

[Wrap Fee Accounts](#)

Cover Page - Item 1

## **Elite Securities Wealth Strategies, Inc.**

### **Firm Form ADV Part 2A, Appendix 1: Wrap Fee Program Brochure**

**May 17, 2019**

800 Bering Drive, Suite 105  
Houston, TX 77057

Phone: 713-507-1000

Fax: 713-507-1090

Email: [Dick@EliteSWS.com](mailto:Dick@EliteSWS.com)

Website: [WWW.EliteSWS.com](http://WWW.EliteSWS.com)

This wrap fee program brochure provides information about the qualifications and business practices of Elite Securities Wealth Strategies, Inc. If you have any questions about the contents of this brochure, please contact us at 713-507-1000. 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 Elite Securities Wealth Strategies, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm's CRD/IARD number is 304269.

### **Material Changes - Item 2**

The purpose of this page is to inform you of any material changes since the previous version of this brochure. This is our firm's first brochure and therefore we have not made any material changes. We review and update our brochure at least annually to make sure that it remains current.

#### **Full Brochure Available**

If you would like to receive a complete copy of our Form ADV Part 2A, Appendix 1: Wrap Fee Program Brochure, please contact Richard Carl Schuettner, Chief Compliance Officer, at 713-507-1000 or [Dick@EliteSWS.com](mailto:Dick@EliteSWS.com).

### Table of Contents – Item 3

#### Contents

Cover Page - Item 1.....	1
Material Changes - Item 2.....	2
Table of Contents – Item 3.....	3
Services Fees and Compensation - Item 4 .....	4
Account Requirements and Types of clients - Item 5 .....	8
Portfolio Manager Selection and Evaluation - Item 6.....	9
Client Information Provided to Portfolio Managers - Item 7.....	13
Client Contact with Portfolio Managers - Item 8 .....	14
Additional Information - Item 9 .....	14
Requirements for State-Registered Advisors - Item 10 .....	15
Miscellaneous .....	15

#### **Services Fees and Compensation - Item 4**

Elite Securities Wealth Strategies, Inc. ("Elite Securities" and/or "the firm") is a corporation formed in the State of Texas. Richard Carl Schuettner, Rex Neal Hoover, Charlie Ripley Archer and Durr H. Sexton are the principal owners of Elite Securities. Elite Securities has been offering investment advisory services since 2019.

Elite Securities offers a wrap fee program ("Program") whereby the firm manages client accounts for a single fee that includes discretionary portfolio management services, advisory services, custodial services and trade execution for a single fee. Under this Program, Elite Securities implements asset allocation and advisory services in conjunction with a sub adviser. The sub adviser assists our firm with back office support, trading, report preparation, and billing. We use model portfolios developed by the sub adviser and other registered investment advisers. These investment advisers are responsible for the research and security selection, and Elite Securities and/or the sub adviser are responsible for the supervision of the account and implementation of transactions. At this time, the sub adviser used by Elite Securities is Fusion Capital Management (CRD#156549), and the portfolio models are provided by Taiber Kosmala & Associates, LLC (CRD#161703), Zega Financial, LLC (CRD#156803), Hodges Capital Management, Inc. (CRD#110080), Lear Investment Management (CRD#174119), Alpha DNA Investment Management (CRD#288198), Alpha Investment Management (CRD#107578), Brookmont Capital Management, LLC (CRD#145475), Canterbury Investment Management (CRD#125680) and Optimus Advisory Group (CRD #111239) among others. All disclosure information about these entities is available on the SEC's public disclosure site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Accounts are managed to diversify client's investments and may include various types of securities such as equity securities, Exchange Traded Funds (ETFs), mutual funds, corporate debt securities, commercial paper, certificates of deposit, municipal securities, and U.S. Government securities. Other types of investments may also be recommended where such investments are appropriate based on the client's stated goals and objectives.

Investments and allocations are determined and based upon the clients predefined objectives, risk tolerance, time horizon, financial horizon, financial information, and other various suitability factors. Further restrictions and guidelines imposed by clients may affect the composition and performance of a client's portfolio. For these reasons, performance of the portfolio may not be identical with the average client of Elite Securities. On an ongoing basis, Elite Securities reviews the client's financial circumstances and investment objectives and instructs the sub adviser to make the necessary adjustments to the client's portfolio to achieve the desired results.

Clients are required to provide the firm with prompt notice of any changes in their personal financial circumstances, investment objectives, goals, and tolerance for risk. Elite Securities will contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives, and tolerance for risk.

Transactions in the client's account will be executed by Charles Schwab & Company, Inc., a division of The Charles Schwab Corporation ("Schwab"), Apex Clearing Corporation ("Apex") and TD Ameritrade Institutional, a division of TD Ameritrade Institutional, Inc. ("TD Ameritrade"). Elite Securities receives a portion of the wrap fee for its services, the sub adviser and portfolio model provider receive a portion of the fee for back office support, research and security selection, and TD Ameritrade, Schwab, and/or Apex receive a portion of the fee for custodial services and trade execution.

The terms and conditions under which a client participates in Elite Securities' wrap fee program will be set forth in a written agreement between the client and Elite Securities. The overall cost incurred from participation in our wrap fee program may be higher or lower than if the services were purchased separately. Bundled fees generally provide an economic incentive for the advisory firm to select investments and strategies that minimize trading

costs. Frequent trading in an account, where transactions fees are included as part of the overall advisory fee to the client, drive trading costs higher and reduce the overall fee revenue to the firm. As a result, higher trading costs in a bundled fee account have a negative impact on the advisory firm's profitability.

Our wrap fee accounts are discretionary, that is, once the portfolio allocation has been agreed upon, the ongoing supervision of the portfolio will be our responsibility. This authority is granted to us by you in a written agreement. This allows our firm and/or the sub adviser to choose the broker-dealer/custodian to be used, to decide on specific securities, the quantity of the securities, and placing buy or sell orders for your account without obtaining your approval for each transaction. This type of authorization is granted using either the investment advisory agreement the client signs with our firm, a limited power of attorney agreement, or trading authorization forms. We also maintain discretionary authority to require our clients to use TD Ameritrade, Schwab, and/or Apex for custodial services.

In addition to providing Elite Securities with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with prompt notice of any changes in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk.

#### **Program Fee**

Elite Securities charges a single asset-based fee for advisory services, which includes the cost of portfolio management services, custodial services, and the execution of securities transactions. Elite Securities' portfolio management fees are payable monthly in arrears and are based on an average daily balance of assets through the previous month. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar month.

The sub adviser will calculate and deduct the entire fee automatically from your account at TD Ameritrade, Schwab, and/or Apex and will forward Elite Securities' portion of the fee to our firm. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. Our negotiable fee for portfolio management services is set forth in the following fee schedule:

<b>Portfolio Value</b>	<b>First \$500,000</b>	<b>Next \$500,000</b>	<b>Next \$1.5 million</b>	<b>Over \$2.5 million</b>
Elite Securities fee	1.91%	1.76%	1.51%	Negotiable
Fusion Capital Management fee	0.24%	0.24%	0.24%	Negotiable
<b>Total annual fee</b>	<b>2.15%</b>	<b>2.00%</b>	<b>1.75%</b>	Negotiable

Elite Securities also charges an administrative and technology fee of up to \$100 per account. A portion of this fee is paid to our software provider(s). The fee charged by Elite Securities includes the compensation paid to the portfolio model provider. That compensation ranges from 0.05% to 0.50%.

The total fee paid by the client will not exceed the total annual fee listed above. However, Zega Financial, LLC and Alpha DNA Investment Management have direct trading access to client accounts and charge an additional account setup and margin maintenance fee of \$55 per account per year. This flat fee is in addition to our advisory fees and will be charged regardless of the value of each account.

The Associated Person recommending the Wrap Fee Program account will share in the fee charged by Elite Securities.

The above fees include the cost of portfolio management services, custodial services and the execution of securities transactions. Elite Securities may modify the fee at any time upon 30 days' written notice.

In determining whether to establish a Program account, a client should be aware that the overall cost to the client of the Program might be higher or lower than the client might incur by purchasing the types of securities available

in the Program separately. In order to compare the cost of the Program with unbundled services, the client should consider the turnover rate in the investment strategy, trading activity in the account, and standard advisory fees and brokerage commissions that would be charged at TD Ameritrade, Schwab, and/or Apex, or at other broker-dealers and investment advisers.

#### **Additional Fees and Expenses**

Elite Securities' fees are negotiable based on the complexity of client goals and objectives and level of services rendered. As described above, the fees are charged as described and are not based on a share of capital gains of the funds of an advisory client.

All fees paid to Elite Securities for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Elite Securities. In that case, the client would not receive the services provided by Elite Securities, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by Elite Securities to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

There may be other costs assessed, which are not included in the Program Fee, such as national securities exchange fees; charges for transactions with respect to assets not executed through the custodian, costs associated with exchanging currencies; wire transfer fees; or other fees required by law.

Advisory recommendations are based on financial information and situation that you disclose to us at the time the services are provided. Certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is in no way an indication of future returns. As your financial situation, goals, objectives, or needs change, you must notify us promptly.

#### **Termination**

A portfolio management agreement may be canceled at any time by the client or by Elite Securities with 30 days' prior written notice to the other. Upon termination, any earned, unpaid fees will be due and payable by client. The client has the right to terminate an agreement without fee or penalty within five business days after entering into the agreement.

Upon termination of accounts held at TD Ameritrade, TD Ameritrade delivers securities and funds held in the account as instructed by client, unless client requests that the account be liquidated. After the agreement has been terminated, transactions are processed at the prevailing brokerage rates, and the client becomes responsible for monitoring their own assets and Elite Securities has no further obligation to act or provide advice with respect to those assets.

#### **Brokerage and Custodial Practices**

Elite Securities requires Program accounts to use the custodial and brokerage services of Charles Schwab & Company, Inc., a division of The Charles Schwab Corporation ("Schwab"), Apex Clearing Corporation ("Apex") and/or TD Ameritrade Institutional, a division of TD Ameritrade Institutional, Inc. ("TD Ameritrade"). TD Ameritrade, Schwab, and Apex, are members of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC").

TD Ameritrade, Schwab, and Apex are independent and unaffiliated SEC-registered broker-dealers and offer services to independent investment advisors, which include custody of securities, trade execution, clearance, and settlement of transactions. Elite Securities receives some benefits from TD Ameritrade, Schwab, and Apex. These

benefits are listed in the Research and Other Soft Dollar Benefits section below:

**Research and Other Soft Dollar Benefits**

Research and Other Soft Dollar Benefits Received from Schwab

*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.

Research and Other Soft Dollar Benefits received from TD Ameritrade

There is no direct link between Elite Securities' use of TD Ameritrade and the investment advice it gives to its clients, although Elite Securities receives economic benefits through its use of TD Ameritrade's institutional services that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Elite Securities clients; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Elite Securities by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Elite Securities' related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit Elite Securities but may not benefit its client accounts. These products or services may assist Elite Securities in managing

and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Elite Securities manage and further develop its business enterprise. The benefits received by Elite Securities or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Elite Securities endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Elite Securities or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Elite Securities's choice of TD Ameritrade for custody and brokerage services.

Research and Other Soft Dollar Benefits received from Apex

Apex provides our firm with various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Apex's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Apex's support services:

*Services That Benefit You:* Apex provides access to a range of investment products, execution of securities transactions, and custody of client assets. Apex's services described in this paragraph generally benefit you and your account.

*Services That May Not Directly Benefit You:* Apex 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, and include:

- Recordkeeping;
- Client account reporting, including access to client account data (such as duplicate trade confirmations and account statements).
- Pricing and other market data.

*Services That Generally Benefit Only Us:* By using Apex, we will be offered other services intended to help us manage and further develop our business enterprise. These services may include:

- Educational conferences and events.
- Consulting on technology, compliance, legal, and business needs.
- Publications and conferences on practice management and business succession.

In selecting a broker dealer, Elite Securities will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience, and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. In addition, Elite Securities may cause the account to pay a higher commission in recognition of the value of "research services" and additional brokerage products and services a broker-dealer has provided or may be willing to provide.

**Account Requirements and Types of clients - Item 5**

Elite Securities generally provides investment advice and/or management supervisory services to the following types of clients:



- Individuals
- High-net-worth individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations and other businesses

Elite Securities requires a minimum of \$25,000 to open and maintain an advisory relationship. At our sole discretion, we may waive this requirement. This requirement can be met by combining two or more accounts owned by you or related family members.

### **Portfolio Manager Selection and Evaluation - Item 6**

#### **Portfolio Managers**

Elite Securities is the sole sponsor for the Elite Securities wrap fee program. Portfolios models are provided by the following investment advisers:

- Fusion Capital Management (CRD#156549)
- Taiber Kosmala & Associates, LLC (CRD#161703)
- Zega Financial, LLC (CRD#156803)
- Hodges Capital Management, Inc. (CRD#110080)
- Lear Investment Management (CRD#174119)
- Alpha DNA Investment Management (CRD#288198)
- Alpha Investment Management (CRD#107578)
- Brookmont Capital Management, LLC (CRD#145475)
- Canterbury Investment Management (CRD#125680)
- Optimus Advisory Group (CRD #111239)

All disclosure information about these entities is available on the SEC's public disclosure site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Additionally, Fusion Capital Management assists our firm with back office support, trading, report preparation, and billing.

We reserve the right to replace the portfolio model provider and sub adviser if we are not satisfied with their performance or their level of service. We can also replace the portfolio model provider if their performance lags behind the overall market performance. Performance information reported to clients and prospects is compiled by the custodian of the account, the portfolio model provider, and/or the sub adviser. Elite Securities does not verify the accuracy of such information or its compliance with presentation standards. Neither Elite Securities nor a third party reviews portfolio manager performance information. Client should note that performance information may not be calculated on a uniform and consistent basis.

#### **Advisory Business**

##### **Financial Planning Services**

We offer broad based financial planning services regarding management of financial resources based upon an analysis of the client's individual needs. We will meet with you to gather information about your financial circumstances and objectives. Once we collect and analyze the documentation and information you provide, we work with you to develop a financial plan designed to help you achieve your financial goals and objectives. In this way, Elite Securities assists the client in developing a strategy for the management of income, assets, and

liabilities. In general, financial planning services may include any one or all of the following:

- Cash Flow Analysis – Assessment of a client's present financial situation by collecting information regarding net worth and cash flow statements, tax returns, insurance policies, investment portfolios, pension plans, employee benefit statements, etc. The firm advises on ways to reduce risk, coordinate, and organize records and estate information.
- Retirement Analysis – Identification of a client's long-term financial and personal goals and objectives includes advice for accumulating wealth for retirement income or appropriate distribution of assets following retirement. Tax consequences and implications are identified and evaluated.
- Portfolio Analysis/Investment Planning – We provide investment alternatives, including asset allocation, and effect on a client's portfolio. We evaluate economic and tax characteristics of existing investments as well as their suitability for a client's objectives. We identify and evaluate tax consequences and their implications.
- Insurance Analysis – Includes risk management associated with advisory recommendations based on a combination of insurance types to meet a client's needs, e.g., life, health, disability, and long-term care insurance. This will necessitate an analysis of cash needs of family at death, income needs of surviving dependents, and disability income analysis.
- Education Savings Analysis – Alternatives and strategies with respect to the complete or partial funding of college or other post-secondary education.
- Estate Analysis – We provide advice with respect to property ownership, distribution strategies, estate tax reduction, and tax payment techniques.

Financial plans are based on a client's financial situation based on the information provided to the firm. The recommendations and solutions are designed to achieve the client's desired goals, subject to periodic evaluation of the financial plan, which may require revision to meet changing circumstances. We should be notified promptly of any change to a client's financial situation, goals, objectives, or needs.

Clients can also request financial planning services that cover a specific area, such as retirement, estate planning, or asset allocation analysis. We offer consultative services where we set an appointment to meet with you for financial planning advice for an hourly fee.

You may choose to accept or reject our recommendations. If you decide to proceed with our recommendations, you may do so either through our investment advisory services or by using the advisory/brokerage firm of your choice.

In some cases, our recommendations will involve the purchase of insurance products. Elite Securities is affiliated with Elite Insurance Agency Inc., a licensed insurance agency, through common ownership and control. Additionally, Associated Persons of Elite Securities are licensed insurance agents. Elite Insurance Agency Inc. and our dually licensed Associated Persons can effect transactions in insurance products and earn commission based compensation for these activities. Clients should be aware that a conflict of interest is inherent in such an arrangement. Clients are instructed that the fees paid to the firm for advisory services are separate and distinct from the commissions earned by Elite Insurance Agency Inc. and our dually licensed Associated Persons. Clients of Elite Securities are not required to purchase insurance products from Elite Insurance Agency Inc. or the firm's dually licensed Associated Persons and can purchase insurance products from any insurance agency and agent of their choice.

Note: Information related to tax and legal consequences that is provided as part of the financial plan is for informative purposes only. Clients are instructed to contact their tax or legal advisers for personalized advice.

#### **Non-Wrap Portfolio Management Services**

Elite Securities offers discretionary portfolio management services. Discretionary portfolio management means

that we chose the broker-dealer/custodian to be used, we make investment decisions and place buy or sell orders in your account without contacting you to receive your advance permission. If you wish, you may limit our discretionary authority by, for example, setting a limit on the type of securities that can be purchased for your account. All restrictions or guidelines must be provided in writing. Our investment advice is tailored to meet our clients' needs and investment objectives. If you decide to hire our firm to assist you with the management of your portfolio, an Associated Person of Elite Securities will meet with you and gather information about your financial situation, investment objectives, and any reasonable restrictions you would like to impose on the management of the account. The information we gather will help us implement an asset allocation strategy that will be specific to your needs and goals.

Currently, our asset allocation and advisory services are offered in conjunction with a sub adviser. The sub adviser assists our firm with back office support, trading, report preparation, and billing. We use model portfolios developed by the sub adviser and other registered investment advisers. These investment advisers are responsible for the research and security selection, and Elite Securities and/or the sub adviser are responsible for the supervision of the account and implementation of transactions. At this time, the sub adviser used by Elite Securities is Fusion Capital Management (CRD#156549), and the portfolio models are provided by Taiber Kosmala & Associates, LLC (CRD#161703), Zega Financial, LLC (CRD#156803), Hodges Capital Management, Inc. (CRD#110080), Lear Investment Management (CRD#174119), Alpha DNA Investment Management (CRD#288198), Alpha Investment Management (CRD#107578), Brookmont Capital Management, LLC (CRD#145475), Canterbury Investment Management (CRD#125680) and Optimus Advisory Group (CRD #111239) among others. All disclosure information about these entities is available on the SEC's public disclosure site, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Accounts are managed to diversify client's investments and may include various types of securities such as equity securities, Exchange Traded Funds (ETFs), mutual funds, corporate debt securities, commercial paper, certificates of deposit, municipal securities, and U.S. Government securities. Other types of investments may also be recommended where such investments are appropriate based on the client's stated goals and objectives.

Investments and allocations are determined and based upon the clients predefined objectives, risk tolerance, time horizon, financial horizon, financial information, and other various suitability factors. Further restrictions and guidelines imposed by clients may affect the composition and performance of a client's portfolio. For these reasons, performance of the portfolio may not be identical with the average client of Elite Securities. On an ongoing basis, Elite Securities reviews the client's financial circumstances and investment objectives and instructs the sub adviser to make the necessary adjustments to the client's portfolio to achieve the desired results.

Clients are required to provide the firm with prompt notice of any changes in their personal financial circumstances, investment objectives, goals, and tolerance for risk. Elite Securities will contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives, and tolerance for risk.

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

Our firm and Associated Persons do not accept performance based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets.

#### **Methods of Analysis**

All asset allocation models are developed by third party investment advisers (listed under Item 4 above) in accordance with investment programs developed by these entities. Elite Securities will not implement its own methods of analysis and investment strategies. Clients should refer to these third party investment advisers' brochures for more information about these firms' methods of analysis and investment strategies.

**Investing in securities involves risk of loss that clients should be prepared to bear.** Clients should fully understand the nature of the contractual relationship(s) into which they are entering and the extent of their exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider

whether the strategies employed would be appropriate for you in light of your experience, objectives, financial resources, and other relevant circumstances.

**Recommendation of Particular Types of Securities:** As disclosed under the “Advisory Business” section in this Brochure, we provide advice on various types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments in which you intend to invest.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and governmental economic or monetary policies.

**Interest Rate Risk:** Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer-term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Foreign Exchange Risk:** Foreign investments may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates. Changes in currency exchange rates may influence the share value, the dividends or interest earned and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation, and other economic and political conditions. If the currency in which a security is denominated appreciates against the US Dollar, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

**Risks Associated with Investing in Equities:** Investments in equities generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Risks Associated with Investing in Mutual Funds:** Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree,

or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs to manage the funds. In addition, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, other types of mutual funds do charge such fees which can also reduce returns.

**Risks Associated with Investing in Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**Risks Associated with Investing in Private Funds:** Private investment funds are not registered with the Securities and Exchange Commission and may not be registered with any other regulatory authority. Accordingly, they are not subject to certain regulatory restrictions and oversight to which other issuers are subject. There may be little public information available about their investments and performance. Moreover, as sales of shares of private investment companies are generally restricted to certain qualified purchasers, it could be difficult for a client to sell its shares of a private investment company at an advantageous price and time. Since shares of private investment companies are not publicly traded, from time to time it may be difficult to establish a fair value for the client's investment in these companies.

**Risks Associated with Investing in Options:** Transactions in options carry a high degree of risk. A relatively small market movement will have a proportionately larger impact, which may work for or against the investor. The placing of certain orders, which are intended to limit losses to certain amounts, may not be effective because market conditions may make it impossible to execute such orders. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

**Voting of client Securities - Proxy Voting**

Elite Securities does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. Questions about proxies may be made via the contact information on the cover page.

**Client Information Provided to Portfolio Managers - Item 7**

Elite Securities and its Associated Persons provide the following types of information about our clients to the sub adviser.

- Income
- Employment and residential information
- Social security number
- Personal information
- Cash balance
- Security balances
- Transaction detail history
- Investment objectives, goals and risk tolerance

In the course of account reviews, we may receive updated client information that we promptly communicate to the sub adviser.

### **Client Contact with Portfolio Managers - Item 8**

Elite Securities encourages communication with its clients and does not place any restrictions, limits and/or conditions on the ability of clients to contact and consult with Elite Securities' advisory professionals.

### **Additional Information - Item 9**

#### **Disciplinary Information**

Elite Securities is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management. There is no history of material legal or disciplinary events by our firm or our management persons.

#### **Other Financial Industry Activities and Affiliations**

Certain Management Persons and Associated Persons of our firm have an ownership interest in Elite Insurance Agency Inc., an insurance field marketing organization and insurance agency that markets/wholesales life insurance and fixed annuities to third-party insurance agents in exchange for a marketing and/or override fee from the issuer of such insurance/annuity products. Associated Persons of Elite Securities, who are separately licensed as insurance agents, generally utilize the marketing and wholesaling services of Elite Insurance Agency Inc.

Management Persons and Associated Persons are licensed as insurance agents and can effect transactions in various insurance products, including life, health, disability, long-term care, and annuities and earn commissions for these activities. The firm expects that clients to whom it offers advisory services may also be clients for whom such individuals act as insurance agents. Clients are instructed that the fees paid to the firm for advisory services are separate and distinct from the commissions earned for placing the client in insurance products. Clients to whom the firm offers advisory services are informed that they are under no obligation to use the firm's Associated Persons for insurance services and may use the insurance brokerage firm and agent of their choice.

Associated Persons who provide investment advice on behalf of our firm may also be registered representatives with various securities broker-dealers registered with the Securities and Exchange Commission and the Financial Industry Regulatory Authority ("FINRA"). As registered representatives, Associated Persons receive commission-based compensation for buying and selling securities and insurance products, including 12b-1 fees and other trails for the sale of mutual funds or annuity products. This commission compensation is separate and distinct from our advisory fees. Elite Securities' advisory clients are not obligated to purchase the products or services of any of these broker-dealers. Clients may purchase or sell insurance and securities at the brokerage firm of their choice.

#### **Description of Our Code of Ethics**

Elite Securities has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes Elite Securities' policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics;
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;

- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of Elite Securities' Code of Ethics is available upon request to Richard Carl Schuettner, Chief Compliance Officer, at 713-507-1000 or [Dick@EliteSWS.com](mailto:Dick@EliteSWS.com).

#### **Personal Trading Practices**

At times, Elite Securities and/or its Advisory Representatives may take positions in the same securities as clients, which may pose a conflict of interest with clients. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality, disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e., a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

#### **Review of Accounts**

Accounts are reviewed by the Associated Person named as adviser of record on the account. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. Additional reviews are usually triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in macro-economic climate.

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Elite Securities.

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

Apart from the benefits received from TD Ameritrade that are listed under Item 4 above, we do not receive economic benefits from third parties in exchange for providing investment advice or other advisory services to our clients.

Our firm and related persons do not compensate, either directly or indirectly, any person or entity who is not our supervised person for client referrals.

#### **Financial Information**

We are required in this section to provide you with certain financial information or disclosures about Elite Securities', financial condition. Elite Securities does not require the prepayment of over \$1,200, six or more months in advance. Additionally, Elite Securities has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

#### **Requirements for State-Registered Advisors - Item 10**

**This section is not applicable because our firm is SEC-registered.**

#### **Miscellaneous**

#### **Confidentiality**

Elite Securities views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

Elite Securities does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a client account, Elite Securities may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

Elite Securities restricts internal access to nonpublic personal information about its clients to those employees who need to know that information in order to provide products or services to the client. Elite Securities maintains physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of the firm's privacy policy notice will be provided to each client prior to, or at the time of execution of the advisory agreement. If you have any questions about this policy, please contact Richard Carl Schuettner, Chief Compliance Officer, at 713-507-1000 or [Dick@EliteSWS.com](mailto:Dick@EliteSWS.com).