#### **ITEM 16: INVESTMENT DISCRETION**

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, we are authorized to execute securities transactions, which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

#### **ITEM 17: VOTING CLIENT SECURITIES**

We do not accept proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future.

#### **ITEM 18: FINANCIAL INFORMATION**

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs its ability to meet contractual and fiduciary obligations to clients.
- We have never been the subject of a bankruptcy proceeding.