

# **Strategic Advisory Services, L.L.C.**

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## **FORM ADV PART 2 BROCHURE**

**February 23, 2024**

This brochure provides information about the qualifications and business practices of Strategic Advisory Services, L.L.C. If you have any questions about the contents of this brochure, please contact us at 713-977-3800. 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 Strategic Advisory Services, L.L.C. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Strategic Advisory Services, L.L.C. is 108706.

Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

As a registered investment adviser, we must ensure that our brochure is current and accurate and makes full disclosure of all material facts relating to the advisory relationship. If there have been any material changes to our business or advisory practices since our last annual update, we will provide a description of such material changes here.

Strategic Advisory Services, L.L.C. has the following material changes in this brochure since the last annual amendment filing in March 2023. Material changes relate to Strategic Advisory Services, L.L.C. policies, practices or conflicts of interests only.

- Item 4, 5 and 13 - Strategic Advisory Services, L.L.C. no longer offers financial planning and consulting services as separate advisory services for a separate fee.

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## Item 4 Advisory Business

Strategic Advisory Services, L.L.C. is a registered investment adviser based in Houston, Texas. Our firm is organized as a limited liability company under the laws of the State of Texas. We have been providing investment advisory services since 1986. Richard A. Grbac, our Managing Member, began his career in the financial services industry in 1971. Currently, we provide wealth management services by incorporating asset allocation through the selection and monitoring of other advisers or money managers and other aggregated services.

As used in this brochure, the words "we", "our" and "us" refer to Strategic Advisory Services, L.L.C. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person or Investment Adviser Representative throughout this Brochure. As used in this Brochure, our Associated Persons or Investment Adviser Representatives are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### **Advisory Services**

The following paragraphs describe our services. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs.

### **Asset Management Services**

Strategic Advisory Services offers asset management services, which involves our firm providing you with continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that

comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

### **Selection of Other Advisers and Asset Allocation Services**

As part of our investment advisory services, we may recommend that you use the services of various third-party money managers or investment advisers ("TPMM"), including, but not limited to, SEI Investments to manage your entire, or a portion of your, investment portfolio. After gathering information about your financial situation and objectives, we will recommend that you engage a specific TPMM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPMM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the TPMM(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

The TPMM(s) will actively manage your portfolio and will assume discretionary investment authority over your account. We will assume discretionary authority to hire and fire TPMM(s) and/or reallocate your assets to other TPMM(s) where we deem such action appropriate. In most cases, we will customize the Asset Allocation for you, by adding several different asset classes that will be different from SEI's Asset Allocation Models.

The fees you pay to the TPMM are established and payable in accordance with the Form ADV Part 2 or other equivalent disclosure document provided by each TPMM selected and these fees may or may not be negotiable. Such compensation may differ depending upon the individual agreement our firm has with each TPMM.

Advisory fees charged by TPMMs are separate and apart from our advisory fees (which are set forth in **Item 5**). Assets managed by TPMMs will be included in calculating our advisory fee, which is based on the fee schedule set forth in the schedule shown in this section. Advisory fees that you pay to the TPMM are established and payable in accordance with the disclosure brochure provided by each TPMM to whom you are referred. These fees may or may not be negotiable. You should review the recommended TPMM's disclosure brochure and take into consideration the TPMM's fees along with our fees to determine the total amount of fees associated with this program.

If you are referred to a TPMM, you will receive full disclosure, including services rendered and fee schedules, at the time of the referral by delivery of a copy of the relevant TPMM's Form ADV Part 2 or equivalent disclosure document. In addition, if the investment program recommended to you is a wrap fee program, you will also receive the Appendix 1 or equivalent wrap fee brochure provided by the sponsor of the program. Our firm, acting as a Solicitor, or the TPMM will provide you with all appropriate disclosure statements, including disclosure of referral fees (if any) paid to our firm and its Investment Adviser Representatives.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements which are also available via electronically on the internet both to you as well as to our firm.

You will be required to sign an agreement directly with the recommended TPMM(s) as well as with our firm. You may terminate your advisory relationship with the TPMM according to the terms of your

agreement with the TPMM. You should review each TPMM's disclosure brochure for specific information on how you may terminate your advisory relationship with the TPMM and how you may receive a refund, if applicable. You should contact the TPMM directly for questions regarding your advisory agreement with the TPMM.

### SEI Programs

As discussed above, our firm regularly offers third-party management services provided through SEI Investments ("SEI"). The SEI Program is an institutional mutual fund asset allocation program that we use in the management of our clients' assets. We assist you in establishing an SEI Program Account ("Account") at SEI Private Trust Company ("SPTC"). All account transactions will be processed and cleared through SEI Private Trust Company. The SEI Program uses mutual fund and securities asset allocation portfolios developed by SEI Investments. The process is designed as follows:

1. Determine the investor's risk profile and investment objectives. We determine your investment objectives, investment time horizon, and risk profile by means of an interview process and the completion of a questionnaire.
2. Set a relevant asset allocation policy through a written investment Policy Statement for the investor using both SEI's allocation model(s) as well as Strategic Advisory Services, L.L.C.'s custom model(s). We help you choose one of many mutual fund asset allocations.
3. Diversity among asset classes and styles. The investment managers of the underlying mutual funds are selected by SEI Investments Management Corporation. SEI utilizes institutional investment management firms. The managers are monitored by SEI to ensure that their investment styles and performance remain consistent with the objectives of the mutual funds.
4. Re-balance the investor's portfolio. Re-balancing maintains the proper allocation to each asset class in the model. Re-balancing occurs automatically if the underlying mutual funds deviate from the prescribed quarterly allocation by greater than a 2% variance. For the tax-managed models, the variance is 3%. Re-balancing occurs quarterly with no transaction fees.
5. Report results. SEI Private Trust Company (a subsidiary of SEI Investments Company) acts as the transfer agent and custodian for your account. SEI Private Trust Company provides reporting services including consolidated quarterly statements, quarterly performance reports, and year-end tax reports.

### SEI Funds and SEI Asset Allocation Program

Each SEI Fund pays an advisory fee to SIMC that is based on a percentage of the portfolio's average daily net assets, as described in the mutual fund's prospectus. From such amount, SIMC pays the sub-advisor(s) to the fund. SIMC's fund advisory fee varies, but it typically ranges from .10% -1.25% of the portfolio's average daily net assets for its advisory services. Affiliates of SIMC provide administrative, distribution and transfer agency services to all of the portfolios within the SEI Funds, as described in the SEI Funds' registration statements. These fees and expenses are paid by the SEI Funds but ultimately are borne by each shareholder of the SEI Funds. If you, the Client, invests in a model available through the Asset Allocation Program, you will be charged the expense ratios of each of the SEI Funds included in the applicable model. You may have the option to purchase certain SEI investment products, including the SEI Funds, that SIMC recommends through other brokers or agents not affiliated with SIMC.

You may also pay custody fees to SPTC when their assets are custodied at SPTC. These fees will vary depending on the account balance and trade activity in the account. You can refer to your account application for specific information on SPTC custody fees.

### Managed Account Program: Managed and Integrated Accounts

We participate in the Managed Accounts Program (the "Program"). To participate in the Program, our firm, SEI Investments Management Corporation ("SIMC") and you execute a tri-party agreement ("Managed Account Agreement") providing for the management of certain assets in accordance with

the terms of the agreement. We will assist you in selecting an asset allocation strategy, which would include the percentage of investor assets allocated to designated portfolios of separate securities (each, a "Managed Account Portfolio") and may include the percentage of assets allocated to a portfolio of mutual funds advised by SIMC or an affiliate of SIMC. You appoint SIMC to manage the assets in each Managed Account Portfolio in accordance with a strategy we help you select. SIMC may delegate its responsibility for selecting particular securities to one or more portfolio managers.

You may also pay custody fees to SPTC when your assets are custodied at SPTC. These fees will vary depending on the account balance and trade activity in the account. You can refer to your account application for specific information on SPTC custody fees.

SIMC's maximum fee schedule for the Managed Account Program is as follows:

### **SIMC Investment Management Fee Schedule**

<b>Manager Strategy</b>	<b>SEI Fee*</b>
All Cap Core, Alternative-Multi-Strategy SMA, Equity Income, Global Equity, International Developed Markets, Large Cap Core, Large Cap Growth, Large Cap Value, Managed Volatility, Mid Cap Core, Mid Cap Growth, Mid Cap Value, Socially Responsible Investing	0.90% for the first \$500,000 0.85% for the next \$500,000 0.80% for the next \$1 million 0.75% for the next \$3 million 0.70% for the next \$5 million 0.65% for amounts over \$10 million
<b>Manager Strategy</b>	<b>SEI Fee*</b>
Small Cap Growth, Small Cap Value, Small-Mid Cap Core, Small-Mid Cap Growth, Small-Mid Cap Value, REIT	1.10% for the first \$500,000 1.05% for the next \$500,000 1.00% for the next \$1 million 0.95% for the next \$3 million 0.90% for the next \$5 million 0.85% for amounts over \$10 million
<b>Manger Strategy</b>	<b>SEI Fee*</b>
International Emerging Markets	1.25% for the first \$500,000 1.20% for the next \$500,000 1.15% for the next \$1 million 1.10% for the next \$3 million 1.05% for the next \$5 million 1.00% for amounts over \$10 million

<b>Manager Strategy</b>	<b>SEI Fee*</b>
Alternative-Income, Alternative-Tax Advantage Income, Alternative-MLP, Core Aggregate, Core Aggregate Plus, Government/Corporate Bond, Government Securities, Municipal Fixed Income, Preferred Securities	0.65% for the first \$500,000 0.60% for the next \$500,000 0.56% for the next \$1 million 0.54% for the next \$3 million 0.50% for the next \$5 million 0.45% for amounts over \$10 million
<b>Manager Strategy</b>	<b>SEI Fee*</b>
SEI Fixed Income Strategies (Certificate of Deposit (CD), Corporate Bond, Floating Rate Note, Government/Corporate Bond, GNMA, Laddered BBB Corporate Bond Municipal Fixed Income, Laddered BBB National Municipal Bond, Treasury Inflation Protected Securities (TIPS))	0.30% for the first \$500,000 0.27% for the next \$500,000 0.25% for the next \$1 million 0.20% for the next \$3 million Negotiable for amounts over \$5 million
<b>Manager Strategy</b>	<b>SEI Fee*</b>
SEI ETF Strategy, SEI Tax-Managed ETF Strategy, SEI Factor Based All Cap Core, SEI Factor Based Large Cap Core	0.55% for the first \$500,000 0.35% for the next \$500,000 0.30% for the next \$1 million 0.25% for the \$3 million 0.22% for the next \$5 million 0.20% for amounts over \$10 million
<b>Manager Strategy</b>	<b>SEI Fee*</b>
Integrated Managed Account Solution (IMAP)	0.10% in addition to the SEI Fee described above

\*Prior to January 1, 2012, certain Clients may have been contractually obligated to pay a fee higher than what is listed in this fee schedule.

SIMC may impose minimum account balances ranging from \$50,000 to \$1,000,000 depending upon the Managed Account Portfolio chosen and whether the investor selects the tax management feature.

Under the Program, you will receive investment advisory services, the execution of securities brokerage transactions, custody services and reporting services for a single specified fee. Participation in the Program may cost you more or less than purchasing such services separately. In addition, the Program fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs. The Program fee represents total compensation to be received by: (1) SIMC for investment advisory services; (2) designated sub-advisers for investment management services; (3) SEI Investments Distribution Corporation ("SIDCO"), an affiliate of SIMC, for execution of Program brokerage transactions; and (4) SEI Private Trust Company ("SPTC"), an affiliate of SIMC, for custodial and reporting services.

SIMC's fees, which are in addition to our firm's fees, will be a percentage of the market value of your Managed Account Portfolio assets. SIMC's fees will be calculated and payable quarterly in arrears and net of any income, withholding or other taxes. The fees may be subject to a discount.

**Integrated Managed Accounts Program:** Additionally, the Program offers a feature called Integrated Managed Accounts ("IMAP"), which is an enhancement to the standard Program. In IMAP, SIMC selects one sub-adviser to serve as a tax manager for the entire Managed Account Portfolio. Other



sub-advisers recommend securities using buy/sell lists for their specific asset class to which the investor has selected. Your account will be charged an integration fee, as shown above, if you select the IMAP feature. The fee will cover the integration of the equity managers, which helps result in increased coordination across the equity account, increased tax efficiency and additional features such as wash sale prevention. This additional fee only applies to the equity portion of your account that is allocated to the integrated equities portfolio; the fees do not apply to the fixed income or funds. A selection of your assets may receive a fee discount.

**Tax Controlled Program:** We also offer the Tax Controlled Program ("TC Program") sponsored by SEI Investments Management Corporation ("SIMC"). To participate in the TC Program, our firm, SIMC, and you execute a tri-party agreement (Tax Controlled Agreement) providing for the management of certain of your assets. Under the Tax Controlled Agreement, you appoint our firm as your investment adviser to assist you in selecting an asset allocation strategy, which would include a percentage of your assets allocated to designated portfolios of separate securities (each, a "Separate Account Portfolio") and may include the percentage of assets allocated to a portfolio of mutual funds sponsored by SIMC or their affiliate. You appoint SIMC to manage the assets in each Separate Account Portfolio in accordance with a strategy we help you select. SIMC may delegate its responsibility for selecting particular securities to one or more portfolio managers. The TC Program seeks to manage taxes within each Separate Account Portfolio through an individually managed U.S. equity and/or laddered municipal bond component(s) within the structure of a globally diversified portfolio in order to meet your long term goals for managing taxes while controlling risk.

TC Program fees, which are in addition to our firm's fees, are payable quarterly, in arrears, based on the average daily balance of your account during the calendar quarter and are automatically deducted from your account. Custodian fees and internal mutual fund expenses are separate from the SEI Program fees.

The fees payable to SIMC for the individually managed components are referenced in the SIMC Investment Management Fee Schedule above.

SEI Private Trust Company will debit your account on a quarterly basis for the above mentioned fees and charges. The charges to your account will be on an arrears basis and will be remitted quarterly net of any applicable account and performance reporting charges not charged to you. Upon written notification, the agreement may be terminated by either you or our firm. Prorated fees will be charged based on market value on the date notice is received.

You will receive monthly statements from the SEI Private Trust Company indicating holdings. A quarterly report, indicating market value, cash flows, gains and losses, asset allocation, and performance as it relates to market indices, is also available if you elect to receive it. Annually, you will receive a tax report for the account.

SEI Private Trust company may charge a separate custodial fee for the custody services it provides to our clients' accounts. Mutual funds held in your account pay their own advisory fees and other expenses which are explained in each mutual fund's prospectus. These fees and expenses are separate charges from your account management fees. Any account with a market value less than \$50,000 opened after January 1, 2009 will be charged a \$60 annual custodial fee. SEI Private Trust's current policy is to waive this fee for our firm as long as our firm is a member of the Select Advisors Council. The Select Advisor's Council currently requires us to maintain at least \$50,000,000 under management with SEI Private Trust Co. SEI Private Trust, at its own discretion, can reinstate the custodial fees. A \$75 account termination fee will be applied to all accounts closed and leaving SEI Private Trust Company after January 1, 2009.

The fees payable to our firm may not exceed **1.50%**. The written Agreement for Investment

Management Services may be terminated at any time by sending written notification to the other by Registered Mail. All fees earned shall be prorated and deducted from your account prior to termination and shall be determined by the number of days from the beginning of the calendar quarter to the date SEI Private Trust receives written notification by either you or our firm. Your account will continue to be invested until it is transferred out, unless other written instructions from you have been received prior to the transfer or liquidation of the account.

### **Types of Investments**

We primarily offer advice on investment company securities (including no-load funds), exchange traded funds, and equities.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of December 31, 2023, we advise on \$151,231,859 in client assets on a discretionary basis and \$0.00 on a non-discretionary basis.

## **Item 5 Fees and Compensation**

**Please refer to the "Advisory Business" section in this Brochure for detailed information on our advisory services, fees payable to other advisers, payment terms, and refund policy according to each service we offer. Below is a general recap of the fees payable to our firm.**

### **Selection of Other Advisers and Asset Allocation Services**

In addition to the TPMM's fees, our firm's management fee will be deducted from your account, in arrears, based on the following two schedules:

***Fee Schedule A: Investment Policy Statement, Asset Allocation, Investment Management Services, Retirement Distribution Planning and Comprehensive Financial "Life" Planning***

<b><u>Market Value Breakpoint</u></b>	<b><u>Quarterly Basis Point Rate</u></b>	<b><u>Annual Basis Point Rate</u></b>
First \$1,000,000	0.3000%	1.20%
Next \$1,000,000	0.2750%	1.00%
*Over \$2,000,000	Negotiable	Negotiable
Accounts falling below \$750,000 but more than \$250,000	0.3250%	1.30%
Accounts below \$250,000 but More than \$100,000	0.3375%	1.35%
Less than \$100,000	0.3625%	1.45%

***Fee Schedule B: Investment Policy Statement, Asset Allocation, Investment Management Services, and Retirement Distribution Planning***

<b><u>Market Value Breakpoint</u></b>	<b><u>Quarterly Basis Point Rate</u></b>	<b><u>Annual Basis Point Rate</u></b>
First \$2,000,000*	0.2500%	1.00%
Next \$3,000,000	0.0875%	0.35%
Over \$5,000,000	Negotiable	Negotiable
Accounts falling below \$750,000 but more than \$250,000	0.2750%	1.10%
Accounts below \$250,000 but more than \$100,000.....	0.3125%	1.25%
Less than \$100,000.....	0.3375%	1.35%

Our annual management fee for third party managed accounts is billed and payable quarterly in arrears based on the average daily balance on the last day of the calendar quarter. Other TPMM's may charge in advance or in arrears, depending on the company, and the charges are disclosed in the TPMM's ADV. If the management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the management fee is payable in proportion to the number of days in the quarter for which you are a client. Our management fee may be negotiable and at the discretion of our firm.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable management fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced management fee based on the available breakpoints in our fee schedule stated above.

**Additional Fees and Expenses**

In addition to, and exclusive of, our investment advisory fees disclosed under **Item 4**, you will also be charged brokerage commissions, transaction fees, and other related costs and expenses for trade execution. These transaction charges are paid to, and retained by, the account custodian for its clearance and execution services. We do not receive any portion of these commissions, fees, or costs. For information on our brokerage practices, please refer to the "Brokerage Practices" section below of this Disclosure Brochure.

Accounts custodied with SEI Private Trust Company will be charged a .15% annual platform fee when invested in a non-SEI mutual fund, transaction fee mutual funds, ETF's, or securities that are selected for model portfolios created by SAS. This fee is capped at \$1000 per account per year.

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by

the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

### **Other Benefits**

In addition, our firm may receive from SEI software and support without cost which allows us to better monitor and service our client accounts maintained at SEI. We may receive the software and support without cost because our firm renders investment management services to clients whose aggregate total assets at SEI exceeds the established minimum required for an investment manager to receive software and support without cost. See the "Brokerage Practices" section of this brochure regarding the conflict of interest this creates and how we address it.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

Minimum investments may be required by third party managers. SEI, a TPMM we often recommend, typically has a minimum set at \$50,000, which can be waived at our discretion. Other TPMM's minimums are disclosed in their respective ADV Disclosure documents.

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

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We typically do not conduct quantitative or qualitative analysis of individual securities. Instead, we will advise you on how to allocate your assets among various classes of securities or third party investment advisers. We may use model mutual fund asset allocation portfolio programs provided by a number of institutional investment managers and strategists. We may replace or recommend replacing TPMMs if there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark. In most cases, we will customize the Asset Allocation for you, by adding several

different asset classes that will be different from SEI's Asset Allocation Models.

We may use or recommend one or more of the following investment strategies when providing investment advice to you:

- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Our firm or the TPMM managing your account will either instruct the custodian to use the *first-in, first-out* ("FIFO") accounting method for calculating and reporting the cost basis of your investments or the custodian will default to the FIFO method where no instruction is given.

You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

As disclosed under the "Advisory Business" section in this Brochure, we primarily recommend and refer clients to third party money managers ("TPMM(s)") for investment management services. Such TPMMs often use model portfolios that utilize mutual funds (including no-load funds), exchange traded funds (ETFs) and equities. You should be advised of the following risks when investing in these types of securities:

Mutual funds and exchange traded 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 and ETFs 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.

Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, 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. Mutual funds can also be "closed end" or "open end".

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Annuities are retirement products for those who may have the ability to pay a premium now and want to guarantee they receive certain payments or a return on investment in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

## **Item 9 Disciplinary Information**

Neither our firm nor any of our associated persons have any reportable disciplinary information.

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

### **Recommendation of Other Advisers**

We may recommend that you use a third-party adviser ("TPMM") based on your needs and suitability.

We will receive compensation from the TPMM for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third-party adviser. You are not obligated, contractually or otherwise, to use the services of any TPMM we recommend.

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

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at 713-977-3800.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our associated persons nor we shall have priority over your account in the purchase or sale of securities.

The foregoing does not apply to certain types of securities, such as obligations of the U.S. Government, and shares in open-end mutual funds. Open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds by our associated persons are not likely to have an impact on the prices of the fund shares in which clients invest.

## **Item 12 Brokerage Practices**

We maintain relationships with several TPMMs who use various custodians or broker-dealers. While you are free to choose any custodian, broker-dealer or other service provider, we recommend that you establish an account with a custodian with a firm with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to, research, market information, and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended custodians, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

In addition, our firm may receive from SEI software and support without cost which allows us to better monitor and service our client accounts maintained at SEI. We may receive the software and support without cost because our firm renders investment management services to clients whose aggregate total assets at SEI exceeds the established minimum required for an investment manager to receive software and support without cost. Because such services could be considered to provide a benefit to our firm, we may have a conflict of interest in directing your brokerage business. The benefits received by our firm or its personnel **do not** depend on the amount of brokerage or securities transactions directed to SEI, and therefore, do not constitute "soft dollar benefits."

We believe that SEI provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by SEI, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services SEI provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. As part of our fiduciary duties to you, we endeavor at all times to put your interests first, however, you should be aware that the receipt of economic benefits by our firm is considered to create a conflict of interest. See the section on "Advisory Business" in this Brochure for information on SEI Private Trust Company

which provides brokerage and custodial services for our clients who participate in the SEI investment programs.

We also utilize Nationwide for certain accounts, accounts custodied at Nationwide will be invested in their fee-only annuity product.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. In certain cases, each participating account pays an average price per share for all transactions. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

We do not block trade for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

## **Item 13 Review of Accounts**

Richard Grbac, CFP®, Managing Member, and/or Jeremy Joiner, CFP®, Chief Compliance Officer, will monitor your accounts on a periodic basis and will conduct formal account reviews with the client annually, and more frequently (on a quarterly or semi-annual basis) should the client request more frequently, to ensure the advisory services provided to you are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

For our SEI clients, monthly account statements as well as quarterly performance reports are sent directly to you by SEI Private Trust Co. The monthly reports describe account holdings, positions held in your account at month end and other activities, to including additions or withdrawals from the account. The quarterly performance reports describe positions at the end of the quarter, market value, and performance of your account compared to various benchmarks. In addition, you can go at any time to our website where a link to SEI Private Trust's website is available to view your account by using a password selected by you.



Our firm recommends, at a minimum, an annual face-to-face review be conducted, if possible. At this review, we will make any updates to your financial situation and your financial goals that may have changed.

## Item 14 Client Referrals and Other Compensation

We do not compensate non-employee (outside) individuals, existing clients or entities (collectively "Solicitors") for client referrals. Should we change this policy in the future, we will update this disclosure and comply with the registration requirements of the jurisdictions governing the Solicitor's activities.

Please refer to the "Brokerage Practices" section above for disclosures on research and other benefits we may receive resulting from our relationship with SEI.

## Item 15 Custody

Provided we receive your written authorization, we will instruct your custodian to directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We **do not** have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

## Item 16 Investment Discretion

Our discretionary authority is limited to creating, and or changing the asset allocation investment strategies, and/or re-allocating your assets among various TPMs in an effort to meet your short, intermediate, and long term life goals and income needs, ("Income In Stages, Money To Last <sup>TM</sup>"), without obtaining your consent or approval prior to each adjustment or re-allocation. Please be aware that we cannot offer any assurances that these goals will be achieved.

You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular model, asset class or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security.

*Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.*

## Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment fees in excess of \$1200 and six or more months in advance, or
- take physical custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Richard Grbac at 713-977-3800, if you have any questions regarding this policy.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit, nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

Should we receive written or electronic notice of a class action lawsuit, settlement or verdict affecting securities owned by you, we will forward all notices, proof of claim forms and other materials to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward the information electronically.