

# Stonebridge Capital Management IV, LLC

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## Stonebridge Capital Management IV, LLC

### Brochure

### Dated March 31, 2011

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This brochure provides information about the qualifications and business practices of Stonebridge Capital Management IV, LLC. If you have any questions about the contents of this brochure, please contact us at (973) 244-9696 or [rah@sbcm.net](mailto:rah@sbcm.net). 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 Stonebridge Capital Management IV, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Stonebridge Capital Management IV, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes made to Stonebridge Capital Management IV LLC's disclosure statement since last year's Annual Amendment filing on April 5, 2010.

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#### Item 4            Advisory Business

- A. Stonebridge Capital Management IV, LLC (the “Registrant”) is a limited liability company formed on March 1, 2001 in the state of New Jersey. The Registrant became registered as an Investment Adviser Firm in June 2001. The Registrant is owned by Stonebridge Financial, Inc. Robert Harclerode is the Registrant’s Managing Member.
- B. As discussed below, the Registrant, through its affiliated SEC registered investment adviser, Stonebridge Capital Management (“*Stonebridge I*”), offers to its clients (individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

##### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant, pursuant to a sub-advisory agreement between Registrant and *Stonebridge I*, to provide discretionary investment advisory services on a *fee* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management on a stepped up basis as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
<b>First \$99,999</b>	<b>1.80 %</b>
<b>Next \$400,000</b>	<b>1.50 %</b>
<b>Next \$500,000</b>	<b>1.25 %</b>
<b>Next \$2,000,000</b>	<b>1.00 %</b>
<b>Next \$2,000,000</b>	<b>0.75 %</b>
<b>Over \$4,999,999</b>	<b>0.50 %</b>

Registrant, through *Stonebridge I*, may also render discretionary investment management services to clients relative to: (1) variable annuity products they may own, or (2) their individual employer sponsored retirement plans. In so doing, Registrant either directs the allocation of client assets among the various mutual fund subdivisions which comprise the variable annuity product or the retirement plan. For these services, Registrant’s management fee is paid quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. Client assets shall be maintained at either the specific insurance company that issued the variable annuity product which is owned by the client, or at the custodian designated by the sponsor of the client’s retirement plan.

##### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant, pursuant to a sub-advisory agreement between Registrant and *Stonebridge I*, may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant’s planning and consulting fees are negotiable, but generally range from \$2,500 to \$10,000 on a fixed fee basis, and from \$60 to \$275 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the

service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant's representatives in their individual capacities as registered representatives of a broker-dealer, accountants and/or licensed insurance agents. (*See* disclosure at Item 10 C.1, 10 C.6 and 10 C.8). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

#### **COMPREHENSIVE REPORTING**

In addition to the financial planning and investment management services described above, the Registrant may also provide, generally for a separate and additional fee, investment data storage and periodic comprehensive investment reports which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by the Registrant (the "*Excluded Assets*"). Should the client desire reporting services, the client will be required to acknowledge that with respect to the *Excluded Assets*, the Registrant's service is limited to reporting services only and **does not** include investment management, review, or monitoring services, nor investment recommendations or advice. As such, the client, and not the Registrant, shall be exclusively responsible for the investment performance of the *Excluded Assets*. In the event the client desires that the Registrant provide investment management services with respect to the *Excluded Assets*, the client may engage the Registrant to do so for a separate and additional fee in accordance with the fee schedule set forth above.

#### **REPORTING SERVICES AND AGGREGATED DATA STORAGE**

In addition to the aforementioned services, Registrant offers investment data storage and comprehensive reporting services which may be provided separately or as part of the Registrant's other services. The client's assets subject to this service, may be separate from those for which Registrant provides investment management, review, monitoring and/or for which Registrant provides investment recommendations or advice. The Investment Advisory and/or Financial Planning Agreement between Registrant and the client shall describe the services offered and delineate those assets which will receive no services other than investment data storage and comprehensive reporting services (referred to as "*Excluded Assets*"). Should the client desire reporting services, the client will be required to acknowledge that with respect to the *Excluded Assets*, the Registrant's service is limited to reporting services only and **does not** include investment management, review, or monitoring services, nor investment recommendations or advice. As such, the client, and not the Registrant, shall be exclusively responsible for the investment performance of the *Excluded Assets*. In the event the client desires that the Registrant provide investment management services with respect to the *Excluded Assets*,

the client may engage the Registrant to do so for a separate and additional fee in accordance with the fee schedule set forth above.

## **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant, through *Stonebridge I*, may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of the Registrant in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Independent Managers.** The Registrant, through *Stonebridge I*, may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Sub-Advisory Arrangements.** The Registrant may engage sub-advisors for the purpose of assisting the Registrant with the management of its client accounts. The sub-advisor(s) shall have discretionary authority for the day-to-day management of the assets that are allocated to it by the Registrant. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by the Registrant. The Registrant shall pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. Specifically, the Registrant has a sub-advisory agreement with its affiliated SEC registered investment adviser, *Stonebridge I*. (See Item 10.C.3 below.). The Registrant's Chief Compliance Officer, Robert Harclerode, remains available to address any questions concerning the Registrant's sub-advisory arrangements.

**Amerivest Investment Management, LLC.** Registrant has an agreement with TD Ameritrade, Inc.'s affiliate, Amerivest Investment Management, LLC, an investment adviser registered with the SEC ("Amerivest"), dated April 1, 2007 (the "Agreement"). Under the Agreement, Amerivest provides an internet asset allocation service ("Service") as a sub-advisor to Registrant. Registrant uses the Service as a tool in making investment

decisions for its clients that have established Ameritrade ASA Accounts (“ASA Accounts”). The Service provides asset allocation recommendations, generally in the form of Exchange Traded Funds (“ETFs”), that are based upon the application of Amerivest’s computer-based models to specific categories of information that Registrant provides to Amerivest regarding the Client. This information may not include all of the Client’s individual financial circumstances that Registrant considers when making investment decisions for the Client and the Service recommendations may not be consistent with the Client’s financial situation or goals, including those which may have been provided to TD Ameritrade, Inc. with respect to its accounts at TD Ameritrade, Inc. Registrant makes the final investment decisions and suitability determinations with respect to investments for its Clients’ accounts and neither Amerivest nor TD Ameritrade, Inc. assumes any responsibility for Registrant’s investment decisions or the suitability of the investments for Registrant’s Clients. TD Ameritrade, Inc. will not charge commissions on transactions in ETFs in Registrant’s Client’s ASA Accounts, including transactions to liquidate positions transferred into such accounts.

Registrant pays Amerivest an annual sub-advisory fee, payable quarterly, for this Service. The fee is based on the amount of Client assets that Registrant places or commits to place in the Service, net of withdrawals. Client assets that are “plan assets” of plans subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or of a plan as defined in Section 4975 of the Internal Revenue Code will be excluded from the determination of the level of Client assets in the Service for the purpose of the fee computation.

The basic fee to Registrant for the Service is 30 basis points per year for each client account. There is a \$25,000 minimum asset requirement per Client account. The basic fees are reduced when Registrant places or commits to place more Client assets in the Service. The basic fee is reduced for all Client accounts when Registrant places or commits to place \$1 million or more of Client assets in the Service and is reduced further when Registrant places or commits to place \$5 million or more of Client assets in the Service. If Registrant places or commits to place \$1 million to \$4,999,999.99 of Client assets in the Service, Registrant will have the annual fee reduced to 25 basis points. If Registrant commits to place such amount but in fact does not within ninety (90) days, Registrant will be charged at the basic rate. Similarly, if Registrant places or commits to place \$5 million or more of client assets in the Service, Registrant will have the annual fee reduced to 20 basis points. If Registrant commits to place such amount but in fact does not within ninety (90) days, Registrant will be charged at the rate applicable to \$1 million or more if that level is reached or, if not, at the basic rate. The actual amount Registrant pays will be based on the market value of client assets in the Service on the last day of each calendar quarter multiplied by one fourth of the applicable fees.

Registrant determines the amount of the investment management fees it charges to Clients. Registrant may include the amount of fees it pays to Amerivest for the Service in the fees it charges and may or may not pass on to Clients any fee reduction Registrant receives in connection with the Service. Although Registrant currently believes that the TD Ameritrade, Inc. custody and brokerage services and the Amerivest sub-advisory Service are competitive in the marketplace for similar services offered by other broker-dealers, custodians and advisers, the Agreement with Amerivest and the fee structure for it as described herein for the Amerivest Service may effect Registrant’s independent judgment in selecting or maintaining TD Ameritrade, Inc. as the broker or custodian for client accounts and Amerivest as sub-advisor.

**Trade Error Policy.** Registrant shall reimburse accounts for losses resulting from the Registrant's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Registrant's custodian firm account and Registrant retains the net gains and losses.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the *Investment Advisory Agreement or Financial Planning and Consulting Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. The Registrant, through *Stonebridge I*, shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2010, the Registrant had \$12,649,398 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage the Registrant, through *Stonebridge I*, to provide discretionary investment advisory services on a *fee* basis.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage the Registrant, through *Stonebridge I*, to provide discretionary investment advisory services on a *fee* basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management on a stepped up basis as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
<b>First \$99,999</b>	<b>1.80 %</b>
<b>Next \$400,000</b>	<b>1.50 %</b>
<b>Next \$500,000</b>	<b>1.25 %</b>

Next \$2,000,000	1.00%
Next \$2,000,000	0.75%
Over \$4,999,999	0.50%

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, the Registrant, through *Stonebridge I*, may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$2,500 to \$10,000 on a fixed fee basis, and from \$60 to \$275 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that SEI Investments Company ("*SEI*") or TD Ameritrade, Inc. ("*TD Ameritrade*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *SEI* and/or *TD Ameritrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires a minimum asset level of \$500,000 for investment advisory services. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall debit the account for the pro-rated portion of the unpaid advanced advisory fee based upon the number of days that services were provided during the billing quarter



E. **Securities Commission Transactions.** In the event that the client desires, the client can engage Registrant's representatives, in their individual capacities, as registered representatives of *Cadaret, Grant & Co.* ("*Cadaret*"), an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *Cadaret*, *Cadaret* will charge brokerage commissions to effect securities transactions, a portion of which commissions *Cadaret* shall pay to Registrant's representatives, as applicable. The brokerage commissions charged by *Cadaret* may be higher or lower than those charged by other broker-dealers. In addition, *Cadaret* as well as Registrant's Representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *Cadaret* presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. **The Registrant's Chief Compliance Officer, Robert Harclerode, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However,** a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations. The Registrant

generally requires a minimum asset level of \$500,000 for investment advisory services. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur

higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend the use of margin. This strategy has a high level of inherent risk. (*See* discussion below).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

- C. Currently, the Registrant, through *Stonebridge I*, primarily allocates client investment assets among various no-load mutual fund classes and independent managers, on a discretionary basis, in accordance with the client's designated investment objective(s). (*See* Independent managers above.).

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. **Registered Representatives of Cadaret.** As disclosed above in Item 5.E, certain of Registrant's Principal and representatives are also registered representatives of *Cadaret*, a FINRA member broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
  - 1. **Broker Dealer.** As disclosed above in Item 5.E, certain of Registrant's representatives are registered representatives of *Cadaret*, a FINRA member broker-dealer. Clients can choose to engage Registrant's Principal and/or Representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

3. **Other Investment Adviser.** The Registrant provides investment management services to its clients through its affiliated SEC registered investment adviser, *Stonebridge I*. Robert Harclerode, the President of *Stonebridge I* and the Managing Member of the Registrant, is also the Managing Member of Stonebridge Capital Management II, LLC, Stonebridge Capital Management III, LLC, Stonebridge Capital Management VI, LLC, Stonebridge Capital Management VIII, LLC, and Stonebridge Capital Management IX, LLC. (*See Sub-Advisory Arrangements Above*).
8. **Licensed Insurance Agents.** Certain of Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4 B above, clients can engage certain of Registrant's representatives to effect insurance transactions on a commission basis.

**Conflict of Interest:** The recommendation by Registrant's representatives that a client purchase a securities or insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's Principal and/or its representatives. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, Robert Harclerode, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a

security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *SEI and/or TD Ameritrade*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *SEI and/or TD Ameritrade* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value

of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *SEI and/or TD Ameritrade* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be 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, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *SEI and/or TD Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *SEI and/or TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**TD Ameritrade Advisor Institutional Program.** Advisor participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of *TD Ameritrade*, member FINRA/SIPC. *TD Ameritrade* is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from *TD Ameritrade* through its participation in the program.

**The Registrant's Chief Compliance Officer, Robert Harclerode, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.

3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to “batch” the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, Robert Harclerode, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian

and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

#### **Item 14            Client Referrals and Other Compensation**

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *SEI and/or TD Ameritrade*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *SEI and/or TD Ameritrade*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *SEI and/or TD Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *SEI and/or TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Robert Harclerode, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

#### **Item 15            Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.



## **Item 16          Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17          Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **Item 18          Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Robert Harclerode, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**