

Item 1: Cover Page

Form ADV Part 2A, Appendix 1: Wrap Program Brochure



Sterling Financial Group, Inc.

201 S Lake Avenue, Suite 500

Pasadena, CA 91101

(626) 440-9192

www.sterlingfg.com

March 2024

This wrap fee program brochure (“Brochure”) provides information about the business practices and qualifications of Sterling Financial Group, Inc. Please contact us at (626) 440-9192 or email at contact@sterlingfg.com to discuss any questions you have regarding this Brochure or our services. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any State Securities Authority.

Additional information about Sterling Financial Group, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov. Please note that the use of the term “registered investment adviser” and description of Sterling Financial Group, Inc., and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure for more information on the qualifications of our firm, our associates who advise you and our employees.

ITEM 2: MATERIAL CHANGES

Sterling Financial Group, Inc. 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 the last annual amendment filed on 03/29/2023, the following changes have been made:

- As of November 10, 2023, our firm’s main office address is now 201 S Lake Ave, Ste 500, Pasadena, CA 91101. You can still reach us at the same phone number and email address if you have any questions about your account.
- As of October 10, 2023, Kody Brown is now a 10% minority owner of Sterling Financial Group, Inc. Please see Item 4 of our Firm Brochure for more information.
- Our firm has clarified in Item 5 of our Firm Brochure and Item 6 of this Brochure, that when utilizing margin in client accounts, the value of assets held, as well as the value of the margin utilized, will be counted towards the overall balance of managed assets when determining advisory fee charged. Please see Item 5 of our Firm Brochure and Item 6 of this Brochure for more information.
- Our firm has increased the range on our hourly fee charged for our Financial Consulting service from \$50 to \$450 (previously \$350). Please see Item 5 of our Firm Brochure for more information.

Our prospective clients are strongly encouraged to read this Brochure in its entirety prior to engaging the Firm for any advisory services.

Pursuant to federal regulation, Sterling Financial Group will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of the Firm’s fiscal year-end. Additionally, as the Firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please contact us at (626) 441-9192.

Additional information about the Firm and its investment adviser representative is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 3 - Table of Contents

<u>Section</u>	<u>Page(s):</u>
Item 1: Cover Page.....	1
ITEM 2: MATERIAL CHANGES	2
Item 3 - Table of Contents.....	3
Item 4 - Services, Fees, and Compensation.....	4
Item 5 - Types of Clients and Account Requirements.....	7
Item 6 - Portfolio Manager Selection and Evaluation	8
Item 7 - Client Information Provided to Portfolio Managers	18
Item 8 - Client Contact with Portfolio Managers	18
Item 9 – Additional Information.....	19

Item 4 - Services, Fees, and Compensation

Services:

Sterling Financial Group offers a “wrap fee” program (“Wrap Program”) as described in this Brochure that provides investment strategies that are tailored to our client’s specific needs that provides the client with advisory and brokerage execution services plus account reporting and custodial services, for one all-inclusive fee. Such services are normally offered on a continuous basis. Management services are provided on a discretionary or non-discretionary basis. Each portfolio is designed to meet the particular investment goal, which we determine to be suitable to the client’s circumstances. We select from a wide array of investment vehicles, such as stocks, options, fixed income securities, mutual funds, real estate investment trusts, exchange traded funds, and in certain situations we can choose hedge funds, high yield debt, managed futures, and other more complex or specialized instruments. Although the selection of investments is at the discretion of the advisor, each client can place reasonable restrictions on the types of investments to be held in the portfolio. Once the appropriate portfolio has been determined, we monitor the investments regularly, conduct account reviews periodically and rebalance the portfolio, if necessary, based upon the client’s individual needs, stated goals and objectives. Sterling Financial Group takes a calm and measured approach to managing client’s assets that is supported by the belief that over the long term, a consistent strategy that is meticulously followed will provide the best opportunity for the best return. Clients can choose to engage Sterling Financial Group on a non-discretionary basis. Changes in non-discretionary accounts will only be implemented with the client’s authorization.

Client assets in the Wrap Program managed by Sterling Financial Group are held in accounts at a qualified custodian, who will provide clearing, custody, and other brokerage services for client accounts. At the present time Sterling Financial Group has custodial relationships with LPL Financial and Charles Schwab & Co. Inc. While Sterling Financial Group can assist the client in completing the custodian’s paperwork, the client is ultimately responsible for providing all the necessary information to establish the account. Clients will retain all rights of ownership in the accounts, including the right to withdraw securities and cash, vote proxies, and receive transaction confirmations.

On an accommodation basis, Sterling Financial Group can also agree to handle certain accounts on a non-managed basis. In such cases, Sterling Financial Group will not be responsible for providing management on either a discretionary or non-discretionary basis.

Fees and Compensation:

Clients pay Sterling Financial Group a single annual advisory fee for asset management services and the execution of transactions within the Wrap Program. Clients do not pay brokerage commissions, markups, or transaction charges for execution of transactions in addition to the advisory fee.

Fees are paid quarterly in advance and billed on a pro-rated annualized basis. Fees are calculated as a percentage of the market value of all assets on the last trading day of the month of the previous calendar quarter, including cash holdings. Assets deposited or withdrawn by the client between billing cycles will be assessed an investment advisory fee based only upon the number of days the assets are in the account. Although we believe our advisory fees are competitive, clients should be aware that the fee can be higher than the fee charged by other investment advisors for similar services. Adjustments to billing will be made for deposits and withdrawals made throughout the quarter. Our fees are generally not negotiable (but we expect to reduce or waive all or a portion of advisory fees for certain clients, friends, or family in our sole discretion). Below is the schedule of fees for our asset management services:

<u>Assets Under Management</u>	<u>Annual Fee Percentage:</u>
\$0 to \$999,999	0.85 - 1.75%
\$1,000,000 to \$5,000,000	0.75 - 1.50%
\$5,000,001 to \$10,000,000	0.55 - 1.00%
\$10,000,001 to \$20,000,000	0.45 - 0.75%
Over \$20,000,000	0.20 - 0.50%

Please note, the fee schedule for this service outlined above is not tiered. For example, if a client has \$7,000,000 in assets under management with our firm, based on the above schedule, the client's annual advisory fee charged will be \$70,000, assuming the maximum annual fee percentage is charged for each tier outlined above. The annualized fee will be calculated as follows: $(\$7,000,000 \times 1.00\%) = \$70,000$ annualized fee. For clients utilizing an outside portfolio manager, the aggregate fee charged for our firm's services as well as for the services for the outside portfolio manager, will not exceed the maximum Annual Fee Percentage disclosed above.

In general, the minimum investment for new clients is \$500,000 subject to a minimum account fee, which is generally \$6,250, however Sterling Financial Group, in its sole discretion can waive such minimums in limited circumstances, such as the referral of a client's family member, or professional referrals.

Although clients do not pay transaction charges in the Wrap Program account, clients should be aware that the Firm typically pays an asset-based fee to the account custodian to cover the cost of transactions placed in client accounts. Since the Firm absorbs certain transaction costs in Wrap Program accounts, the Firm has a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, a conflict of interest exists whereby an incentive exists to place trades less frequently in a wrap fee arrangement.

The advisory fee is shared between Sterling Financial Group and its advisors. Sterling Financial Group takes its responsibility to clients seriously and will recommend a custodian to clients only if it believes it is in the client's best interest.

Clients do not pay a transaction charge in the Wrap Program; however, clients should be aware that Sterling Financial Group pays the account's custodian for trading costs. With respect to accounts at held LPL and certain accounts held at Schwab, the Firm pays a single asset-based fee to cover the cost of transactions placed in client account. With respect to certain other accounts held at Schwab, the Firm pays a transaction charge to the custodian for each transaction in the account. The transaction charges vary based on the type of transaction (e.g., mutual fund, equity, or fixed income security). The decision of whether to set up the account for asset-based pricing or per transaction pricing is made by Sterling Financial Group at the time a client establishes an account with the custodian. The Firm attempts to select the least expensive option and considers such factors as estimated transactions per year and the estimated cost per transaction. When the Firm pays transaction charges rather than an asset-based fee, there is a conflict of interest because there is a financial incentive for Sterling Financial Group to avoid transactions in the client's account, or to place such trades less frequently. Clients should also understand that the amount of the transaction charges paid by the Firm is a factor that the Firm considers when deciding which securities to select, how frequently to place transactions, and the level of advisory fee to charge the client. Although the Firm believes its fees are reasonable, clients should be aware that lower fees for comparable services, or alternative services, can be available from other sources.

To hire Sterling Financial Group to provide management services, clients will be asked to enter into a written investment advisory agreement with the Firm. This agreement will set forth the terms and conditions of the relationship, including the amount of the investment advisory fee.

In the event, the advisory agreement is terminated in writing to Sterling Financial Group before the end of the quarterly period, clients are entitled to a pro-rated refund of any pre-paid quarterly advisory fee based on the number of days remaining in the quarter after the termination date.

Other Types of Fees and Charges:

Client accounts will incur additional fees and charges from parties other than the Firm as noted below. These additional fees and charges are separate and in addition to the advisory fee paid to Sterling Financial Group.

Our firm does not share in any portion of these third-party fees.

The custodian and broker-dealer providing brokerage and execution services on client accounts will impose certain fees and charges. The custodian notifies clients of these charges at account opening and generally makes available a list of these fees and charges on its website. The custodian will deduct these fees and charges directly from the client's account.

Some of these fees and charges are described below:

- If a client account invests in mutual funds or exchange-traded funds ("ETFs"), please note that as a shareholder of the fund, a management fee will apply, in addition to paying us an advisory fee for managing the assets. As many of the funds available can be purchased directly, the second layer of fees could be avoided by not using Sterling Financial Group's management services and by the client making their own fund investment decisions.
- The fees not included in the advisory fee for our wrap services are charges imposed directly by a mutual fund, index fund, or exchange-traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), fees for trades executed away from the custodian, mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.
- Certain mutual funds impose fees and charges such as contingent deferred sales charges, early redemption fees and charges for frequent trading. These charges will apply if a client transfers into or purchases such a fund in the account.
- Although only no-load and load-waived mutual funds can be purchased in a client's account, clients should understand that some mutual funds pay asset-based sales charges or service fees to the custodian.
- If a client holds a variable annuity as part of an account, there are mortality, expense, and administrative charges. The annuity Sponsor can also impose fees for additional contract riders, and charges for excessive transfers within a calendar year.
- Certain retirement accounts - IRA and qualified retirement plan fees.
- Certain trust accounts - Administrative servicing fees for trust accounts.

- Unit investment trusts (“UIT”) - creation and development fees or similar fees imposed by UIT sponsors.
- Alternative investments - Hedge fund and managed future investment management fees, managed futures investor servicing fees, and business development company fees.
- Sweep money market funds and cash balances other fees based on average daily deposit balances.
- Other charges required by law and imposed by the executing broker/dealer or custodian.

Further information regarding fees assessed by a mutual fund or variable annuity is available in the appropriate prospectus, which is available upon request from Sterling Financial Group or from the product sponsor directly.

Other Important Considerations:

- The advisory fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. The fee under the Wrap Program can cost the client more than purchasing the program services separately, outside of the Wrap Program. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the type and size of the account, historical and or expected size or number of trades for the account, and number and range of supplementary advisory and client-related services provided to the client.
- The advisory fee can also cost the client more than if assets were held in a traditional brokerage account. In a brokerage account, a client is charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a commission-based brokerage account rather than a wrap fee program account.
- Sterling Financial Group is recommending the advisory account to the client and receives compensation as a result of the client’s participation. This compensation includes the advisory fee described above and can also include other compensation, such as bonuses, awards or other things of value offered by our custodians to Sterling Financial Group or its advisors. The amount of this compensation can be more or less than what the Firm would receive if the client participated in other advisory programs, programs of other investment advisors or paid separately for investment advice, brokerage, and other client services. Therefore, Sterling Financial Group has a financial incentive to recommend the Wrap Program account over other programs and services. Sterling Financial Group takes its responsibilities seriously and will only recommend that clients utilize the Wrap Program if the Firm believes it is appropriate and, in the client’s, best interest.
- Most investment products available to be purchased in the client account can be purchased by clients outside of the account, through broker-dealers or other investment firms not affiliated with Sterling Financial Group.

Item 5 - Types of Clients and Account Requirements

Sterling Financial Group typically offers its Wrap Program to Individuals, High-Net-Worth Individuals, Trusts,

Estates, Charitable Organizations, Pension and Profit-Sharing Plans, as well as Corporations, Limited Liability Companies and/or other types of businesses.

In general, the minimum investment for new clients is \$500,000 subject to a minimum annual fee of \$6,250, however Sterling Financial Group, in its sole discretion can waive such minimums in limited circumstances, such as the referral of a client's family member, or professional referrals.

Item 6 - Portfolio Manager Selection and Evaluation

Our firm utilizes our in-house portfolio managers as well as a selection of outside portfolio managers. In-house accounts are managed by licensed investment adviser representatives ("IARs") of our firm. Prior to becoming licensed with our firm, each IARs industry experience, licensure, outside business activities, client complaints (if any), disciplinary or regulatory history (if any) and financial well-being will be reviewed. Each IAR will then have a Form U4 and ADV Part 2B on file with our firm. Outside portfolio managers, either individually or firm-wide, are selected based on past performance, investment philosophy, market outlook, experience of associated portfolio managers and executive team, disciplinary, legal, and regulatory histories of the firm and its associates, and/or whether compliance procedures are in place to address at a minimum, insider trading, conflicts of interest, and/or anti-money laundering.

For client accounts where LPL Financial and/or Schwab serves as the custodian, LPL and/or Schwab performs certain administrative services for Sterling Financial Group, including generation of quarterly performance reports for client accounts. Sterling Financial Group relies on the accuracy of the reporting generated by LPL and/or Schwab. Clients will receive a quarterly report, which provides performance information on a time weighted basis. The performance reports are intended to inform clients as to how their investments have performed for a period, both on an absolute basis and compared to leading investment indices. For client accounts where Charles Schwab & Co. serves as the custodian, clients will receive quarterly performance reports. Clients are encouraged to review periodic statements received from Charles Schwab & Co. to determine the performance of the account.

Methods of Analysis and Investment Strategies:

The Firm is committed to helping clients achieve their financial goals and objectives. After developing a thorough understanding of a client's risk tolerance and their short and long-term goals, they are assigned an appropriate investment objective and then a customized investment portfolio.

We then choose an appropriate asset allocation is then chosen to realize a client's desired rate of return with an acceptable amount of risk. We utilize our experience to ensure client accounts are properly diversified and not subject to the volatility of a single sector, industry, or asset class. We monitor our clients' managed accounts and rebalance as necessary, to ensure that they are aligned with their account objective. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Preferred Securities

We generally use the following types of investments: mutual funds (including asset allocation funds, index funds, international funds, emerging market funds, real estate funds, high yield bond funds and funds that short the market), ETFs (including commodity funds, precious metal funds, and agricultural funds), variable annuity subaccounts, alternative investments (including managed futures funds, hedge funds, real estate investment trusts and business development companies), individual stocks and bonds, and other more complex or

specialized instruments. The investments selected for your particular account will depend upon your investment objective, level of risk tolerance, sensitivity to taxes, and other factors.

When selecting mutual funds, ETFs, and third-party money managers, we examine the experience, expertise, investment philosophies, and past performance of the manager. We do this to determine if that manager has successfully demonstrated an ability to invest over a period of time and in different economic or market conditions. For money managers, we monitor the manager's underlying holdings, strategies, concentrations, and leverage as part of our overall periodic risk assessment.

- **Alternative Investments:** Hedge funds, commodity pools, Real Estate Investment Trusts ("REITs"), Business Development Companies ("BDCs"), and other alternative investments involve a high degree of risk and can be illiquid due to restrictions on transfer and lack of a secondary trading market. They can be highly leveraged, speculative, and volatile, and an investor could lose all or a substantial amount of an investment. Alternative investments may lack transparency as to share price, valuation, and portfolio holdings. Complex tax structures often result in delayed tax reporting. Compared to mutual funds, hedge funds and commodity pools are subject to less regulation and often charge higher fees and may require "capital calls" which would require additional investment. Alternative investment managers typically exercise broad investment discretion and may apply similar strategies across multiple investment vehicles, resulting in less diversification.
- **Business development companies ("BDCs")** are operated for the purpose of making investments in small and developing business, as well as financially troubled businesses. BDCs can also make managerial assistance available to certain companies in its portfolio. BDCs are only required to disclose net asset value on a quarterly basis. BDCs are often characterized as a publicly traded venture capital or private equity firm that is subject to certain provisions of the Investment Company Act. BDCs can be speculative investments because of the types of investments they make. These risks include, but are not limited to, portfolio company credit and investment risk, leverage risk, market and valuation risk, price volatility risk, liquidity risk, capital markets risk, interest rate risk, dependence on key personnel, and structural and regulatory risk.
- **Cash & Cash Equivalents:** Cash and cash equivalents generally refer to either United States dollars or highly liquid short-term debt instruments such as, but not limited to, treasury bills, bank CD's and commercial paper. Generally, these assets are considered nonproductive and will be exposed to inflation risk and considerable opportunity cost risk. Investments in cash and cash equivalents will generally return less than the advisory fee charged by our firm. Our firm may recommend cash and cash equivalents as part of our clients' asset allocation when deemed appropriate and in their best interest. Our firm considers cash and cash equivalents to be an asset class. Therefore, our firm assess an advisory fee on cash and cash equivalents unless indicated otherwise in writing.
- **Debt Securities (Bonds):** Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. Bonds with longer rates of maturity tend to have greater interest rate risks.

Certain additional risk factors relating to debt securities include: (a) When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.; (b) Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.; (c) Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices. (d) Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors. Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond, to the possible risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.; (e) If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.; (f) There may be little trading in the secondary market for particular debt securities, which may affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

Our firm attempts to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that our firm will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

- **Exchange Traded Funds ("ETFs"):** An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to typically achieve the same return as a particular market index. The vast majority of ETFs are designed to track an index, so their performance is close to that of an index mutual fund, but they are not exact duplicates. A tracking error, or the difference between the returns of a fund and the returns of the index, can arise due to differences in composition, management fees, expenses, and handling of dividends. ETFs benefit from continuous pricing; they can be bought and sold on a stock exchange throughout the trading day. Because ETFs trade like stocks, you can place orders just like with individual stocks - such as limit orders, good-until-canceled orders, stop loss orders etc. They can also be sold short. Traditional mutual funds are bought and redeemed based on their net asset values ("NAV") at the end of the day. ETFs are bought and sold at the market prices on the exchanges, which resemble the underlying NAV but are independent of it. However, arbitrageurs will ensure that ETF prices are kept very close to the NAV of the underlying securities. Although an investor can buy as few as one share of an ETF, most buy in board lots. Anything bought in less than a board lot will increase the cost to the investor. Anyone can buy any ETF no matter where in the world it trades. This provides a benefit over mutual funds, which generally can only be bought in the country in which they are registered.

One of the main features of ETFs are their low annual fees, especially when compared to traditional mutual funds. The passive nature of index investing, reduced marketing, and distribution and accounting expenses all contribute to the lower fees. However, individual investors must pay a brokerage commission to purchase and sell ETF shares; for those investors who trade frequently, this can significantly increase the cost of investing in ETFs. That said, with the advent of low-cost brokerage fees, small or frequent purchases of ETFs are becoming more cost efficient.

Actively managed ETFs involve a fund manager or management team that researches investment opportunities and actively selects the ETF's portfolio securities and allocation, according to the investment goals that they seek to reach. These ETFs can provide investors/traders with an investment that aims to deliver above-average returns. Actively managed ETFs have the potential to benefit mutual fund investors and fund managers as well. If an ETF is designed to mirror a particular mutual fund, the intraday trading capability will encourage frequent traders to use the ETF instead of the fund. This will reduce cash flow in and out of the mutual fund, making that portfolio easier to manage and more cost-effective. In turn, this can potentially enhance the mutual fund's value for its investors.

- **Equity Securities:** Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices. There may be little trading in the secondary market for particular equity securities, which may adversely affect our firm's ability to value accurately or dispose of such equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities. Investing in smaller companies may pose additional risks as it is often more difficult to value or dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.
- **Index Fund:** A mutual fund or exchange-traded fund ("ETF") designed to follow certain preset rules so that the fund can track a specified basket of underlying investments. Those rules may include tracking prominent indexes like the S&P 500 or the Dow Jones Industrial Average or implementation rules, such as tax-management, tracking error minimization, large block trading or patient/flexible trading strategies that allows for greater tracking error, but lower market impact costs. Index funds may also have rules that screen for social and sustainable criteria. An index fund's rules of construction clearly identify the type of companies suitable for the fund. The most commonly known index fund, the S&P 500 Index Fund, is based on the rules established by S&P Dow Jones Indices for their S&P 500 Index. Equity index funds would include groups of stocks with similar characteristics such as the size, value, profitability and/or the geographic location of the companies. A group of stocks may include companies from the United States, Non-US Developed, emerging markets or Frontier Market countries. Additional index funds within these geographic markets may include indexes of companies that include rules based on company characteristics or factors, such as companies that are small, mid-sized, large, small value, large value, small growth, large growth, the level of gross profitability or investment capital, real estate, or indexes based on commodities and fixed-income. Companies are purchased and held within the index fund when they

meet the specific index rules or parameters and are sold when they move outside of those rules or parameters. Think of an index fund as an investment utilizing rules-based investing. Some index providers announce changes of the companies in their index before the change date and other index providers do not make such announcements.

Index funds must periodically "rebalance" or adjust their portfolios to match the new prices and market capitalization of the underlying securities in the stock or other indexes that they track. This allows algorithmic traders to perform index arbitrage by anticipating and trading ahead of stock price movements caused by mutual fund rebalancing, making a profit on foreknowledge of the large institutional block orders. This results in profits transferred from investors to algorithmic traders. One problem occurs when a large amount of money tracks the same index. According to theory, a company should not be worth more when it is in an index. But due to supply and demand, a company being added can have a demand shock, and a company being deleted can have a supply shock, and this will change the price. This does not show up in tracking error since the index is also affected. A fund may experience less impact by tracking a less popular index.

- **Managed futures funds, hedge funds and non-traded real estate investment trusts** can be purchased within accounts on a non-discretionary basis by clients meeting certain standards. Investing in these funds involves additional risk including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and can involve complex tax structures and delays in distributing tax information. You should be aware that many of these funds are illiquid, as there is no secondary trading market available.
- **Mutual Funds:** A mutual fund is a company that pools money from many investors and invests that money in a variety of differing security types based on the objectives of the fund. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares are the fund's per share net asset value ("NAV") plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which is calculated daily after market close.

The benefits of investing through mutual funds include: (a) Mutual funds are professionally managed by an investment adviser who researches, selects, and monitors the performance of the securities purchased by the fund; (b) Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.; (c) Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.; and (d) At any time,

mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages: (a) Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distributions they receive. This includes instances where the fund performed poorly after purchasing shares.; (b) Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.; and (c) With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds, however, are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit and cannot use losses to offset these gains.

- **Private Funds:** A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. In almost all cases, a private fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee along with a performance component. In many cases, the fund's managers may become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short.

The PPM covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following: (a) Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.; and (b) Private funds are subject to various other risks, including risks associated with the types of securities that the private fund invests in or the type of business issuing the private placement.

- **Structured Products:** are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists even if the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, can be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. There is the potential that investors will sacrifice a higher return to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product does not have a claim on the underlying investment, whether a security, zero coupon bond, or option. There can be little or no secondary market for the securities and information regarding independent market pricing for the securities can be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products can be different from other investments held in the account (e.g., income can be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

Investment Strategies

- **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. Usually included are hybrid instruments such as convertible bonds and preferred stocks, counting as a mixture of bonds and stocks. Other alternative assets that may be considered include: commodities: precious metals, nonferrous metals, agriculture, energy, others.; Commercial or residential real estate (also REITs); Collectibles such as art, coins, or stamps; 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.

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.
- **Bond Funds:** A fund that invests in bonds, or other debt securities. Bond funds can be contrasted with stock funds and money funds. Bond funds typically pay periodic dividends that include interest payments on the fund's underlying securities plus periodic realized capital appreciation. Bond funds typically pay higher dividends than a certificate of deposit ("CD") and money market accounts. Most bond funds pay out dividends more frequently than individual bonds.

Bond Funds can be classified by their primary underlying assets: (a) Government: Government bonds are considered safest, since a government can always "print more money" to pay its debt. In the United States, these are United States Treasury securities or Treasuries. Due to the safety, the yields are typically low.; (b) Agency: In the United States, these are bonds issued by government agencies such as the Government National Mortgage Association (Ginnie Mae), Federal Home Loan Mortgage Corp. (Freddie Mac), and Federal National Mortgage Association (Fannie Mae).; (c) Municipal: Bonds issued by state and local governments and agencies are subject to certain tax preferences and are typically exempt from federal taxes. In some cases, these bonds are even exempt from state or local taxes.; and (d) Corporate: Bonds are issued by corporations. All corporate bonds are guaranteed by the borrowing (issuing) company, and the risk depends on the company's ability to pay the loan at maturity. Some bond funds specialize in high-yield securities (junk bonds), which are corporate bonds carrying a higher risk, due to the potential inability of the issuer to repay the bond. Bond funds specializing in junk bonds – also known as "below investment-grade bonds" – pay higher dividends than other bond funds, with the dividend return correlating approximately with the risk. Bond funds may also be classified by factors such as type of yield (high income) or term (short, medium, long) or some other specialty such as zero-coupon bonds, international bonds, multisector bonds or convertible bonds.

Fund managers provide dedicated management and save the individual investor from researching issuer creditworthiness, maturity, price, face value, coupon rate, yield, and countless other factors that affect bond investing. Bond funds invest in many individual bonds, so that even a relatively small investment is diversified—and when an underperforming bond is just one of many bonds in a fund, its negative impact on an investor's overall portfolio is lessened. In a fund, income from all bonds can be reinvested automatically and consistently added to the value of the fund. Investors can sell shares in a bond fund at any time without regard to bond maturities.

Bond funds typically charge a fee, often as a percentage of the total investment amount. This fee is not applicable to individually held bonds. Bond fund dividend payments may not be fixed as with the interest payments of an individually held bond, leading to potential fluctuation of the value of dividend payments. The net asset value (“NAV”) of a bond fund may change over time, unlike an individual bond in which the total issue price will be returned upon maturity (provided the bond issuer does not default).

- **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 accounts:** When purchasing securities, the securities can be paid for in full, or it is possible to borrow part of the purchase price from the client’s account custodian or clearing firm. If borrowing funds in connection with the client account, the client will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm’s collateral for its loan to the client. If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to act in order to maintain the necessary level of equity in the account. The brokerage firm can issue a margin call and/or sell other assets in your account. It is important that each client fully understand the risks involved in trading securities on margin, which are applicable to any margin account that the client can maintain. These risks include the following: (i) the client can lose more funds than deposited in the margin account; (ii) the account custodian or clearing firm can force the sale of securities or other assets in the account; (iii) the account custodian or clearing firm can sell the client’s securities or other assets without contacting the client; (iv) the client is not entitled to choose which securities or other assets in the margin account can be liquidated or sold to meet a margin call; (v) the account custodian or clearing firm can move securities held in a cash account to the margin account and pledge the transferred securities; (vi) the account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and they are not required to provide the client advance written notice; and/or (vii) the client is not entitled to an extension of time on a margin call. 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.

However, in historical practice and as standard operating procedure, SFG does have margin accounts to cover payments or withdrawals on a temporary, short-term basis.

- **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.

- **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. This approach will result in added trading costs, and tax liabilities as short-term capital gains are taxed at a higher rate than long-term gains.

Risk of Loss

There are risks associated with investing in securities. The following highlights some of the risks associated with the types of investments that can be purchased for your account.

- Investing in any stock, bond, or any other investment such as a mutual fund, ETF or Separate Account involves **Issuer Risk**. Securities held in a client’s portfolio can experience positive or negative fluctuations including a decline in value because of changes in the financial condition of, or events affecting, the issuers of securities.
- Investing in any company, stock bond or any other investment such as a mutual fund, ETF or Separate Account involves **Management Risk**. Our firm’s opinion of the intrinsic worth of a company or security has the potential to be incorrect, not reflect current market expectations, and there is a potential for us to not make a timely purchase or sale of such securities.
- Investing in **any security** involves some level of risk; stocks, which represent equity or ownership in a company, are considered inherently risky and no return is predictable or guaranteed when investing in any stock or stock-based fund.
- Investing in **international markets** presents additional risks including currency fluctuations, the potential for diplomatic and political instability, regulatory and liquidity risks and foreign taxation among others. The risks of foreign investing are generally greater in emerging markets.
- **High yield bonds** carry greater risks than bonds rated as investment grade. For example, they are issued by organizations that do not qualify for an investment grade rating by one of the rating agencies because of the potential for higher default by the issuer. Further financial difficulties experienced by the issuer can result in a decrease in the market value of the bond, and this has the potential to make it impossible to liquidate the bond prior to maturity.

- **ETFs** are typically investment companies that are legally classified as open-end mutual funds or UITs. However, they differ from traditional mutual funds, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly traded companies. ETF shares can trade at a discount or premium to their net asset value. The difference between the bid price and the ask price is often referred to as the “spread.” The spread varies over time based on the ETF’s trading volume and market liquidity and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs (e.g.those that invest in commodities), are not registered as an investment company.
- **Real Estate Investment Trusts (“REITs”):** REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exempted status afforded under relevant laws.

REITs involve a high degree of risk and can be illiquid due to restrictions on transfer and lack of a secondary trading market. They can be highly leveraged, speculative, and volatile, and an investor could lose all or a substantial amount of an investment. Additionally, they may lack transparency as to share price, valuation, and portfolio holdings as they are subject to less regulation and often charge higher fees.

Performance Based Fees and Side-By-Side Management:

The Firm does not charge performance-based fees to clients.

Item 7 - Client Information Provided to Portfolio Managers

Sterling Financial Group, through its advisors, is responsible for portfolio management, at the account level. The Firm obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. This information is obtained through detailed discussions and by having the client complete a written investment advisory agreement and other documentation. Clients are encouraged to contact Sterling Financial Group if there have been any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. Clients should be aware that the investment objective selected for the account is an overall objective for the entire account and can be inconsistent with a particular holding and the account’s performance at any time. The Firm will share client financial data with outside portfolio managers, as necessary. Clients should be aware that achievement of the stated investment objective is a long-term goal for the account.

Item 8 - Client Contact with Portfolio Managers

Clients should contact Sterling Financial Group at any time with questions regarding their account(s).

Item 9 – Additional Information

Disciplinary Information:

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

Other Financial Industry Activities and Affiliations:

Acting as independent insurance agents, advisors of our firm can suggest that clients implement recommendations through an insurance company. If the client chooses to do so, this will present a conflict of interest to the extent that the advisor would receive normal and customary commissions as a licensed insurance agent. Clients can implement and execute such transactions through an advisor of our firm. However, clients are under no obligation to accept recommendations, or to execute transactions through individuals associated with our firm.

As a result of the relationship with LPL Financial, LPL Financial Advisors has access to certain confidential information (for example, financial information, investment objectives, transactions, and holdings) Sterling Financial Group's clients, even if the client does not establish any account through LPL Financial. If you would like a copy of LPL Financial's privacy policies, please contact Sterling Financial Group to request copies.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading:

The Firm recognizes that the personal investment transactions of its members and employees demand the application of a high code of ethics 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, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers, and employees for their personal accounts. To monitor compliance with our personal trading policy, personal securities transactions for all associates are routinely reviewed.

Therefore, to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers, and employees for their personal accounts. To monitor compliance with our personal trading policy, we review personal securities transactions for all our associates.

Furthermore, our firm has established a Code of Ethics which applies to all our associated persons, and requires that all employees of Sterling Financial Group:

- Act in accordance with our duty as a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to always act solely in the best interest of each of our clients. We have a fiduciary duty to all clients.
- 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.
- Attest annually and abide by our Insider Trading and Personal Securities Transactions Policies and Procedures.

- Conduct business with the highest level of ethical standards and to always comply with all federal and state securities laws.
- Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our Code of Ethics was adopted pursuant to SEC rule 204A-1.

This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

LPL Financial's parent company, LPL Investment Holdings Inc. (ticker symbol LPLA), is a publicly traded company. Charles Schwab & Company's parent company, The Charles Schwab Corporation (tickers symbol SCHW), is a publicly traded company. Sterling Financial Group does not recommend or solicit orders of LPL Investment Holdings Inc. or Charles Schwab & Co. stock in Asset Management accounts.

Brokerage Practices:

The Firm has a relationship with LPL Financial and Charles Schwab & Co. where they serve as custodian and executing broker/dealer for asset management accounts. In some cases, clients can choose to select another qualified custodian to execute asset management transactions. Sterling Financial Group requires that clients select and direct the custodian as the sole and exclusive broker/dealer to execute transactions for asset management accounts. All asset management transactions will be processed without commissions. While Sterling Financial Group believes that these custodians have execution procedures that are designed to obtain the best execution possible, there can be no assurance that best execution can be obtained. By selecting a particular custodian, clients have the potential to not achieve the most favorable execution.

Products and Services Available to Us from LPL

Sterling Financial Group receives support services and/or products from LPL Financial, many of which assist Sterling Financial Group to better monitor and service program accounts maintained at LPL Financial; however, some of the services and products benefit Sterling Financial Group and not client accounts. These support services and/or products can be received without cost, at a discount, and/or at a negotiated rate, and include the following:

- investment-related research
- pricing information and market data
- software and other technology that provide access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products and services used by Sterling Financial Group in furtherance of its investment advisory business operations

LPL Financial can provide these services and products directly or can arrange for third party vendors to provide the services or products to Sterling Financial Group. In the case of third-party vendors, LPL Financial can pay for some or all the third party's fees.

These support services are provided to Sterling Financial Group based on the overall relationship between Sterling Financial Group and LPL Financial. It is not the result of soft dollar arrangements or any other express arrangements with LPL Financial that involves the execution of client transactions as a condition to the receipt of services. Sterling Financial Group will continue to receive the services regardless of the volume of client transactions executed with LPL Financial. Clients do not pay more for services because of this arrangement. There is no corresponding commitment made by the Sterling Financial Group to LPL or any other entity to invest any specific amount or percentage of client assets in any specific securities because of the arrangement. However, because Sterling Financial Group receives these benefits from LPL Financial, there is a potential conflict of interest. The receipt of these products and services presents a financial incentive for Sterling Financial Group to recommend that its clients use LPL Financial's custodial platform rather than another custodian's platform.

Products and Services Available to Us from Schwab

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like Sterling Group. They provide Sterling Group and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (i.e., Sterling Group does not have to request them) and at no charge to us if we maintain a total of at least \$10 million of our clients' assets in accounts at Schwab. Below is a detailed description of Schwab's support services:

Schwab Services that Benefit You. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

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

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

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

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

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

Sterling Group's use of Schwab's services stated in the three preceding sections consists of utilizing their access to its institutional brokerage services, including the broad range of investment products, execution of the securities transactions and custody of our client assets. Schwab provides us access to Schwab Advisor Center, which provides us with client account data, facilitates trade execution, pricing and other market data, facilitates payment of our fees from our clients and other recording keeping functions. Sterling Group does attend some of the education seminars and conferences that Schwab hosts.

Sterling Financial Group's Beneficial Interest in Schwab's Services

The availability of these services from Schwab benefits us because Sterling Group does not have to produce or purchase them. Sterling Group does not have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum could give Sterling Group an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

Sterling Group believes, however, that our selection of Schwab as custodian/broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above) and not Schwab's services that benefit only us. We do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

While Sterling Financial Group strives to achieve the best execution possible for client securities transactions and believes that these custodians have execution procedures that are designed to obtain the best execution possible, there can be no assurance that best execution can be obtained. By selecting a particular custodian, clients have the potential to not achieve the most favorable execution. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. Consistent with the foregoing, while Sterling Financial Group will seek competitive rates, it is possible the firm will not necessarily obtain the lowest possible commission rates for client transactions.

To ensure that brokerage firms selected by Sterling Financial Group are conducting overall best qualitative execution, Sterling Financial Group will periodically (and no less often than annually) evaluate the trading process and brokers utilized. This evaluation will include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

The Firm seeks to make available only custodians who will hold client assets and execute transactions on terms that we feel are most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, but not limited to the following:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody).
- Capability to execute, clear and settle trades (buy and sell securities for your account).
- Capability 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, ETFs, etc.).
- Availability of investment research and tools that assist in making investment decisions.
- Competitive pricing 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 Sterling Financial Group and its clients.
- Availability of other products and services that benefit us, as discussed below.

The Firm has a non-soft-dollar arrangement with the custodians from which services are received, such as research and administrative functions, including portfolio pricing, account statement generation and fee calculations, software and other technology that provide access to client account data, and attendance at conferences, meetings and other educational and/or social events. These services are intended to support our firm in conducting business and in serving the best interests of our clients. Our firm does not receive client brokerage commissions (or markups or markdowns) in exchange for research or other products or services. Our recommendation of a qualified custodian to our clients is based on our clients' interests in receiving the best execution and the level of competitive, professional services that the qualified custodians provide.

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

Sterling Financial Group typically aggregates orders. The advantages to aggregating are that the orders are handled in a way that mitigates market impact (as applicable and possible) and that each client gets the same (average) execution price. We can determine not to aggregate transactions, for example, based

on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities, and the discretionary or non-discretionary nature of the trades. If orders are not aggregated, some clients purchasing securities around the same time will possibly receive a less favorable price than other clients. This means that the practice of not aggregating can cost clients more money.

Review of Accounts:

Wrap Program accounts are reviewed individually on a periodic basis, no less than annually, and changes are made to such accounts as appropriate. Such factors that would cause a change to a client's asset allocation or individual investments would include, among other things, our assessment of the economic climate, specific investment attributes, outlook, and relative value, as well as our understanding of our client's overall objectives, cash flow needs and goals. Please see Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss, for details on our review process.

Any activity in a Wrap Program account will be reflected on the monthly or quarterly statement from the account's custodian, showing account activity as well as positions held in the account at month end. For managed accounts where LPL Financial and Schwab serves as the custodian, you will also receive a detailed quarterly performance report prepared by LPL Financial and Schwab on behalf of Sterling Financial Group.

Client Referrals and Other Compensation:

Currently, Sterling Financial Group does not have any solicitation or referral arrangements in place whereby the firm compensates non-employee referring parties for client referrals. However, Sterling Financial Group can in the future enter into agreements with individuals and organizations, some of whom will be affiliated or unaffiliated with the firm, that refer clients to the firm. All such agreements will be in writing and comply with the applicable state and federal regulations.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisers whose clients maintain their accounts at Schwab. In addition, Schwab has also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at Schwab reaches a certain size. You do not pay more for assets maintained at Schwab because of these arrangements. However, we benefit from the arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above.

Custody:

Debiting Fees Directly From Advisory Client's Accounts

While our firm does not maintain physical custody of client assets (which are maintained by a qualified custodian, as discussed above), we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts, as further described below under "Third Party Money Movement." All of our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to carefully review these statements. Additionally, if our firm decides to send its own account statements to clients, such statements will include a legend that recommends the client compare the account statements received from the qualified

custodian with those received from our firm. 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. 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.

Investment Discretion:

The Firm accepts discretionary authority over the management of client accounts in the Wrap Program. Discretionary authority is limited only to affecting trades in client accounts. We will determine the type and the amount of securities that are bought or sold without obtaining client consent for each trade. Clients must sign a discretionary investment advisory agreement with our firm for the management of an account. Clients can also elect to have us maintain accounts on a non-discretionary or non-managed basis.

Voting Client Securities:

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

Financial Information:

Sterling Financial Group does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Sterling Financial Group does not have any financial commitments that impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.