

**Item 1: Cover Page  
Part 2A of Form ADV: Firm Brochure  
January 19, 2024  
Washington State**

**Strategy Cap LLC  
360 SW Powerhouse Drive, Suite 300  
Bend, Oregon 97702  
[www.StrategyCapLLC.com](http://www.StrategyCapLLC.com)**

**Firm Contact:  
Daniel Evans  
Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Strategy Cap LLC dba Strategy Cap. If clients have any questions about the contents of this brochure, please contact us at 541-585-3737. 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 our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #323391.

Please note that the use of the term "registered investment adviser" and description of our firm and/or our associates as "registered" does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## Item 2: Material Changes

Strategy Cap LLC is required to notify clients of any information that has changed since the last annual update of the Firm Brochure ("Brochure") that may be important to them. Clients can request a full copy of our Brochure or contact us with any questions that they may have about the changes.

Since our firm's last filing on 10/19/2022, the following changes have been made:

- Our firm has removed all language pertaining to the utilization of third-party money managers as our firm will not be utilizing such services with Washington State based clients. Please reach out to Strategy Cap, LLC for more information or questions.
- Our firm has updated the maximum fee for our Asset Management services for our Washington State clients. Our firm has also expanded on the entirety of the service & fee schedule for our Asset Management services. Please see Item's 4 & 5 of the Form ADV Part 2A for Washington State or reach out to Strategy Cap, LLC for more information.
- Our firm has updated our Financial Planning services to now disclose that we only offer that service on an hourly basis for our Washington State Clients. Our firm has also expanded on the entirety of the service & fee schedule for our Financial Planning services. Please see Item's 4 & 5 of the Form ADV Part 2A for Washington State or reach out to Strategy Cap, LLC for more information.
- Our firm has updated and expanded on our Retirement Plan Consulting services. Please see Item's 4 & 5 of the Form ADV Part 2A for Washington State or reach out to Strategy Cap, LLC for more information.

### Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business .....	4
Item 5: Fees & Compensation .....	8
Item 6: Performance-Based Fees & Side-By-Side Management .....	11
Item 7: Types of Clients & Account Requirements .....	11
Item 8: Methods of Analysis, Investment Strategies & Risk of Loss .....	12
Item 9: Disciplinary Information.....	19
Item 10: Other Financial Industry Activities & Affiliations.....	19
Item 11: Code of Ethics, Participation or Interest in .....	19
Item 12: Brokerage Practices .....	20
Item 13: Review of Accounts or Financial Plans .....	24
Item 14: Client Referrals & Other Compensation .....	25
Item 15: Custody .....	25
Item 16: Investment Discretion .....	27
Item 17: Voting Client Securities.....	27
Item 18: Financial Information .....	27
Item 19: Requirements for State-Registered Advisers.....	27

## Item 4: Advisory Business

Our firm is dedicated to providing individuals and other types of clients with a wide array of financial planning and investment advisory services. Our firm is a limited liability company formed under the laws of the State of Oregon in 2022 and has been in business as an investment adviser since that time. Additionally, our firm's Advisers have also become registered as investment advisers and have been with our firm since inception. Our firm is owned by JP Financial, Inc. (50%) and DJE Financial, Inc. (50%), which are respectively owned by Jared Pearson and Daniel Evans.

The purpose of this Brochure is to disclose the conflicts of interest associated with the investment transactions, compensation, advice provided, and any other matters related to investment decisions made by our firm or its representatives. As a fiduciary, it is our duty to always act in the client's best interest including, but not limited to, a duty of care, loyalty, obedience, and utmost good faith. This is accomplished in part by knowing our client. Our firm has established a service-oriented advisory practice with open lines of communication for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. Our firm offers services for managing client's assets on a discretionary and non-discretionary basis. By granting our firm with discretionary authority, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. By granting our firm with non-discretionary authority, our firm would be required to obtain our client's permission prior to effecting any security transactions. For more information regarding discretionary authority and non-discretionary authority, please refer to Item 16 of this brochure. Working with clients to understand their investment objectives while educating them about our process, facilitates the kind of working relationship we value.

### **Types of Advisory Services Offered**

---

#### **Asset Management:**

As part of our Asset Management service, a portfolio is created, consisting of individual stocks, bonds, exchange traded funds ("ETFs"), options, mutual funds and other public securities or investments. Our firm retains discretion to implement strategies that utilize options for the purpose of managing risk or to create additional income for our clients with an established position in a security. Our firm uses this discretion to use options opportunistically to take advantage of apparent undervalued or overvalued securities. Certain ETF's or mutual fund's investments may also incorporate the use of options, generally to mitigate the portfolio investment risk. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives.

#### **Financial Planning & Consulting:**

Our firm provides a variety of stand-alone financial planning and consulting services to clients for the management of financial resources based upon an analysis of a client's current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan or

rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass Comprehensive Personal Financial Planning (includes relevant planning areas and detailed financial plan modeling; observations and recommendations for such planning areas), Cash Flow/Budget Analysis (includes consultation and analysis along with observations and recommendations), Educational Planning (includes consultation, budgeting and other financial considerations), Family Living Legacy Planning & Estate Planning (includes review of existing estate planning and documents, develop Family Living Legacy Plan and related estate plan, coordinate and collaborate with Client's estate planning attorney), Insurance Analysis and Risk Management Planning (includes review of current life insurance policies and needs assessment as well as a review of personal property and casualty insurances, coordinate with client's insurance agent/broker), Portfolio Analysis, Portfolio Development, Individual Investment Analysis (including consultation and analysis related to specific investment client is considering. Coordination with Client's other advisors as applicable and as desired by Client), Mortgage/debt/Lines of Credit Analysis (includes review of clients current debt, provide observations and recommendations), Personal Tax Planning (includes consultation with Client regarding near term, mid-term and long term tax considerations; coordinate with Client's tax advisor and legal counsel as applicable and as desired by Client), Real Estate Analysis (includes consultation with Client and related analysis regarding real estate holdings and potential acquisitions), Retirement Planning/Financial Independence Planning (includes consultation with Client and related analysis regarding their retirement goals and related planning matters), Philanthropy/Charitable Gifting (includes consulting with Client concerning their philanthropic goals during lifetime as well as following their passing on and developing a related plan of activity) and other business planning and consulting services disclosed within the Financial Planning & Consulting Agreement. Our firm may utilize outside service providers (i.e. paraplanners) to assist with the development of a client's financial plan. Our firm's selected outside service providers may bill at rates ranging from \$40 an hour to a maximum rate of \$170 an hour to help assist with the development of client's financial plan.

Written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. Our firm provides clients with a summary of their financial situation, and observations for financial planning engagements. Financial consultations are not typically accompanied by a written summary of observations and recommendations, as the process is less formal than the planning service. Assuming that all the information and documents requested from the client are provided promptly, plans or consultations are typically completed/rendered within 6 months of the client signing a contract with our firm.

### **Retirement Plan Consulting:**

Our firm may provide retirement plan consulting services to employer plan sponsors as follows:

***Plan Consultation.*** Employer-sponsored ERISA plan consulting consists of assisting employers with monitoring and reviewing their company's participant-directed retirement plan limited to the duration of the engagement. Areas of advice may include:

- Market overview addressing the major markets, indices, sectors and the economic statistics that are affecting them;
- An in-depth portfolio summary, including fund and benchmark returns, style analysis and overall portfolio return;
- Assist with selection and monitoring of investment options at the plan level;

- A detailed examination of each investment fund investment option within the Plan, including performance numbers versus the category and index, manager style drift, risk/return, standard deviation, Sharpe ratio, upside and downside capture and fund allocation. This Agreement does not guarantee the future performance or results of any investment option recommended or reviewed.

Strategy Cap will generally conduct strategic planning sessions to review current performance reports and establish future objectives and strategies for the Plan. In performing the foregoing services, Strategy Cap acknowledges that it will be acting as a fiduciary to the Plan pursuant to [ERISA, as amended](#), and the Act. Client acknowledges that Strategy Cap *does not* maintain discretionary authority over the administration of the Plan, the establishment of the Plan's investment policy or the selection of the Plan's investment platform, unless otherwise specifically granted such authority. Strategy Cap *does not* have the authority to interpret the Plan or determine eligibility of Plan Participants and is not the Plan Administrator, as defined in ERISA. Additionally, Strategy Cap *will not* have any authority and *does not* assume any responsibility with respect to Client's stock or self-directed brokerage accounts.

**Participant Education.** Strategy Cap will provide investment education to and for the benefit of Plan Participants, and will provide opportunities to educate plan participants about their retirement plan offerings, different investment options, and general guidance on allocation strategies. Strategy Cap will coordinate Plan Participant investment education meetings at least annually. Strategy Cap will develop strategic asset allocation models to aid Participants in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk. Strategy Cap is not a fiduciary with regard to Participant Education, as distinguished from investment advice by Department of Labor Interpretive Bulletin 96-1 (Final Rule). To the extent Plan Participant Education under IB 96-1 may be considered to be investment advice under the terms of the Act, it is agreed that:

- the Participant Education service is intended to be "impersonal advisory services", as defined in Rule 204-3 promulgated under the Act;
- any oral presentations or written materials provided under the Participant Education service will relate to the Plan and Plan participation, but will not reference whether specific investments are appropriate to meet the investment needs for a particular participant or beneficiary; and
- any statistical information provided as part of the Participant Education service will contain no expression of opinion as to the investment merits of any particular security.

**Qualified Default Investment Alternatives (QDIA).** Strategy Cap will work with Client to help select and designate an appropriate QDIA for use by Plan Participants who fail to or choose not to designate the investment options for their accounts. Strategy Cap recommends that the QDIA meet the requirements of ERISA §404(c)(5) and related Labor regulations so as to limit fiduciary liability for the Plan in relation to the QDIA in the same manner as when a Plan Participant selects their own investment options under §404(c). Strategy Cap is not responsible for ensuring Client's Plan complies with ERISA §404(c). Strategy Cap will assist in the development of model portfolios for selection by Plan Participants as one or more of their directed options. If individual investment options other than the portfolios are to be made available in the Plan, the portfolios will often be made up of some of the options available to Plan Participants for individual direction. Strategy Cap will communicate with Client and the Plan Participants as to the investment criteria and objectives for a given portfolio.

**Reporting.** The Custodian is a "qualified custodian" under Rule 206(4)-2 of the Act, as amended. The Custodian is required under that Rule to provide Client with a statement for the Plan and its accounts

on a quarterly basis. This statement will reflect the status, as well as all transactions effected during the quarter. Strategy Cap will provide Client with verbal reports regarding the status and performance of the investments and will send a written report of the assets and values of the Plan and its accounts from time to time or upon request. Strategy Cap will provide an annual investment and administrative review, which evaluates investment performance, Plan expenses, and ERISA compliance (including compliance with ERISA §404(c)). Upon request, Strategy Cap will promptly provide any information to Client or Client's other service providers to enable the preparation and distribution of Plan Participant notices and fee disclosure information, including information required for the QDIA notice and the annual and quarterly notices required by Department of Labor Regulations §2550.404a-5.

***Discretionary Trading.*** If granted discretionary authority, Adviser will have full power and authority to direct the Custodian or such other service provider that directs or exercises your trades to buy, sell, exchange, convert, and otherwise effect transactions in any stocks, bonds, mutual funds and other securities, except to the extent that the direction of investments is delegated to others under the Plan, such as the participants or another investment manager. The placing and execution of trades in Plan assets as directed by our firm will be the responsibility of the Custodian.

***Establishing an Investment Policy Statement.*** Adviser will assist in the development of a statement that summarizes the investment goals and objectives of the Plan Sponsor and/or its appointed Investment Committee, along with the broad strategies to be employed to meet the objectives.

***Investment Monitoring*** – Our firm will monitor the performance of the investments and notify the client in the event of over/underperformance and in times of market volatility.

In providing services for retirement plan consulting, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, "Excluded Assets"). All retirement plan consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and our firm accepts appointment to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein.

### **Tailoring of Advisory Services**

Our firm offers individualized investment advice to our Asset Management clients. General investment advice will be offered to our Financial Planning & Consulting and Retirement Plan Consulting clients.

Our firm does not usually allow Asset Management clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. Exceptions will be made on a case-by-case basis.

## Participation in Wrap Fee Programs

---

Our firm does not offer or sponsor a wrap fee program.

## Regulatory Assets Under Management

---

Our firm manages \$48,050,953 on a discretionary basis and \$67,767 on a non-discretionary basis as of December 31, 2022.

## Item 5: Fees & Compensation

### Compensation for Our Advisory Services

---

**Asset Management** Fees are either based on a tiered fee Schedule or a flat percentage. The maximum fees charged under a Tiered Fee schedule are as follows:

Fee Tiers	
0 – \$1M	1.50%
\$1,000,000.01 - \$2M	1.25%
\$2,000,000.01 – \$3M	0.90%
\$3,000,000.01 – \$4M	0.80%
\$4,000,000.01 – \$5M	0.70%
Over \$5M+	0.60%

Asset management fees are negotiable. The maximum annual flat fee charged for this service will not exceed 1.50%. Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. Our firm bills on cash unless indicated otherwise in writing. Annualized fees are billed on a pro-rata basis initially in arrears for the first month, then monthly in advance going forward based on the value of the account(s) on the last day of the previous month. Fees are negotiable and will be deducted from client account(s). The monthly fees are also adjusted for a given month for existing account(s) in the event daily net transactions (total of deposits and/or withdrawals) for a given day during an applicable month meet or exceed \$250,000. This can occur if there is a significant net inflow or net outflow from deposits and/or withdrawals from Client current account(s) during a given day of the respective month. In such instance, advisory fees will be adjusted on a pro-rata basis to take into consideration such net inflow or net outflow for the remainder of that month by adjusting for the number of days remaining in the billing period. The adjustment would be made to the account(s) where the deposit(s) and/or withdrawal(s) took place. For the initial month any new account(s) subject to the Asset Management Agreement is/are established and funded at the Custodian (i.e. with Schwab), the account advisory fee for the partial month for any new accounts will be applied as follows. Strategy Cap first calculates the total market value of all Client account(s) subject to the Asset Management Agreement as of the end of day on the latest start date of the month that such new account(s) is/are established and funded. A pro-rata fee calculation is then made for each new account based on its respective value and the number of days in the initial month such account(s) is/are held with the Custodian based on the tiered fee approach and methodology noted in the paragraphs above. As noted above, the fee for the initial



partial month will be billed in arrears. These new accounts will then be included in the monthly billing process for all the Client's account(s) as noted above for subsequent months.

Each time the Adviser charges a fee, the Adviser will send the client a written invoice, including the fee, the formula used to calculate the fee, the fee calculation itself, the time period covered by the fee, and if applicable, the amount of assets under management on which the fee was based. Also, the Adviser will include the name of the custodian(s) on the fee invoice. The Adviser will send these to the client concurrent with the request for payment or payment of the Adviser's advisory fees. We urge the client to compare this information with the fees listed in the account statement. To the extent the Client owns illiquid investments with lengthy required holding periods (unmanaged, static assets), Advisor will not charge an ongoing advisory fee for such assets held in Client account(s).

### **Financial Planning & Consulting:**

Our firm charges on an hourly basis for financial planning and consulting services. The relative scope and complexity of the Client's engagement is considered when establishing our respective hourly fees. Hourly fees are charged based on hours worked and based on the negotiated fee per hour per advisor. Each advisor may have different hourly rates based off of the service per each advisor, which will be disclosed within the client's Financial Planning & Consulting agreement. The maximum hourly fee for Daniel Evans is \$450 per hour and for Jared Pearson \$300 per hour. Fees are negotiable. Staff/administrative time may be billed \$75.00 per hour. Our firm may utilize an outside service provider (i.e. paraplanner) to assist with the development of a clients financial plan. The outside service provider's time may be billed at rates ranging from \$40.00 an hour to a maximum rate of \$170 an hour. Fees are generally billed monthly in arrears following services being provided. Clients may pre-pay for anticipated hourly charges under the terms of the signed agreement. Payment in full is generally required upon receipt of invoices unless alternative payment arrangements have been agreed to. Fees may be higher than normally charged in the industry and similar services may be offered by another adviser or consultant at a lower fee.

All fees billed to the Client will be reflected on an invoice provided to Client which will include all information required per Washington Administrative Code 460-24A-135 [i.e. invoices will include fees charged based on services performed (or anticipated to be performed in the event Client has elected to pre-pay for any estimated hourly charges in advance), the time period covered by the fees, and any travel expenses to be reimbursed]. In the event the Client has elected to pay for estimated hourly fees in advance, any unearned fees will be refunded to the client within 30 days of the end of the engagement after taking into account services provided (hourly billing charges) and related reimbursable expenses during such period. In the event Client has elected to prepay for any hourly charges and no services are provided during the billing period, a refund of any prepaid fees will be provided to the Client within 30 days after the end of such billing period. In the event Client terminates the Agreement, Client will be refunded any unearned fees received within 30 days of termination of the Agreement after accounting for services provided (hourly billing charges) and related reimbursable expenses during such period. If no advisory services are to be performed during the respective billing period then no fee will be charged for such period unless they are fees for hours worked and/or reimbursable expenses that are carried over from a prior a prior invoice. In any event, our firm will not require a payment of fees of \$500 or more when services cannot be rendered within 6 months.

If the Client chooses to hire our firm to manage their investment portfolio, then a distinct agreement will be negotiated with the Client via our firm's Asset Management Agreement and our firm will offset

related Portfolio Analysis and/or Portfolio Development Fees by any related asset management fees received by the Adviser.

### **Retirement Plan Consulting:**

Our Retirement Plan Consulting services are billed on an hourly basis or a fee based on the percentage of Plan assets under management. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$450. Depending on the adviser assigned to Client, most hourly fees are in the range from \$300 an hour to \$450 an hour. Fees based on a percentage of managed Plan assets will not exceed 1.00%. Fees are negotiable. The fee-paying arrangements will be determined on a case-by-case basis and will be detailed in the signed consulting agreement. Fees may be higher than normally charged in the industry and similar services may be offered by another adviser or consultant at a lower fee.

### **Other Types of Fees & Expenses**

---

Clients will incur transaction fees for trades executed by their chosen custodian, either based on a percentage of the dollar amount of assets in the account(s) or via individual transaction charges. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. Charles Schwab & Co., Inc. ("Schwab") does not charge transaction fees for U.S. listed equities and exchange traded funds.

Clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), distribution fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Our firm does not receive a portion of these fees.

### **Termination & Refunds**

---

Strategy Cap must deliver the brochure required by WAC 460-24A-145 to an advisory client or prospective advisory client not less than forty-eight hours prior to entering into any investment advisory contract with such client or prospective client; or alternatively, if Strategy Cap provides the brochure at the time of entering into any such contract, Client has a right to terminate the contract without penalty within five business days after entering into the contract.

Either party may terminate the advisory agreement signed with our firm for Asset Management services in writing at any time. Upon notice of termination our firm will process a pro-rata refund based on the number of days the account was open during the billing period..

Financial Planning & Consulting clients may terminate their agreement in writing at any time before the delivery of a financial plan or other contracted services by providing written notice. In the event Client terminates the Agreement, Client will be refunded any unearned fees received within 30 days of termination of the Agreement after taking into account services provided (hourly billing charges) and related reimbursable expenses during such period. For purposes of calculating refunds, all work performed by the Adviser up to the point of termination shall be calculated at the hourly fee currently

in effect plus any additional reimbursable expenses incurred including, but not limited to, reimbursable travel expenses and any fees billed for services rendered by third parties (i.e. paraplanner fees). The maximum term of this engagement will be one year from the contract date. Financial planning services are typically completed in a year or lesser term. Any further engagement or review may be performed in another contractual engagement with Client. In the event of a termination prior to the Adviser completing Client's written financial plan or analysis, Adviser will provide the completed portion of any financial plan documents prepared to Client. Client has a right to terminate the contract without penalty within five business days after entering into the contract. Client has the option of hiring any professional (Attorney/legal counsel, CPA, real estate specialist/broker, appraiser, business valuation specialist, banker, insurance broker/agent), or other service provider they determine is appropriate and a proper fit for the services they need. If Client does not receive Strategy Cap's Form ADV Part 2 and Privacy Policy (the "Brochure") at least 48 hours prior to entering into an investment advisory agreement, Client has a right to terminate the contract without penalty within five business days after entering into the contract.

Either party to a Retirement Plan Consulting Agreement may terminate at any time by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs within 5 business days of signing an agreement. After 5 business days from initial signing, either party must provide the other party 30 days written notice to terminate billing. Billing will terminate 30 days after receipt of termination notice. Clients will be charged on a pro-rata basis, which takes into account work completed by our firm on behalf of the client. Clients will incur charges for bona fide advisory services rendered up to the point of termination (determined as 30 days from receipt of said written notice) and such fees will be due and payable.

### **Commissionable Securities Sales**

---

Our firm and representatives do not sell securities for a commission in advisory accounts.

### **Item 6: Performance-Based Fees & Side-By-Side Management**

Our firm does not charge performance-based fees.

### **Item 7: Types of Clients & Account Requirements**

Our firm has the following types of clients:

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

Our firm does not impose requirements for opening and maintaining accounts or otherwise engaging us.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

### Methods of Analysis

---

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

**Charting:** In this type of technical analysis, our firm reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Cyclical Analysis:** Statistical analysis of specific events occurring at a sufficient number of relatively predictable intervals that they can be forecasted into the future. Cyclical analysis asserts that cyclical forces drive price movements in the financial markets. Risks include that cycles may invert or disappear and there is no expectation that this type of analysis will pinpoint turning points, instead be used in conjunction with other methods of analysis.

**Fundamental Analysis:** The analysis of a business's financial statements (usually to analyze the business's assets, liabilities, and earnings), health, and its competitors and markets. When analyzing a stock, futures contract, or currency using fundamental analysis there are two basic approaches one can use: bottom up analysis and top down analysis. The terms are used to distinguish such analysis from other types of investment analysis, such as quantitative and technical. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives: (a) to conduct a company stock valuation and predict its probable price evolution; (b) to make a projection on its business performance; (c) to evaluate its management and make internal business decisions; (d) and/or to calculate its credit risk; and (e) to find out the intrinsic value of the share.

When the objective of the analysis is to determine what stock to buy and at what price, there are two basic methodologies investors rely upon: (a) Fundamental analysis maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by purchasing the mispriced security and then waiting for the market to recognize its "mistake" and reprice the security; and (b) Technical analysis maintains that all information is reflected already in the price of a security. Technical analysts analyze trends and believe that sentiment changes predate and predict trend changes. Investors' emotional responses to price movements lead to recognizable price chart patterns. Technical analysts also analyze historical trends to predict future price movement. Investors can use one or both of these different but complementary methods for stock picking. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis:** A security analysis methodology for forecasting the direction of prices through the study of past market data, primarily price and volume. A fundamental principle of technical analysis is that a market's price reflects all relevant information, so their analysis looks at the history of a security's trading pattern rather than external drivers such as economic, fundamental and news events. Therefore, price action tends to repeat itself due to investors collectively tending toward patterned behavior – hence technical analysis focuses on identifiable trends and conditions. Technical analysts also widely use market indicators of many sorts, some of which are mathematical

transformations of price, often including up and down volume, advance/decline data and other inputs. These indicators are used to help assess whether an asset is trending, and if it is, the probability of its direction and of continuation. Technicians also look for relationships between price/volume indices and market indicators. Technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns. Technical analysis is widely used among traders and financial professionals and is very often used by active day traders, market makers and pit traders. The risk associated with this type of analysis is that analysts use subjective judgment to decide which pattern(s) a particular instrument reflects at a given time and what the interpretation of that pattern should be.

## **Investment Strategies We Use**

---

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

**Asset Allocation:** The implementation of an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame. Asset allocation is based on the principle that different assets perform differently in different market and economic conditions. A fundamental justification for asset allocation is the notion that different asset classes offer returns that are not perfectly correlated, hence diversification reduces the overall risk in terms of the variability of returns for a given level of expected return. Although risk is reduced as long as correlations are not perfect, it is typically forecast (wholly or in part) based on statistical relationships (like correlation and variance) that existed over some past period. Expectations for return are often derived in the same way.

An asset class is a group of economic resources sharing similar characteristics, such as riskiness and return. There are many types of assets that may or may not be included in an asset allocation strategy. The "traditional" asset classes are stocks (value, dividend, growth, or sector-specific [or a "blend" of any two or more of the preceding]; large-cap versus mid-cap, small-cap or micro-cap; domestic, foreign [developed], emerging or frontier markets), bonds (fixed income securities more generally: investment-grade or junk [high-yield]; government or corporate; short-term, intermediate, long-term; domestic, foreign, emerging markets), and cash or cash equivalents. Allocation among these three provides a starting point. Hybrid instruments such as convertible bonds and preferred stocks, counting as a mixture of bonds and stocks may also be considered. Other alternative assets that may be considered include: commodities such as precious metals, nonferrous metals, agriculture, energy, others.; Commercial or residential real estate (also REITs); Collectibles such as art, coins, or stamps owned by the client; insurance products (annuity, life settlements, catastrophe bonds, personal life insurance products, etc.); derivatives such as long-short or market neutral strategies, options, collateralized debt, and futures; foreign currency; venture capital; private equity; and/or distressed securities. Any investment in non-traditional asset classes in our managed portfolios will generally be made through the purchase of publicly traded ETFs or other publicly traded securities.

There are several types of asset allocation strategies based on investment goals, risk tolerance, time frames and diversification. The most common forms of asset allocation are: strategic, dynamic, tactical, and core-satellite.

- **Strategic Asset Allocation:** The primary goal of a strategic asset allocation is to create an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. Generally speaking, strategic asset allocation strategies are agnostic to economic environments, i.e., they do not change their allocation postures relative to changing market or economic conditions.
- **Dynamic Asset Allocation:** Dynamic asset allocation is similar to strategic asset allocation in that portfolios are built by allocating to an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. Like strategic allocation strategies, dynamic strategies largely retain exposure to their original asset classes; however, unlike strategic strategies, dynamic asset allocation portfolios will adjust their postures over time relative to changes in the economic environment.
- **Tactical Asset Allocation:** Tactical asset allocation is a strategy in which an investor takes a more active approach that tries to position a portfolio into those assets, sectors, or individual stocks that show the most potential for perceived gains. While an original asset mix is formulated much like strategic and dynamic portfolio, tactical strategies are often traded more actively and are free to move entirely in and out of their core asset classes
- **Core-Satellite Asset Allocation:** Core-Satellite allocation strategies generally contain a 'core' strategic element making up the most significant portion of the portfolio, while applying a dynamic or tactical 'satellite' strategy that makes up a smaller part of the portfolio. In this way, core-satellite allocation strategies are a hybrid of the strategic and dynamic/tactical allocation strategies mentioned above.

**Fixed Income:** Fixed income is a type of investing or budgeting style for which real return rates or periodic income is received at regular intervals and at reasonably predictable levels. Fixed-income investors are typically retired individuals who rely on their investments to provide a regular, stable income stream. This demographic tends to invest heavily in fixed-income investments because of the reliable returns they offer. Fixed-income investors who live on set amounts of periodically paid income face the risk of inflation eroding their spending power.

Some examples of fixed-income investments include treasuries, money market instruments, corporate bonds, asset-backed securities, municipal bonds and international bonds. The primary risk associated with fixed-income investments is the borrower defaulting on his payment. Other considerations include exchange rate risk for international bonds and interest rate risk for longer-dated securities. The most common type of fixed-income security is a bond. Bonds are issued by federal governments, local municipalities and major corporations. Fixed-income securities are recommended for investors seeking a diverse portfolio; however, the percentage of the portfolio dedicated to fixed income depends on your own personal investment style. There is also an opportunity to diversify the fixed-income component of a portfolio. Riskier fixed-income products, such as junk bonds and longer-dated products, should comprise a lower percentage of your overall portfolio.

The interest payment on fixed-income securities is considered regular income and is determined based on the creditworthiness of the borrower and current market rates. In general, bonds and fixed-income securities with longer-dated maturities pay a higher rate, also referred to as the coupon rate, because they are considered riskier. The longer the security is on the market, the more time it has to lose its value and/or default. At the end of the bond term, or at bond maturity, the borrower returns the amount borrowed, also referred to as the principal or par value.

**Long-Term Purchases:** Our firm may buy securities for your account and hold them for a relatively long time (more than a year) in anticipation that the security's value will appreciate over a long

horizon. The risk of this strategy is that our firm could miss out on potential short-term gains that could have been profitable to your account, or it's possible that the security's value may decline sharply before our firm makes a decision to sell.

**Margin Transactions:** Our firm may purchase securities for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash and allows us to purchase securities without selling other holdings. Margin accounts and transactions are risky and not necessarily appropriate for every client. It should be noted that our firm bills advisory fees on securities purchased on margin which creates a financial incentive for us to utilize margin in client accounts.

The potential risks associated with these transactions are (1) You can lose more funds than are deposited into the margin account; (2) the forced sale of securities or other assets in your account; (3) the sale of securities or other assets without contacting you; (4) you may not be entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call; and (5) custodians charge interest on margin balances which will reduce your returns over time.

**Options:** An option is a financial derivative that represents a contract sold by one party (the option writer) to another party (the option holder, or option buyer). The contract offers the buyer the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Options are extremely versatile securities. Traders use options to speculate, which is a relatively risky practice, while hedgers use options to reduce the risk of holding an asset. In terms of speculation, option buyers and writers have conflicting views regarding the outlook on the performance of a:

- *Call Option:* Call options give the option to buy at certain price, so the buyer would want the stock to go up. Conversely, the option writer needs to provide the underlying shares in the event that the stock's market price exceeds the strike due to the contractual obligation. An option writer who sells a call option believes that the underlying stock's price will drop relative to the option's strike price during the life of the option, as that is how he will reap maximum profit. This is exactly the opposite outlook of the option buyer. The buyer believes that the underlying stock will rise; if this happens, the buyer will be able to acquire the stock for a lower price and then sell it for a profit. However, if the underlying stock does not close above the strike price on the expiration date, the option buyer would lose the premium paid for the call option.
- *Put Option:* Put options give the option to sell at a certain price, so the buyer would want the stock to go down. The opposite is true for put option writers. For example, a put option buyer is bearish on the underlying stock and believes its market price will fall below the specified strike price on or before a specified date. On the other hand, an option writer who sells a put option believes the underlying stock's price will increase about a specified price on or before the expiration date. If the underlying stock's price closes above the specified strike price on the expiration date, the put option writer's maximum profit is achieved. Conversely, a put option holder would only benefit from a fall in the underlying stock's price below the strike price. If the underlying stock's price falls below the strike price, the put option writer is obligated to purchase shares of the underlying stock at the strike price.

The potential risks associated with these transactions are that (1) all options expire. The closer the option gets to expiration, the quicker the premium in the option deteriorates; and (2) Prices can move very quickly. Depending on factors such as time until expiration and the relationship of the stock

price to the option's strike price, small movements in a stock can translate into big movements in the underlying options.

**Short-Term Purchases:** When utilizing this strategy, our firm may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). Our firm does this in an attempt to take advantage of conditions that our firm believes will soon result in a price swing in the securities our firm purchase.

**Short Sales:** A short sale is a transaction in which an investor sells borrowed securities in anticipation of a price decline and is required to return an equal number of shares at some point in the future. These transactions have a number of risks that make it highly unsuitable for the novice investor. This strategy has a slanted payoff ratio in that the maximum gain is limited, but the maximum loss is theoretically infinite. The following risks should be considered: (1) In addition to trading commissions, other costs with short selling include that of borrowing the security to short it, as well as interest payable on the margin account that holds the shorted security. (2) The short seller is responsible for making dividend payments on the shorted stock to the entity from whom the stock has been borrowed. (3) Stocks with very high short interest may occasionally surge in price. This usually happens when there is a positive development in the stock, which forces short sellers to buy the shares back to close their short positions. Heavily shorted stocks are also susceptible to "buy-ins," which occur when a broker closes out short positions in a difficult-to-borrow stock whose lenders are demanding it back. (4) Regulators may impose bans on short sales in a specific sector or even in the broad market to avoid panic and unwarranted selling pressure. Such actions can cause a spike in stock prices, forcing the short seller to cover short positions at huge losses.

## **Risk of Loss**

---

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and the account(s) could enjoy a gain, it is also possible that the stock market may decrease and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing in the stock market, and that their assets are appropriately diversified in investments. Clients are encouraged to ask our firm any questions regarding their risk tolerance.

**Capital Risk:** Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100% of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

**Company Risk:** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

**Currency Risk:** Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. Dollar, British Pound, German Mark, Euro, Japanese Yen, French Franc, etc.).



**Economic Risk:** The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

**Equity (Stock) Market Risk:** Common stocks are susceptible to general stock market fluctuations and volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities, the ETF, or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

**Financial Risk:** Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

**Fixed Income Securities Risk:** Typically, the values of fixed-income securities change inversely with prevailing interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as prevailing interest rates rise, which may cause your account value to likewise decrease, and vice versa. How specific fixed income securities may react to changes in interest rates will depend on the specific characteristics of each security. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of a bond to decline.

**Inflation Risk:** Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk:** Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying

investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Market Risk:** The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company's intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

**Past Performance:** Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

**Strategy Risk:** There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

#### **Description of Material, Significant or Unusual Risks**

---

Our firm generally invests client cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, our firm tries to achieve the highest return on client cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a cash equivalent investment or money market account so that our firm may debit advisory fees for our services related to our Asset Management as applicable. Please note that our firm will not debit advisory fees related to our Asset Management services for unmanaged or static assets held in client accounts.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities & Affiliations**

Representatives of our firm are insurance agents. They offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest exists as these insurance sales create an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn. To mitigate this potential conflict, our firm will act in the client's best interest. Please note that our clients have the option to purchase or obtain insurance products from other agents that are not affiliated with or recommended by our firm.

Daniel Evans was formerly a practicing attorney and is currently in good standing as a licensed attorney, inactive status, in the State of North Carolina. Legal services are not offered through our firm. Should a client of our firm require legal services, they will be referred to a separate attorney. Our firm will not receive any additional compensation for these referrals. Please note that our clients have the option to purchase or obtain legal services from other professionals that are not affiliated with or recommended by our firm.

Neither our firm nor any related persons of our firm recommend or select other investment advisors for our clients or receive compensation for such referrals.

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

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our firm recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if

investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, our firm has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest. In the rare instance where our firm or advisors consider adding securities to a clients portfolio in which a related person of our firm has a material financial interest, our firm would communicate to the client that the firm and/or related person has a material financial interest in such security, and the inherent conflicts of interest involved with buying or selling such security in a client's account, which is dependent on the specific security.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Likewise, related persons of our firm buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling securities that will be bought or sold in client accounts unless done so after the client execution or concurrently as a part of a block trade.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

---

#### Custodian & Brokers Used

Our firm does not maintain custody of client assets (although our firm may be deemed to have custody of client assets if given the authority to withdraw assets from client accounts. See *Item 15 Custody*, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Our firm recommends that clients use the Schwab Advisor Services division of Charles Schwab & Co. Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Our firm is independently owned and operated, and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed. While our firm recommends that clients use Schwab as custodian/broker, clients will decide whether to do so and open an account with Schwab by entering into an account agreement directly with them.

---

<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

Our firm does not open the account. Even though the account is maintained at Schwab, our firm can still use other brokers to execute trades, as described in the next paragraph.

### **How Brokers/Custodians Are Selected**

Our firm seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. A wide range of factors are considered, including, but not limited to:

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

### **Custody & Brokerage Costs**

Schwab generally does not charge a separate fee for custody services but is compensated by charging commissions or other fees to clients on trades that are executed or that settle into the Schwab account. In addition to commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that our firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize client trading costs, our firm has Schwab execute most trades for the accounts.

### **Products & Services Available from Schwab**

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like our firm. They provide our firm and clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help manage or administer our client accounts while others help manage and grow our business. Schwab's support services are generally available on an unsolicited basis (our firm does not have to request them) and at no charge to our firm. The availability of Schwab's products and services is not based on the provision of particular investment advice, such as purchasing particular securities for clients. Here is a more detailed description of Schwab's support services:

## **Services that Benefit Clients**

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 our firm might not otherwise have access or that would require a significantly higher minimum initial investment by firm clients. Schwab's services described in this paragraph generally benefit clients and their accounts.

## **Services that May Not Directly Benefit Clients**

Schwab also makes available other products and services that benefit our firm but may not directly benefit clients or their accounts. These products and services assist in managing and administering our client accounts. They include investment research, both Schwab's and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping and client reporting.

## **Services that Generally Benefit Only Our Firm**

Schwab also offers other services intended to help 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, Schwab will arrange for third-party vendors to provide the services to our firm. Schwab may also discount or waive fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide our firm with other benefits, such as occasional business entertainment for our personnel.

Irrespective of direct or indirect benefits to our client through Schwab, our firm strives to enhance the client experience, help clients reach their goals and put client interests before that of our firm or associated persons.

## **Our Interest in Schwab's Services.**

The availability of these services from Schwab benefits our firm because our firm does not have to produce or purchase them. Our firm does not have to pay for these services, and they are not contingent upon committing any specific amount of business to Schwab in trading commissions or assets in custody.

In light of our arrangements with Schwab, a conflict of interest exists as our firm may have incentive to require that clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our firm rather than based on client interest in receiving the best value in custody services and the most favorable execution of transactions. As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of Schwab as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend Schwab and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions. Our firm believes that the selection of Schwab as a custodian and broker is the best interest of our clients. It is primarily supported by the scope, quality and price of Schwab's services, and not Schwab's services that only benefit our firm.

---

### **Soft Dollars**

Our firm has been granted transition assistance from our recommended custodian, Schwab, in the amount of \$5,000, as well as up to \$24,000 in ACAT fee reimbursements to reimburse client accounts for account termination fees related to transitioning accounts to Schwab. Aside from this, our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time.

---

### **Client Brokerage Commissions**

Schwab does not make client brokerage commissions generated by client transactions available for our firm's use.

---

### **Client Transactions in Return for Soft Dollars**

Our firm does not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

---

### **Brokerage for Client Referrals**

Our firm does not receive brokerage fees or commissions for client referrals.

---

### **Directed Brokerage**

---

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

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such

direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, our firm will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Client-Directed Brokerage**

---

Our firm does not allow client-directed brokerage outside our recommendations.

### **Aggregation of Purchase or Sale**

---

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

## **Item 13: Review of Accounts or Financial Plans**

Our Chief Compliance Officer, Daniel Evans, and/or management personnel or financial advisors review accounts to coincide with the Advisers investment strategies for Client account(s); and at least on an annual basis for our Asset Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm does not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when our Asset Management clients are contacted.

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

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. Our firm may be contracted to provide ongoing services to financial planning clients based on the terms stated in our services agreement. If ongoing services are not selected, we are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial Planning clients do not generally receive written or verbal updated reports regarding their financial plans unless they separately engage our firm for a post-financial plan meeting or update to their initial written financial plan.

Retirement Plan Consulting clients receive reviews of their retirement plans for the duration of the service. Our firm also provides ongoing services where clients are met with upon their request to discuss updates to their plans, changes in their circumstances, etc. Retirement Plan Consulting clients



do not receive written or verbal updated reports regarding their plans unless they choose to engage our firm for ongoing services.

## **Item 14: Client Referrals & Other Compensation**

### **Charles Schwab & Co. Inc.**

---

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

### **Product Sponsors**

---

Our firm may occasionally sponsor events in conjunction with our product providers in an effort to keep our clients informed as to the services we offer and the various financial products we utilize. These events are educational in nature and are not dependent upon the use of any specific product. While a conflict of interest may exist because these events are at least partially funded by product sponsors, all funds received from product sponsors are used for the education of our clients. We will always adhere to our fiduciary duty in recommending appropriate investments for our clients. Representatives of our firm may occasionally accept travel expense reimbursement provided by product sponsors in order to attend their educational events. The reimbursement is not directly dependent upon the recommendation of any specific product. Although we may be incentivized to recommend products from product sponsors that reimburse our travel, our representatives will always adhere to their fiduciary duty in recommending appropriate investments for our clients.

### **Client Referrals**

---

Our firm does not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with relevant state statutes and rules.

## **Item 15: Custody**

### **Deduction of Advisory Fees:**

State Securities Bureaus generally take the position that any arrangement under which a registered investment adviser is authorized or permitted to withdraw client funds or securities maintained with a custodian upon the adviser's instruction to the custodian is deemed to have custody of client funds and securities. As such, our firm has adopted the following safeguarding procedures:

- a) Clients must provide our firm with written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- b) Each time the Adviser charges a fee, the Adviser will send the client a written invoice, including the fee, the formula used to calculate the fee, the fee calculation itself, the time period covered by the fee, and, if applicable the amount of assets under management on which the fee was based. Also, the Adviser will include the name of the custodian(s) on the fee invoice. The Adviser will send these to the client concurrent with the request for payment or payment of the Adviser's advisory fees. We urge the client to compare this information with the fees listed in the account statement.
- c) The account custodian sends a statement to the client, at least quarterly, showing all account disbursements, including advisory fees.

Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

### **Third Party Money Movement:**

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of authorization ("SLOA") is deemed to have custody. Further, our firm currently has \$23,192,035 for 41 clients' in which our firm is deemed to have custody through SLOA's. We attest our firm is complying with each of the requirements and conditions enumerated within the Securities Act Policy Statement Regarding the Custody Requirements for Investment Advisers with SLOA Arrangements Established by a Client with a Qualified Custodian. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16: Investment Discretion**

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Should clients grant our firm non-discretionary authority, our firm would be required to obtain the client's permission prior to effecting securities transactions. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

## **Item 17: Voting Client Securities**

Our firm does not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, our firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

## **Item 18: Financial Information**

Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$500 in fees when services cannot be rendered within 6 months.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

Our firm has never been the subject of a bankruptcy proceeding.

## **Item 19: Requirements for State-Registered Advisers**

### **Executive Officers & Management Persons**

---

**Daniel Joseph Evans**  
**Year of Birth:** 1969

#### **Educational Background:**

- 1991: St. Bonaventure University; Bachelor of Science in Economics & Philosophy Minor
- 1994: S.U.N.Y at Buffalo; Juris Doctor in Law
- 1994: S.U.N.Y at Buffalo; Master of Business Administration

**Business Background:**

- 10/2022 – Present Strategy Cap LLC; Managing Partner & Chief Compliance Officer
- 12/2013 – 12/2022 Cambridge Investment Research, Inc.; Registered Representative
- 12/2013 – 12/2022 Cambridge Investment Research Advisors, Inc.; Investment Adviser Representative
- 05/2005 – 12/2013 Commonwealth Financial Network; Registered Representative & Investment Adviser Representative
- 05/2005 – 12/2013 Brooks Financial Advisors; Investment Adviser Representative

**Exams, Licenses & Other Professional Designations:**

- 10/2004: Series 7 Exam
- 12/2004: Series 66 Exam
- 09/2009: Life & Health Insurance License
- 10/2018: SIE Exam

**Jared Andrew Pearson**

**Year of Birth:** 1978

**Educational Background:**

- 2001: George Fox University; Bachelor of Science in Interdisciplinary Studies

**Business Background:**

- 10/2022 – Present Strategy Cap LLC; Managing Partner
- 12/2013 – 12/2022 Cambridge Investment Research, Inc.; Registered Representative
- 12/2013 – 12/2022 Cambridge Investment Research, Inc.; Investment Adviser Representative
- 05/2005 – 12/2013 Commonwealth Financial Network; Registered Representative & Investment Adviser Representative
- 05/2005 – 12/2013 Brooks Financial Advisors; Investment Adviser Representative

**Exams, Licenses & Other Professional Designations:**

- 07/2002: Series 7 & Series 63 Exam
- 03/2002: Life & Health Insurance License
- 05/2003: Series 66 Exam
- 11/2004: Certified Fund Specialist (CFS®)
- 10/2018: SIE Exam

Please see Item 10 of this Firm Brochure for any other business in which our firm is actively engaged. Our firm does not charge performance-based fees. Our firm and management persons have not been involved in any arbitration awards, found liable in any civil, self-regulatory organization or administrative proceedings.

Our firm does not have compensation arrangements connected with advisory services which are in addition to our advisory fees. Our management persons and representatives do not have a relationship or arrangement with any issuer of securities. As a fiduciary, our firm always puts our Client's interest above our own. Information regarding participation of interest in client transactions can be found in our Code of Ethics as well as Item 11 of this Brochure. Clients may obtain a copy of our Code of Ethics by contacting Daniel Evans, Chief Compliance Officer at 541-585-3737.