



Sequoia Financial Advisors, LLC

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This Brochure provides information about the qualifications and business practices of Sequoia Financial Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at (888) 225-3777 and/or [www.sequoia-financial.com](http://www.sequoia-financial.com). 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.

Sequoia Financial Advisors, LLC is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser, provide you with information about which you determine to hire or retain an Adviser.

Additional information about Sequoia Financial Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This section discusses only material changes to Sequoia Financial Advisors, LLC's Form ADV Part 2A Brochure since the date of our last annual update. The date of our last Disclosure Document Brochure was July 13, 2012. The only material updates made at that time were to update references to reflect a change in investment advisory fee refunds to clients (within Item 5), solicitor arrangements (within Item 14), and information related to Custody by Sequoia Financial Advisors (Item 15).

Our Disclosure Document Brochure has now been updated as of October 30, 2012 to reflect an update in regard to solicitor arrangements (within Item 14).

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure, dated July 13, 2012, is prepared according to the SEC's requirements and rules.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Sequoia Financial Advisors, LLC at 1-888-225-3777 or sending a request via our website under "Contact Us." Our Brochure is also available on our web site [www.sequoia-financial.com](http://www.sequoia-financial.com), under the **Disclosures** Link.

Additional information about Sequoia Financial Advisors, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Sequoia Financial Advisors, LLC who are registered, or are required to be registered, as Investment Adviser Representatives of Sequoia Financial Advisors, LLC.

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## **Item 4 – Advisory Business**

### **Firm Overview:**

Sequoia Financial Advisors, LLC [“Sequoia Financial Advisors”, “us”, or “we”] is an Ohio limited liability company, founded in 2000, and is a Registered Investment Advisory firm under the Investment Advisor Act of 1940. We have been an SEC Registered Investment Advisor since 2002, and are 100% owned by Sequoia Financial Group, LLC, an independent financial services firm formed in 1991. Sequoia Financial Group, LLC is owned by Cohen Sequoia Enterprises, Ltd. Sequoia Financial Group, LLC has arrangements with Cohen & Company, Ltd. and its affiliates, firms engaged in the practice of public accounting. While Cohen & Company, Ltd. and/or its affiliates do not directly or indirectly control Sequoia Financial Advisors, certain members of Cohen & Company, Ltd. maintain an indirect ownership in Sequoia Financial Advisors through the entity called Cohen Sequoia Enterprises, Ltd (CSE, Ltd). Sequoia Financial Advisors’ President, Thomas Haught and Chief Financial Officer, Gerald Knotek, each have an ownership interest in CSE, Ltd.

Sequoia Financial Advisors offers many different services as a Registered Investment Advisor. We offer these services through individual Investment Advisory Representatives (“IAR”), who may also be Registered Representatives of ValMark Securities, Inc. (Member FINRA, SIPC). Sequoia Financial Advisors provides investment advisory services on a discretionary and non-discretionary basis. We tailor our investment advisory services to the individual needs of our clients. Clients may impose restrictions on investing in certain securities or types of securities.

### **Wealth Planning Services:**

One segment of Sequoia Financial Advisors’ investment advisory business offers clients a written financial plan involving, but not limited to, estate planning, insurance planning, retirement planning and/or investment planning. These services are generally referred to as “Wealth Planning Services” and may or may not include specific investment advice. Sequoia Financial Advisors’ Wealth Planning Services involve the gathering of personal and financial data, establishing the Clients’ needs, goals and objectives and processing and analysis of this information to develop a specific plan designed to assist a Client as they work to try and meet their stated objectives. For Wealth Planning Services, clients execute an Engagement Letter which outlines the specific wealth planning services to be provided, and the fees associated with those services. General asset categories may be recommended in the written financial plans, along with specific investment advice about individual investments.

**Investment Management Services:**

Sequoia Financial Advisors also offers investment management services, which are typically managed by IARs on a limited-discretionary basis for a fee, based on a percentage of assets under management. The services include investment analysis, allocation of investments in mutual funds and/or general securities, regular account updates, and ongoing monitoring services of the client's portfolio. Our Investment Management Services offerings also include family office services. When investment management services are provided, clients sign an Advisory Services Agreement (titled: *Sequoia Client Agreement*).

Through our investment management services, Sequoia Financial Advisors may offer our proprietary allocation models, or a customized investment program to clients. In some instances, our IARs may offer investment products, if applicable and appropriate to the client, in their capacity as a Registered Representative with ValMark Securities, Inc.

For discretionary accounts, the client grants us limited trading authority (discretionary authority) in their account by executing appropriate documents with our qualified custodian (Schwab). The discretionary authority allows Sequoia Financial Advisors to enter securities transactions on the client's behalf, determining which securities and the amount of securities to buy or sell. The client is notified of all transactions by trade confirmations from Schwab and through communications with their Sequoia Financial Advisors Managing Planner.

For non-discretionary accounts, Sequoia Financial Advisors prepares securities recommendations as it does for discretionary accounts, but provides these recommendations to the client directly so if they accept, the client can provide approval instructions to Sequoia Financial Advisors to proceed with the provided recommendations.

As of 01/31/2012, discretionary Assets under Management, \$507,132,298

As of 01/31/2012, non-discretionary Assets under Management, \$82,995,578

**Retirement Planning Consulting Services:**

Sequoia Financial Advisors offers Retirement Planning Consulting Services to employee benefit plans, including but not limited to 401(k), 403(b), 457, Money Purchase Pension Plans, Cash Balance Plans, Defined Benefit Pension Plans, etc., and the plan sponsors based upon an analysis of the needs of the plan. It is the "plan sponsor" who is our client. In general, these services may include service as an ERISA §3(21)(A)(ii) investment fiduciary, an existing plan review, plan design consulting, vendor search, formation of an investment policy statement, fund menu design, investment performance monitoring, investment performance reporting, investment committee formation and guidance, selection of a

Qualified Default Investment Alternative, support with ERISA §404(c) compliance, education services to the plan committee and/or communication and education services where Sequoia Financial Advisors will assist the client in providing meaningful information regarding the retirement plan to its participants. The nature of the topics to be covered in the participant education services is determined by Sequoia Financial Advisors and the client under the guidelines established in ERISA §404(c), Department of Labor (DoL) Regulation 29 C.F.R. 2550.404c-1, and Department of Labor Interpretive Bulletin 29 C.F.R. 2509.96-1. The provided key categories of education as directed include: Plan Information, General Financial and Investment Information, Asset Allocation Models, and Interactive Investment Materials. The educational support does NOT provide plan participants with individualized, tailored investment advice unless specifically retained to do so.

Additionally, we may offer the client assistance in setting up a relationship with other required service providers e.g., custodian, record keeper, auditor, attorney, third party administrator and support with certain ministerial plan functions, such as, communicating enrollment forms to the record keeper. Sequoia Financial Advisors will not have discretion over the Administration of the plan or the plan assets, unless specifically retained to do so under a Plan Administrator relationship as defined by ERISA §3(16)(A). In addition, unless specifically retained to do so, Sequoia Financial Advisors will not serve as an Investment Manager as defined in ERISA §3(38), and does not have the power to manage, acquire, or dispose of any plan assets. Advice to plan participants will be limited to general, impersonal advice unless specifically retained to do so as a Qualified Fiduciary Adviser under ERISA §§408(b)(14) and 408(g).

Client investments are monitored based on the procedures and timing intervals outlined in the investment policy statement. Sequoia Financial Advisors monitors the client's investment menu/portfolio and will make recommendations to the client as market factors and the client's needs dictate. Sequoia Financial Advisors reviews investment menus on an as retained basis. The most common retention relationships are semi-annual and quarterly investment reviews. Unless specifically retained to do so, Sequoia Financial Advisors does not exercise discretionary authority over these accounts, and does not generally handle securities transactions in these accounts.

Retirement Planning Consulting Services are offered, where appropriate, typically to employee benefit plans. These accounts are regulated under the Employee Retirement Income Security Act of 1974 ("ERISA") and/or tax-qualified retirement plan under §401(a) of the Internal Revenue Code of 1986, as amended and not covered by ERISA. The client must make the ultimate decision as to retaining the services of such investment advisors as we may recommend. The client is free to seek independent advice about the appropriateness of any recommended services for the plan.

### **Third-Party Money Management Programs:**

Sequoia Financial Advisors has established relationships with third-party entities to provide different money management programs. Depending on the money management program selected, Sequoia Financial Advisors' role differs greatly. In some instances, Sequoia Financial Advisors' role may be limited to referring the client to a third-party investment advisor and providing clients with the account opening documents. We will make such referrals when information provided by the client causes us to believe such referrals are suitable. Although Sequoia Financial Advisors has reviewed the different money manager's strategies, that Sequoia Financial Advisors refers clients to, clients should be aware that Sequoia Financial Advisors is not affiliated with the third-parties involved, does not custody the accounts opened, and does not control the daily investment management of securities held in these accounts. The client should be aware that with some money management programs, they may be authorizing the third-party investment advisor to act with discretion (i.e. execute trading decisions without first consulting client).

Client should become familiar with the specific features of any managed account program before selecting such program. Each money management program generally involves different custodial, administrative, and fee arrangements, and may require certain minimum initial account investments. Account minimums and advisory fees charged may be negotiable at the discretion of Sequoia Financial Advisors or the third-party registered investment advisors involved. Further information regarding any investment management program is described in the Form ADV Part 2A of the third party advisors involved in each program.

For the third-party money management programs, Sequoia Financial Advisors serves as a non-discretionary investment advisor for the client, and each client will have to execute an investment advisory agreement with Sequoia Financial Advisors for the services it actually provides. Additionally, the client will have to execute another agreement with the third-party investment advisor for services that advisor provides. Sequoia Financial Advisors has no or limited authority to change the terms and conditions of the managed account programs described and will not be consulted before transactions are executed by third party advisors in client's accounts. Money management programs substantially the same as, or similar to, those recommended by Sequoia Financial Advisors may be available elsewhere at a lower fee.



## Item 5 – Fees and Compensation

### Wealth Planning Services Fees:

Sequoia Financial Advisors charges a flat fee for Wealth Planning Services typically ranging between \$1,500 and \$7,500, or a negotiated fee, depending on the complexity of the Wealth Planning Services and Financial Plan. Wealth Planning Services may include, but are not limited to, financial planning, insurance planning, and estate planning. Fees vary by client, scope of engagement, and complexity of situation, among other factors.

For new written financial plans, the first half of the undiscounted plan fee is due upon signing and execution of the Engagement Letter, and the second half is due upon the written financial plan delivery. On-going Wealth Planning Services fixed fees are billed upon the delivery of an updated plan document or quarterly in advance, depending on client relationship and Wealth Planning Services to be provided. These fees may be deducted directly from the client's account, if they maintain an investment management account at Schwab. Clients must provide the qualified custodian (Schwab) with written authorization to have these fees deducted from their account and paid to Sequoia Financial Advisors. However, this authorization does not give Sequoia Financial Advisors authority to deduct other monies from client account(s), except to request that the Schwab disburse funds directly to the client or client agents upon specific instructions. For clients that do not authorize us to have their fees deducted directly from their account, or for those who do not have an investment management account at Schwab, payment is due within thirty (30) days after receipt of the billing statement from Sequoia Financial Advisors.

### *Wealth Planning Services Fee Schedule: New Financial Plans*

Plan Type	Planning Fee
Financial Independence Plan (Client Net Worth <\$1 million)	\$1,500
Basic Financial Plan (Client Net Worth <\$1 million)	\$2,500
Comprehensive Financial Plan (Client Net Worth \$1 million- \$10 million)	\$4,500
Wealth Management Financial Plan (Client Net Worth \$10 million +)	\$7,500/negotiated fee

## ***Wealth Planning Services Fee Schedule: Plan Updates and Monitoring Services***

### Pricing is Relationship Based:

New Clients – 50% of current price of the original plan level purchased (75% for Financial Independence Plan).

Current Clients - \$1,250 per update, or \$250 per quarter pulled from Schwab account if less than \$7,500 in annual revenue to the firm. Insurance commissions are averaged over 5 years.

### **Investment Management Services Fees:**

Fees for investment management services vary by client and situation, and are charged as a percentage of assets under management ranging from 0.15% - 1.50%. The actual fee charged to each client is negotiable based on factors such as the client's financial situation and circumstances, the amount of assets under management or review, whether Sequoia Financial Advisors will have limited trading authorization over the client's account, and the overall complexity of the services provided. The exact services and fees will be agreed upon and disclosed in the Advisory Services Agreement (*Sequoia Client Agreement*) before investment management services are provided. The value of assets under management in each portfolio is computed as of the last business day of the previous quarter. A portfolio's initial fee will be pro-rated for the remaining days in the quarter. Investment Management Services fees are not charged based on performance. Sequoia Financial Advisors will not be compensated on the basis of a share of capital gains or capital appreciation of the funds or any portion of the Client's funds.

Fees for investment management services are billed quarterly in advance based on the value of the account on the last day of the previous quarter. Fees will be pro-rated for each capital contribution made during the applicable calendar quarter. Investment Management Services fees are generally deducted directly from the client's account. Clients must provide the qualified custodian (Schwab) with written authorization to have fees deducted from their account and paid to Sequoia Financial Advisors. However, this authorization does not give Sequoia Financial Advisors authority to deduct other monies from client account(s), except to request that the Schwab disburse funds directly to the client or client agents upon specific instructions. For clients that do not authorize us to have their fees deducted directly from their account, payment is due within thirty (30) days after receipt of the billing statement from Sequoia Financial Advisors. Schwab will send client statements quarterly showing all disbursements from the account including the amount of the advisory fee, if deducted directly from the account.

All investment management services fees incurred by the account are paid from the cash balance. If the account does not have a sufficient cash balance to cover the fees, Sequoia

Financial Advisors may sell mutual funds or securities as necessary to pay them. Selling securities to pay fees and expenses may incur transaction costs and could create tax consequences for the client.

**Investment Management Services Fee Schedule:**

***Balanced Portfolio-Above \$500,000 (Tiered Pricing)***

Asset Level	Fees
\$0 to \$2,000,000	1.00%
\$2,000,001 to \$5,000,000	0.75%
\$5,000,001 to \$15,000,000	0.50%
\$15,000,001 to \$25,000,000	0.40%
\$25,000,001 to \$50,000,000	0.25%
\$50,000,001+	0.15%

***Fixed Income-Above \$500,000 (Tiered Pricing)***

Asset Level	Fees
\$0 to \$2,000,000	0.500%
\$2,000,001 to \$5,000,000	0.375%
\$5,000,001 to \$15,000,000	0.250%
\$15,000,001 to \$25,000,000	0.200%
\$25,000,001 to \$50,000,000	0.125%
\$50,000,001+	0.075%

***Under \$500,000 (Straight Fee)***

Asset Level	Fees
\$0 to \$100,000	1.50%
\$100,001 to \$250,000	1.25%
\$250,001 to \$500,000	1.00%

## **Retirement Planning Consulting Services Fees:**

Sequoia Financial Advisors may be deemed a fiduciary to certain advisory clients that are employee benefit plans or individual retirement accounts pursuant to ERISA §3(21)(A)(ii). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation and method of disclosure. To avoid engaging in prohibited transactions, Sequoia Financial Advisors may only charge fees for investment advice about products for which our firm and/or our Investment Advisor Representatives do not receive any commissions or 12b-1 fees, unless such fees are waived.

The scope of these services, the fees, and the terms of the agreement for Retirement Planning Consulting Services are negotiated on a case-by-case basis with each client depending upon the complexity of the plan and the agreement with the client. The terms regarding payment of fees, termination, and refund will be clearly set forth in the Advisory Services Agreement (*Sequoia Client Agreement*) executed between us and the client. Retirement Planning Consulting Services fees may be paid directly upon receipt of the invoice or the client can authorize the qualified custodian or record keeper to pay the fees due to Sequoia Financial Advisors, directly from the plan assets.

### **Core Retirement Planning Consulting Services Fee Schedule:**

Min Plan Size	-	Max Plan Size	Min Fee	-	Max Fee
\$0	-	\$3,000,000	\$0	-	\$15,250
\$3,000,000	-	\$10,000,000	\$15,250	-	\$27,750
\$10,000,000	-	\$50,000,000	\$27,750	-	\$63,250
\$50,000,000	-	\$75,000,000	\$63,250	-	\$70,000
\$75,000,000	-	\$100,000,000	\$70,000	-	\$75,000
\$100,000,000	-	\$250,000,000	\$75,000	-	\$97,500
\$250,000,000	-	∞	\$97,500	-	∞

### **Other:**

Sequoia Financial Advisors may also provide investment advice on an hourly or project basis at a client's request. Implementation of recommendations in this situation is handled by the client. If the client prefers implementation be handled by Sequoia Financial Advisors, the client may choose to engage Sequoia Financial Advisors for ongoing investment advisory services in the form of investment management services.

Please see Item 14 (*Client Referrals and Other Compensation*) for fees associated with Sequoia Financial Advisors' participation in Schwab Advisor Network®.

**General Information:**

Clients should note that similar investment advisory services may (or may not) be available from other Registered (or Unregistered) Investment Advisers for similar or lower fees.

Fees in excess of \$1,200 are never collected more than six months in advance of services rendered.

Sequoia Financial Advisors, LLC reserves the right to modify fees at our discretion, subject to notification in accordance with applicable laws and regulations.

Sequoia Financial Advisors receives no additional fee or compensation for placing a client into its proprietary models.

Item 12 (*Brokerage Practices*) further describes the factors that Sequoia Financial Advisors considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions)

Either the client or Sequoia Financial Advisors may terminate an agreement for investment advisory services at any time. If services are terminated by the client within five (5) business days of executing the Advisory Services Agreement (*Sequoia Client Agreement*), services will be terminated without penalty and no fees shall be due. If services are terminated after the initial five day period, any fees due will be pro-rated and billed to the client. In the event a client terminates services, termination is effective from the time Sequoia Financial Advisors receives the notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final payment of investment advisory fees. There will be no penalty charge upon termination. In the event Sequoia Financial Advisors terminates the relationship, the Advisory Services Agreement will be terminated on the fifth day after notification is delivered to the client or such time as may be mutually agreed upon, also subject to the settlement of transactions in progress and the final payment of investment advisory fees. Upon termination of an account by the client, pre-paid, unearned fees will be refunded to the client. Sequoia Financial Advisors will be entitled to a fee, prorated for the number of days in the fee period prior to the effective date of termination. Any unearned fee shall be returned by Sequoia Financial Advisors, and any earned, unpaid fees will be due and payable.

Brokerage commissions, transaction ticket fees and other related costs and expenses imposed by custodians, brokers, third-party investment managers and other third parties, such as fees charged by managers, custodial fees, deferred sales charges, odd-lot

differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions are billed directly to the client. Such charges, fees and commissions are exclusive of and in addition to Sequoia Financial Advisors' fee, and we will not receive any portion of these commissions, fees, and costs. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus [Note: Sequoia Financial Advisors generally recommends "no-load" funds. No-load funds are mutual funds without a sales charge or commission].

Compensation for services performed outside the scope of the Advisory Services Agreement (*Sequoia Client Agreement*), by the Investment Advisor Representative, such as compensation for services performed in his or her capacity as Registered Representative of ValMark Securities, Inc, and/or his/her capacity as a licensed insurance agent or broker, may consist of commissions from product sales to the client, which would be compensation in addition to the fee paid under the executed Advisory Services Agreement (*Sequoia Client Agreement*). Because these commissions and other payments clearly present a potential conflict of interest, all clients should consider these conflicts when deciding on any recommendations.

As noted in more detail under Item 10 (*Other Financial Industry Activities and Affiliations*), there are some Sequoia Financial Advisors Investment Advisor Representatives who are also an Investment Advisor Representative with ValMark Advisers, Inc. As a result, these individuals may receive from ValMark Advisers, a set portion of the asset under management fee charged on third-party money management programs as a result of their activities with ValMark Advisers. All Clients should consider these conflicts when deciding on any recommendations.

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

Sequoia Financial Advisors does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

Sequoia Financial Advisors provides investment advisory services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, trusts, and other U.S. institutions.

Aggregate account minimums for investment management services are typically \$100,000. Account minimums vary by client and situation at the discretion of Sequoia Financial Advisors.

Sequoia Financial Advisors offers two proprietary models, for managing client accounts, *Sequoia Premier Advantage* and *Sequoia Allocation Advantage*. *Sequoia Premier Advantage* requires a \$100,000 minimum investment and *Sequoia Allocation Advantage* requires a \$5,000 minimum investment.

Third-party money management programs may require certain minimum initial account investments. Clients should review the third-party money management advisory agreement for details.

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

### **Methods of Analysis:**

Sequoia Financial Advisors provides comprehensive Wealth Planning Services that involve the gathering of personal and financial data, establishing the clients' needs, goals and objectives and processing and analysis of this information to develop a specific plan designed to assist a client as they work to try and meet their stated objectives. We can analyze a client's financial situation by looking at personal and financial data, employee benefit programs, business continuation plans and even his/her recent estate planning arrangements. We can also coordinate with a client's attorney, accountant, and other staff to discuss solutions. Based upon the complexity of the clients' financial situation, the final comprehensive plan may be comprised of content including, but not limited to or necessarily including, the following areas of focus: cash flow planning, retirement planning, estate overviews or estate planning, insurance planning, education planning, et al.

Our firm may use the following methods of analysis in formulating investment advice and/or managing client assets:

- **Asset Allocation:** Where requested by the client, in addition to focusing on security selection we attempt to identify and invest the account in an appropriate mix of different asset classes (stocks, bonds, cash, etc.) or investment strategies based on client's objectives. The purpose of asset allocation is to seek to improve overall portfolio performance or reduce volatility by diversifying the client's investments consistent with the client's investment objectives and risk tolerance.

A risk of asset allocation is that the client may participate only to a limited extent in sharp increases in a particular security, industry or market sector, because portfolio diversification necessarily limits the portion of the client's account invested in a single security, industry or market sector. Another risk is that the ratio of securities allocated to specific asset classes or investment

strategies may change over time due to market movements and, if not corrected, may no longer be appropriate for the client's goals. To seek to mitigate this risk, we monitor the allocation among asset types as valuations fluctuate in the market and periodically readjust the allocations to the intended levels. This monitoring and adjustment is typically called portfolio rebalancing.

- **Fundamental Analysis:** Typically involves analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.
- **Technical Analysis:** Involves analyzing past market movements and applying that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.
- **Cyclical Analysis:** Involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

Sequoia Financial Advisors also utilizes financial newspapers and magazines, research materials provided by other financial institutions (i.e. Schwab), Morningstar®, and publications for historic information, to assist in making security selection decisions. We may also use other publicly available programs for additional information during our research.

***Investing in securities involves risk of loss that clients should be prepared to bear.***

Primarily Sequoia Financial Advisors utilizes investment company products. Assets are invested primarily in no-load mutual funds, and exchange-traded funds, through our custodial arrangement. Our custodial relationship with Schwab enables us to obtain many no-load mutual funds without transaction charges and other no-load and load waived funds at nominal transaction charges as well as access to many institutional funds. Although most trades are mutual funds or exchange-traded funds where trade aggregation does not provide any client benefit, when funds do allow aggregation for purposes of qualifying to purchase institutional shares (e.g. PIMCO), our clients do benefit by having access to institutional shares that have significantly lower expense ratios than the retail versions of the same funds. Stock and bonds may be purchased or sold through a custodial account when appropriate.

At Sequoia Financial Advisors, the client's investment objectives, investment policy statement, and asset allocation plan are developed according to the following five-step process:



**Step One:** We help the client establish their investment objectives based upon their financial goals.

**Step Two:** We then assist the client in developing the appropriate asset allocation plan. The goal of the asset allocation plan is to help optimize their return within the following constraints:

- Tolerance for risk
- Investment time horizon
- Spending requirements

**Step Three:** We develop a written investment policy statement. The investment policy statement provides direction for the overall plan as well as to the client's portfolio managers.

**Step Four:** We structure the portfolio using various investment styles. We use investment styles that do not rise and fall at the same time or at the same rate to provide diversification for the client's portfolio and reduce the overall volatility in the performance of the client's portfolio. This technique is commonly used to help investors achieve stable results.

**Step Five:** We then select appropriate mutual funds, ETFs, and/or individual equities using the processes detailed below. We will continue to monitor the client's portfolio and recommend rebalancing when necessary.

### **The Mutual Fund Research Process:**

The Sequoia Financial Advisors Mutual Fund Research Process focuses on identifying, recommending, and monitoring investment opportunities that translate into long-term, risk-adjusted returns. Sequoia Financial Advisors adheres to a well-defined analytical process based on diligent fundamental research. This process involves three steps, including initial screening, quantitative analysis, and qualitative analysis that are utilized to distinguish the most attractive mutual funds within an asset class and investment style.

#### **Initial Screening**

*Tenure-*To ensure commitment to the fund's investment process and philosophy, Sequoia Financial Advisors prefers managers with at least a three-year track record working with the fund under consideration or a similar fund. This does not exclude managers with shorter track records that may have history at another fund or management company.

*Size*-Minimum asset size guidelines are assigned to assess fund liquidity and financial stability. Typically, Sequoia Financial Advisors looks for minimum asset bases of approximately \$100 million for all portfolios.

*Expenses*-Sequoia Financial Advisors' recommended funds have expense ratios that are reasonable and consistent with the industry averages.

### **Quantitative Measures**

Sequoia Financial Advisors conducts comprehensive statistical analysis of a manager's long-term performance relative to specific managed and unmanaged benchmarks. Some of the factors the Sequoia Financial Advisors' Investment Committee screens for include:

*Long Term Performance* -Funds are screened initially on three - , five - , and ten- year performance basis. Risk adjusted performance measures such as Sharpe ratios, Treynor ratios, and Alpha generation are taken into consideration.

*Consistency of Returns*-Sequoia Financial Advisors seeks managers with strong performance on a long-term basis to avoid impressive short-term gains only to be followed by periods of underperformance.

*Portfolio Diversification*-Sequoia Financial Advisors identifies mutual fund portfolios that show sufficient diversification among underlying holdings in order to limit overall volatility.

*Asset Growth*-Sequoia Financial Advisors monitors mutual fund asset growth, as well as, total assets under management to avoid potential changes in the stated investment process, particularly for small cap funds.

### **Qualitative Measures**

Sequoia Financial Advisors greatly values personal skill, intuition, and experience, as we believe they are key to successful portfolio management.

*Clearly Stated Investment Philosophy and Process*-Investment Companies that clearly describe their investment methodology and remain dedicated to their stated process over time tend to score well in our qualitative analysis.

*Investment Depth*-Sequoia Financial Advisors favors management structures with several individuals responsible for management of the portfolio. Sequoia Financial Advisors feels this reduces the possibility of fundamental changes to the investment process.

*Ownership and Compensation Incentives*-Investment Company ownership incentive structures and performance-based compensation are viewed as important retention tools for key investment personnel.

### **On-Going Monitoring**

Sequoia Financial Advisors has contracted with a third-party service provider to research, conduct due diligence and to provide a listing of recommended money managers and funds. The third-party provider generally conducts an analysis of the Form ADV, prospectus, or similar documents combined with industry specific fundamental analysis and such other analysis, if any, deemed appropriate. The third-party's due diligence process may include (but is not limited to) interviews with company management, discussion with industry experts, and analysis generated from databases generated from internal and external sources. Sequoia Financial Advisors conducts periodic due diligence on this vendor.

Sequoia Financial Advisors' monitoring process is rigorous and thorough, and we review recommended funds on a continuous basis. Sequoia Financial Advisors focuses on several key factors that may indicate deviations from historical performance patterns. In doing so, we hope to make proactive investment decisions before investment performance deteriorates substantially.

Some of the key indicators we focus on are:

*Significant Changes in the Underlying Portfolio*-While turnover in a fund's portfolio will vary from manager to manager, and will also depend on the particular asset class and style of investing, Sequoia Financial Advisors monitors the fund's holdings for significant shifts in the portfolio. Changes in the portfolio provide insight into the manager's forward looking views. Furthermore, the magnitude and nature of turnover in the portfolio relative to past turnover trends can provide intelligence into how quickly the business and economic climate is changing.

*Management Comments and Visits*- Sequoia Financial Advisors receives periodic commentary or participates in conference calls with our managers as a means to obtain their views on the economy and their particular sectors. In addition, we may at times conduct due diligence visits to managers or arrange for other opportunities to speak with them directly.

*Changes in Portfolio Risk Metrics*- Sequoia Financial Advisors monitors portfolio valuation and risk metrics to help ensure that the fund is in conformance with its asset allocation role.

*Changes in Key Investment Personnel*-A change in a fund's management team can be an early indicator of fundamental changes to the investment process.

### **Investment Strategies:**

Sequoia Financial Advisors' investment strategies include wealth management with both long-term solutions and short-term strategies, where appropriate, that coordinate with the client's risk profile and investment objectives. Our goal is to help allocate the client's portfolio with the appropriate asset mix to optimize portfolio return within the given level of risk tolerance. Sequoia Financial Advisors generally reviews portfolios at least annually, although in some cases, more frequently based on changes in a client's stated condition or objectives, or changes in economic and market conditions. We will also rebalance client portfolios, as we believe appropriate and/or agreed upon, to help meet long-term financial objectives. Sequoia Financial Advisors will execute such rebalances and trades as we believe appropriate, and do so on a limited-trading discretionary basis. We may also adjust or modify our implementation of the approach described above if we believe it to be in your best interest or in response to the client's request to do so based on a specific situation and concerns.

The asset allocation recommended to a client may be different than the actual asset allocation implemented. This is due to a number of factors including, but not limited to, when the client may decide to implement only a portion of the plan, or does not agree to implement the specific investments recommended due to market conditions, or may have current holdings that the client does not want to redistribute. The recommendations made by Sequoia Financial Advisors will be consistent with the client's risk tolerance and investment objectives. Client portfolios with similar investment objectives and asset allocation goals may own different securities. Clients who buy or sell securities on the same day may receive different prices.

Sequoia Financial Advisors offers two proprietary models, with various investment objectives (e.g., 100% Equity/Aggressive/Growth/Growth with Income/Income with Moderate Growth/Income with Capital Preservation/100% Fixed Income), for managing client accounts. The Sequoia Financial Advisors proprietary models are: the *Sequoia Premier Advantage* (Taxable or Tax Sensitive) and the *Sequoia Allocation Advantage*.

Based on the client's personal financial situation as described in the client's account information and investment objectives form, Sequoia Financial Advisors generally recommends managing the client's assets following one of the two proprietary models. Depending on the model used, tax sensitivity may or may not be taken into consideration. Sequoia Financial Advisors proprietary models provide periodic rebalancing to help ensure that the investments continue to conform to the allocation model. Tax effects may or may

not be considered before rebalancing. We monitor the asset allocations in the client's account, and we will rebalance it if any asset class varies by more than a specified percentage from its target allocation within the model. In order to avoid the expense of inefficient rebalancing, we reserve the right, at our discretion, to change the threshold that must be exceeded before rebalancing occurs. We may also, at our discretion, change the asset allocation in a model or the funds available in the asset allocation strategy.

Sequoia Financial Advisors will also rebalance the client's account if they change their investment objective, or when the proceeds of additional contributions are invested. To rebalance an account, we buy and sell shares of the individual securities in an account until its holdings match the underlying securities' weight percentages specified for the model. These changes may create tax consequences or incur redemption fees in some funds.

The general Investment Committee and Investment Committee Voting Members determine overall investment strategies for the Sequoia Financial Advisors proprietary models. The Sequoia Financial Advisors Investment Committee Voting Members is made up of three seasoned staff professionals, all who hold the Certified Financial Planner® designation.

Overall equity market valuations and economic fundamentals drive the Investment Committee's allocation decisions when determining the amount of each models' exposure to equity, fixed income, special situations and cash for each risk profile/investment objective. The specific investments used to implement portfolios are typically mutual funds or exchange traded funds (ETFs) and are selected largely based on 1) analysis of the investment process used by the fund, 2) the adherence of the fund to its stated investment process, 3) expenses incurred by the fund, and 4) investment performance of the fund relative to appropriate benchmarks and peers.

Individual stock positions are rarely purchased within a Sequoia Financial Advisors advisory account. However, if individual stock positions are purchased, fundamental analysis is considered an appropriate format to review the merits of purchasing a stock. The majority of stock positions purchased or sold within a Sequoia Financial Advisors advisory account occur on a non-solicited basis.

### **Risk of Loss:**

Common risks of investing in certain products:

Equities – The price of equities fluctuate due to many factors including changes in interest rates, global events, industry and company specific events, investor expectations, and general market conditions. You may receive more or less than the original purchase price when selling a security. Concentrated positions in equities typically pose additional risks as

a downturn in your investment will cause a more significant loss. Diversification assists in reducing concentration risk. If you are transacting individual equity trades by investing through one of the programs where your Advisor is acting as Manager, it is important that you become familiar with the risks and benefits of placing market orders, limit orders, and stop orders.

Exchange Traded Funds (“ETFs”) – While investing in ETFs has similar risks as investing in individual equities, ETFs typically invest in a diverse group of securities. The level of diversification varies by ETF. While ETFs reduce the effects of concentration risk as compared to investing in a singular security, certain ETFs are susceptible to industry, commodity or country risk. Investing in a diverse selection of ETFs could help to reduce this risk. Another important factor to consider with ETFs is that the portfolio of securities in which they invest are typically not actively managed.

Fixed Income Investments – One of the most important risks associated with fixed-income securities is interest rate risk, the risk encountered in the relationship between bond prices and interest rates. The price of a bond will change in the opposite direction of movements in prevailing rates. For example, as interest rates increase (decrease) bond prices will decrease (increase). If an investor has to sell a bond before the maturity date, an increase in interest rates will mean that the bondholder will experience a capital loss (i.e., selling the bond below its original purchase price).

Reinvestment risk is the risk is that the interest rate at which the interim cash flows can be reinvested will decline and thus reinvestments will receive a lower interest rate.

Reinvestment risk is greater for longer holding periods.

Default risk is commonly referred to as “credit risk” and is based on the probability that the issuer of the bond may default. Default risk is rated by quality ratings assigned by commercial rating companies.

Call risk is the risk related to call provisions on bond issues. Investors should be made aware of four risks associated with call provisions:

- 1) The cash flow patterns of callable bonds are not known with certainty.
- 2) Since the issuer will call the bonds when interest rates have dropped, the investor is therefore exposed to reinvestment risk. The investor will have to reinvest the proceeds after the bond is called at relatively lower interest rates.
- 3) The potential for capital appreciation of a callable bond is reduced relative to that of a non-callable bond, because its price may not rise much above the price at which the issuer can call the issue.

4) If the issue is purchased at a premium, the investor may lose the difference between the purchase price and call price.

Inflation risk arises because the value of the cash flows being received from a bond may actually lose purchasing power over the course of time due to the effects of inflation.

Liquidity risk depends on the ease with which a bond can be sold at or near its current value. The best indicator to measure an issue's liquidity is the size of the spread between the bid price and the ask price quoted by a dealer. A wider spread on the bond indicates a greater liquidity risk. For investors who plan on holding the bond until its maturity date, liquidity risk is of little value.

Finally, exchange rate risk, which is encountered in non-dollar denominated bonds or bonds whose payments occur in a foreign currency, has unknown U.S. currency cash flows. The dollar cash flows are dependent on the exchange rate at the time the payments are received. For example, consider a bond whose coupon payment is paid out in Japanese Yen. If the yen depreciates relative to the U.S. dollar, fewer net dollars will be received. Conversely, if the yen should appreciate relative to the U.S. dollar, the investor will benefit by receiving more net dollars.

International Investing – Investing in the global market can assist with diversification of a portfolio but it is important to consider some of the unique risks with such a strategy. Each country has unique rules and regulations covering corporations and their stock markets which offer investors varying degrees of protection. Additionally, investing in foreign markets subjects your investment to currency risk. If the value of the U.S. dollar increases with respect to the country's currency you are investing in, the value of your investment will be affected negatively.

Additional risk information may be available in a product's prospectus, offering circular or on the product sponsors web site. Additional product specific risk information is available through the investor section of [www.finra.org](http://www.finra.org). Please review these sources for more detailed information on the risks related to the specific investments in your portfolio.

## **Item 9 – Disciplinary Information**

Sequoia Financial Advisors is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Sequoia Financial Advisors or the integrity of its management. Our firm and our management personnel have no reportable legal or disciplinary events to disclose.

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

Sequoia Financial Advisors seeks to put the interests of its clients first consistent with its fiduciary duty as a Registered Investment Adviser. Our firm takes the following steps to address conflicts of interest:

- Disclose to clients the existence of all material conflicts of interest, including the potential for our firm, IARs, and affiliates to earn compensation from investment advisory clients in addition to our firm's investment advisory fees.
- Disclose to clients that they are not obligated to purchase recommended investment products from SFA or affiliated companies.
- Require that IARs and associated persons of our firm seek prior approval of any outside business activity so that we may ensure that any conflicts of interest in such activities are properly addressed.

### **Broker-Dealers:**

Sequoia Financial Advisors' Investment Advisor Representatives may also be Registered Representatives of ValMark Securities, Inc. ValMark Securities Inc. is a registered broker-dealer, and Member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). While Sequoia Financial Advisors does not use ValMark Securities when managing investment advisory accounts, advisory clients may also have commission-based, ValMark Securities brokerage accounts for which Sequoia Financial Advisors' Investment Advisor Representatives serve as the Registered Representative. Registered Representatives of ValMark Securities are required to use the services of ValMark Securities and ValMark Securities' approved clearing broker/dealer (Pershing, LLC) when acting in their capacity as Registered Representatives. ValMark Securities serves as the introducing broker/dealer. ValMark Securities will only execute a securities transaction for a Sequoia Financial Advisors client in the event they are specifically directed to do so by such client. ValMark Securities has a wide range of approved securities products, for which ValMark Securities performs due diligence before selection. ValMark Securities' Registered Representatives are required to adhere to these products when implementing securities transactions through ValMark Securities. Commissions charged for these products may be higher or lower than commissions clients may be able to obtain if transactions are implemented through another broker/dealer. ValMark Securities provides Sequoia Financial Advisors Investment Advisor Representatives, and therefore, Sequoia Financial Advisors, with due diligence, compliance information and regulatory review. When directed by the client, all broker/dealer



securities transaction made on behalf of a Sequoia Financial Advisors client are placed through ValMark Securities and approved by ValMark Securities Supervisory Principals as required by FINRA.

ValMark Securities, Inc., and Sequoia Financial Advisors and its' affiliates, are not related persons.

### **Other Investment Advisors:**

Certain individuals of Sequoia Financial Advisors are also registered as an Investment Advisor Representative with ValMark Advisers, Inc., an SEC Registered Investment Advisor. Sequoia Financial Advisors individuals who are an Investment Advisor Representative with ValMark Advisers are authorized only to provide services and work with advisory service providers and custodians that have been approved by ValMark Advisers. ValMark Advisers provides back-office support to these IARs and to their clients who also become clients of ValMark Advisers. For its services, IARs share a portion of their compensation with ValMark. ValMark Advisers has established relationships with third-party entities to provide various third-party money management programs. Depending on the third-party money management program selected, ValMark Advisers' role differs greatly. ValMark Advisers is not affiliated with the third-parties involved, does not custody the accounts opened, and does not control the daily investment management of securities held in these accounts, and with some money management programs, clients may be authorizing the third party investment advisor to act with discretion (i.e. execute trading decisions without first consulting the client). Each money management program generally involves different custodial, administrative, and fee arrangements, and may require certain minimum initial account investments.

ValMark Advisers also provides its own goal-based asset allocation program, which invests primarily in Exchange Traded Funds (ETFs). If a client participates in ValMark Advisers asset allocation program, they will agree to pay annually a set percentage of the total assets held in their account. The fees payable by a client including custodial, administrative and advisory fees will not exceed an established percentage and are detailed in ValMark Advisers' investment advisory agreement.

ValMark Advisers, Inc., and Sequoia Financial Advisors and its' affiliates, are not related persons.

### **Insurance Companies:**

Sequoia Financial Advisors is under common ownership with Sequoia Financial Insurance Agency, LLC ("SFIA") insurance company. Sequoia Financial Advisors' direct owner,

Sequoia Financial Group, LLC, is an entity that also owns an interest in SFIA. In addition, some of the IARs of Sequoia Financial Advisors are also licensed insurance agents with certain insurance companies, including SFIA. In such capacity (with SFIA), they may offer insurance products and receive normal and customary commissions as a result of such a purchase; this presents a conflict of interest to the extent that they recommend the purchase of an insurance product which results in a commission being paid to either them personally or to SFIA, a related party to Sequoia Financial Advisors.

Some Sequoia Financial Advisors IARs are also affiliated with Executive Insurance Agency, Inc., a general insurance agency, and, as such, represents numerous insurance companies.

Executive Insurance Agency and Sequoia Financial Advisors and its' affiliates, are not related persons.

ValMark Securities, Inc., ValMark Advisers, Inc. and Executive Insurance Agency, Inc. are related entities.

#### **Certified Public Accountants:**

Sequoia Financial Advisors has arrangements with Cohen & Company, Ltd. and its affiliates, such as Cohen & Company Florida, Ltd., d/b/a Cohen Florida, firms engaged in the practice of public accounting. While Cohen & Company, Ltd. and/or its affiliates do not directly or indirectly control Sequoia Financial Advisors, certain members of Cohen & Company, Ltd. maintain an indirect ownership in Sequoia Financial Advisors through an entity called Cohen Sequoia Enterprises, Ltd (CSE, Ltd).

Sequoia Financial Advisors may engage Cohen & Company, Ltd. and/or its affiliates for certain accounting services and Sequoia Financial Advisors may provide Cohen & Company, Ltd. and/or its affiliates certain investment advisory services for compensation. While clients of both companies may be referred to the other company, there is no direct fee paid for such referrals. However, Cohen & Company, Ltd. does have an economic incentive to refer clients to Sequoia Financial Advisors because some of the partners of Cohen & Company, Ltd. maintain an indirect ownership interest in Sequoia Financial Advisors through CSE, Ltd.

#### **Pooled Investment Vehicle:**

Sequoia Financial Advisors has a related party, Sequoia Alternative Investments, L.P. ("SAI") who offers Limited Partnership units to qualified clients. SAI is considered a private fund-of-a-fund that is exempt from registration under the Investment Company Act of 1940. Sequoia AI, GP serves as the general partner to SAI. Sequoia Financial Advisors serves as the Registered Investment Advisor to SAI. Clients of Sequoia Financial Advisors

that meet certain "qualified investor" criteria may be solicited to invest in this entity. If a client is solicited to invest, all proper disclosures pertaining to the investment are provided to the client. The SAI Private Placement Memorandum or equivalent document, provides the necessary disclosure for the prospective client. SAI currently invests only in the KIP Presidium Fund LP, which states within its Private Placement Memorandum that it is to invest primarily in equity securities with the objective of achieving capital appreciation from a managed portfolio of investments in the education and information services sectors of the economy.

Certain Investment Advisor Representatives of Sequoia Financial Advisors may personally own a limited partnership interest in SAI.

### **Item 11 – Code of Ethics**

Sequoia Financial Advisors has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Sequoia Financial Advisors must acknowledge the terms of the Code of Ethics annually, or as amended.

Sequoia Financial Advisors anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which we have management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Sequoia Financial Advisors, its affiliates and/or clients, directly or indirectly, have a position of interest. Investment Advisor Representatives and persons associated with Sequoia Financial Advisors are required to follow Sequoia Financial Advisors' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and IARs of Sequoia Financial Advisors and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Sequoia Financial Advisors' clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the IARs and persons associated with Sequoia Financial Advisors will not interfere with (i) making decisions in the best interest of advisory clients, and (ii) implementing such decisions while, at the same time, allowing IARs and persons associated with Sequoia Financial Advisors to invest for their own accounts. Under the Code of Ethics certain classes of securities are designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Sequoia Financial Advisors' clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close

proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit IARs and persons associated with Sequoia Financial Advisors to invest in the same securities as clients, there is a possibility that IARs and persons associated with Sequoia Financial Advisors might benefit from market activity by a client in a security held by IARs and persons associated with Sequoia Financial Advisors. Personal trading activity of IARs and persons associated with Sequoia Financial Advisors is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Sequoia Financial Advisors and its clients. Most IAR and associated person trades are small mutual fund trades or exchange-traded fund trades, and therefore, these trades do not materially affect the securities market.

Sequoia Financial Advisors' clients or prospective clients may request a copy of the firm's Code of Ethics by sending a request via our website ([www.sequoia-financial.com](http://www.sequoia-financial.com)) under "Contact Us" or accessing a copy via our website, [www.sequoia-financial.com](http://www.sequoia-financial.com) under the ***Disclosures*** link.

It is Sequoia Financial Advisors' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. We will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Sequoia Financial Advisors, LLC is not dually registered.

## **Item 12 – Brokerage Practices**

### **Qualified Custodian/Broker-Dealer:**

Sequoia Financial Advisors does not maintain custody of client's assets on which we advise, although we may be deemed to have custody of client's assets if they give us authority to withdraw assets directly from their account (see *Item 15 – Custody*, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. For Sequoia Financial Advisors, LLC's investment management relationships, we may recommend or require that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, Member SIPC, as the qualified custodian. We are independently

owned and operated and are not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we or the client instruct them to. While we may recommend or require that the client use Schwab as custodian/broker, the client will decide whether to do so, and will open an account with Schwab by entering into an account agreement directly with them. Sequoia Financial Advisors does not open the account for the client, although we may assist the client in doing so. [If a client does not wish to place their assets with Schwab, then Sequoia Financial Advisors cannot manage their account.] Even though a client's account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "*Your Brokerage and Custody Costs*").

### **How We Select Brokers/Custodians**

Sequoia Financial Advisors seeks to use a custodian who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- Capability to help the client facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients

### **Client Brokerage and Custody Costs:**

For our clients' accounts that Schwab maintains, Schwab generally does not charge the client separately for custody services but is compensated by charging the client

commissions or other fees on trades that it executes or that settle into the client's Schwab account. In addition to commissions and other transaction related fees, Schwab charges client's a flat dollar amount as a "prime broker" or "trade away" fee for each trade that Sequoia Financial Advisors has executed by a different broker-dealer, but where the securities bought or the funds from the securities sold are deposited (settled) into a client's Schwab account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Total cost of a transaction is but one factor used to determine if/when to trade away from Schwab, as Sequoia Financial Advisors seeks to minimize trading costs. Because of this, in order to minimize a client's trading costs, Sequoia Financial Advisors has Schwab execute most trades for our client accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "*How We Select Brokers/Custodians*").

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like Sequoia Financial Advisors. They provide us 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 (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200.

Following is a more detailed description of Schwab's support services:

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

- **Services That May Not Directly Benefit You.** Schwab also makes available to Sequoia Financial Advisors other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:
  - Provide access to client account data (such as duplicate trade confirmations and account statements)
  - Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
  - Provide pricing and other market data
  - Facilitate payment of our fees from our clients' accounts
  - Assist with back-office functions, recordkeeping, and client reporting
- **Services That Generally Benefit Only Sequoia Financial Advisors.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:
  - Educational conferences and events
  - Consulting on technology, compliance, legal, and business needs
  - Publications and conferences on practice management and business succession
  - Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Sequoia Financial Advisors. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Sequoia Financial Advisors does utilize many of the services provided by Schwab as outlined above.

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

The availability of these services from Schwab benefits Sequoia Financial Advisors because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. If Sequoia Financial Advisors did use other custodians, the \$10 million minimum may give us an incentive to require 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. But, since Sequoia Financial Advisors only uses Schwab as a custodian, there is no conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us.

### **Handling of Trade Errors:**

From time-to-time Sequoia Financial Advisors may make an error in submitting a trade order on your behalf. When this occurs, Sequoia Financial Advisors may place a correcting trade with Schwab which has custody of your account. If an investment gain results from the correcting trade, the gain may remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Sequoia Financial Advisors will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

### **Item 13 – Review of Accounts**

Managing Planners of Sequoia Financial Advisors are required to perform regular reviews of the appropriateness of the advice provided, and to review for compliance with



regulations relating to all financial plans and investment advisory services developed for their respective clients.

While the underlying securities within our clients' accounts are continually monitored, investment advisory reviews will be conducted no less than one time per year and according to Sequoia Financial Advisors' agreement with you. Significant changes in areas such as general market conditions, your investment objectives or your financial situation may prompt more frequent review of your account(s). Reviews of investment accounts typically look at portfolio consistency with regard to your risk tolerance, tax situation, investment time horizon, performance objectives, and asset allocation instructions. Reviews cover your account holdings, transactions, charges and performance as provided on Schwab statements and other account reports. If you receive financial planning services on an ongoing basis, the financial plan is also reviewed generally at least annually for adherence to goals. Reviews of your financial plan cover progress toward financial independence, anticipated distributions toward family legacy goals, anticipated distributions for social capital or charitable goals, as well as your other goals.

In addition, investment management accounts will be reviewed upon notice of changes in a client's circumstances as described above. Sequoia Financial Advisors rebalances client portfolios, as we believe appropriate, to maintain consistency with the overall approach we agree to, and we will do this on a discretionary basis (limited trading), when so authorized. Meetings to discuss investment accounts and other matters will be scheduled on a mutually agreed upon basis.

Sequoia Financial Advisors' Investment Committee monitors the underlying securities within the *Sequoia Premier Advantage* and *Sequoia Allocation Advantage* proprietary models. The Investment Committee meets weekly to discuss current economic happenings, current holdings, potential changes and rebalancing of the models and any specific account issues or concerns.

Clients will receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. The custodial statements are the accurate record in regards to your portfolio and any discrepancies should be brought to the attention of Sequoia Financial Advisors in writing. We may also provide quarterly performance reports to the client detailing the performance of the client's assets in the account(s) and provide such other information about the account(s) as the client may reasonably request from time to time. Sequoia Financial Advisors recommends that the client compare the information provided in the quarterly performance reports received from us, with those account statements received from the

broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets

Ongoing monitoring of outside third-party money management programs are conducted by the Sequoia Financial Advisors IARs who have recommended investment in these third-party money management programs.

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

Sequoia Financial Advisors has been fortunate to receive many referrals over the years. The referrals come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. For these types of referrals, Sequoia Financial Advisors does not compensate the referring parties.

Sequoia Financial Advisors may from time to time enter into written agreements with other professional persons or companies who refer potential clients to us in exchange for a referral or solicitor fee which typically is a percentage of the fee we receive from the referred client for our services. This means that the professional persons or companies who refer potential clients to us as described will have a financial interest in the client selecting us to provide investment advisory services. If a potential client is referred to us through an arrangement like this, the potential client will receive a written document which will disclose that we have an arrangement with the solicitor, any affiliation between us and the solicitor, and a description of the compensation the solicitor will receive from us if the potential client establishes an account with us. If a potential client is referred to Sequoia Financial Advisors by a solicitor, the total advisory fees will be based, in part, on the amount of the solicitation fee paid by Sequoia Financial Advisors to the solicitor. Thus, the potential client may be paying more or less than the Sequoia Financial Advisors' other clients for the same investment advisory services depending upon the amount of the advisory fees that will be paid to the solicitor.

Presently, Sequoia Financial Advisors has an agreement with Ferlita, Walsh & Gonzalez, P.A., a professional association engaged in the practice of public accounting in Tampa, Florida, whereby Ferlita, Walsh & Gonzalez, P.A., may refer investment advisory clients to Sequoia Financial Advisors in exchange for a portion of the investment advisory fee paid by the referred client to Sequoia Financial Advisors.

In addition, Sequoia Financial Advisors has an agreement with Kelley & Associates, LLC, a Certified Public Accounting firm located in Lake Mary, Florida, whereby Kelley & Associates, LLC may refer investment advisory clients to Sequoia Financial Advisors in exchange for a portion of the investment advisory fee paid by the referred client to Sequoia Financial Advisors.

Additionally, Sequoia Financial Advisors has an agreement with Lanese & Associates, Inc., a Certified Public Accounting firm located in Sun City and Sarasota, Florida, whereby Lanese & Associates, Inc. may refer investment advisory clients to Sequoia Financial Advisors in exchange for a portion of the investment advisory fee paid by the referred client to Sequoia Financial Advisors.

Furthermore, Sequoia Financial Advisors also has an agreement with Algonquin Advisors, LLC, an SEC Registered Investment Advisor located in Greenwich, Connecticut, whereby Algonquin Advisors, LLC may refer investment advisory clients to Sequoia Financial Advisors in exchange for a portion of the investment advisory fee paid by the referred client to Sequoia Financial Advisors. Algonquin Advisors, LLC is the third-party service provider that Sequoia Financial Advisors has contracted with to provide research, conduct due diligence and to provide a listing of recommended money managers and funds. (Reference Item 8).

Sequoia Financial Advisors also receives an economic benefit from our qualified custodian, Schwab, in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Sequoia Financial Advisors also receives client referrals from Schwab through our participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of, and unaffiliated with Sequoia Financial Advisors. Schwab does not supervise Sequoia Financial Advisors and has no responsibility for the management of clients' portfolios or Sequoia Financial Advisors' other advice or services. Sequoia Financial Advisors pays Schwab fees to receive client referrals through the Service. Sequoia Financial Advisors' participation in the Service may raise potential conflicts of interest described below.

Sequoia Financial Advisors pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Sequoia Financial Advisors is a percentage of the fees the client owes to Sequoia Financial Advisors or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Sequoia Financial Advisors pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Sequoia Financial Advisors quarterly and may be increased,

decreased or waived by Schwab from time to time. The Participation Fee is paid by Sequoia Financial Advisors and not by the client. Sequoia Financial Advisors has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Sequoia Financial Advisors charges clients with similar portfolios who are not referred through the Service.

Sequoia Financial Advisors generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client is solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees we generally would pay in a single year. Thus, Sequoia Financial Advisors will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Sequoia Financial Advisors' clients who are referred by Schwab, and those referred clients' family members living in the same household. Thus, Sequoia Financial Advisors will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Sequoia Financial Advisors' fees directly from the accounts.

For accounts of Sequoia Financial Advisors' clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Sequoia Financial Advisors' clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealers' fees. Thus, Sequoia Financial Advisors may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Sequoia Financial Advisors nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Sequoia Financial Advisors' other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

**Sequoia Financial Group-Schwab Advisory Network ("SAN") Asset Management Fee Schedule:**

***Balanced Portfolio-Above \$500,000 (Tiered Pricing)***

<u>Asset Level</u>	<u>Total Fees</u>	<u>Sequoia Fees</u>	<u>SAN Fees</u>
\$0 to \$2,000,000	1.00%	0.75%	0.25%
\$2,000,000 to \$5,000,000	0.75%	0.55%	0.20%
\$5,000,000 to \$15,000,000	0.50%	0.35%	0.15%
\$15,000,000 +	0.40%	0.30%	0.10%

***Fixed Income-Above \$500,000 (Tiered Pricing)***

<u>Asset Level</u>	<u>Total Fees</u>	<u>Sequoia Fees</u>	<u>SAN Fees</u>
\$0 to \$2,000,000	0.500%	0.250%	0.250%
\$2,000,000 to \$5,000,000	0.375%	0.175%	0.200%
\$5,000,000 to \$15,000,000	0.250%	0.100%	0.150%
\$15,000,000 +	0.200%	0.100%	0.100%

***Under \$500,000 (Straight Fee)***

<u>Asset Level</u>	<u>Total Fees</u>
\$0 to \$100,000	1.50%
\$100,000 to \$250,000	1.25%
\$250,000 to \$500,000	1.00%

***Financial Planning Fee Schedule New SAN Asset Management Clients***

<u>Asset Level</u>	<u>Planning Fee</u>
Assets > \$2,000,000	Free initial plan; half price updates upon request.
Assets < \$2,000,000	Full price initial plan; half price updates.
100% Fixed Income	Full price initial plan; half price updates.

In addition, affiliates of Sequoia Financial Advisors, such as Sequoia Financial Insurance Agency, LLC, and/or certain Investment Advisor Representatives of Sequoia Financial Advisors, on occasion, may be compensated for providing client referrals to other financial service entities. All such compensation will be fully disclosed to each client consistent with applicable law. Compensation is based on the referral actually engaging with the other financial service entity(s), for the products and services they provide. The client as a result of any such compensation arrangements will incur no additional costs or expenses. Any such referred activities will be conducted in accordance with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, and/or state securities laws, as applicable.

## Item 15 – Custody

Under government regulations, Sequoia Financial Advisors is deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. Sequoia Financial Advisors urges you to carefully review such statements and compare such official custodial records to the performance reports that we may provide to you. The Schwab statements are the accurate record in regards to your account(s) and any discrepancies should be brought to the attention of Sequoia Financial Advisors in writing. Performance Reports provided by Sequoia Financial Advisors, may vary from Schwab statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Under these same government regulations, Sequoia Financial Advisors is also deemed to have custody as it relates to its relationship with Sequoia AI, GP and Sequoia Alternative Investments, LP. Given the definitions of “related person” and “control,” Sequoia AI GP, LLC and Sequoia Alternative Investments, LP are considered “related persons” of Sequoia Financial Advisors. Specifically, Sequoia AI, GP and Sequoia Financial Advisors are seen as having common control given that both are commonly managed. Sequoia AI, GP is also exclusively owned by Sequoia Financial Group, LLC, which also owns Sequoia Financial Advisors. In that regard, given the authority granted to Sequoia AI, GP in the Sequoia Alternative Investments, LP operating agreement, it is concluded that Sequoia AI, GP has custody. Therefore, Sequoia Financial Advisors too will be regarded as having custody of the those assets to the extent they are managed by Sequoia Financial Advisors and therefore Sequoia Financial Advisors would be subject to all of the restrictions under the regulation with respect to those assets, including audit requirements.

As a result, Sequoia Alternative Investments, LP is audited on an annual basis and distributes its audited financial statements to all limited partners within 120 days of the end of its fiscal year. The audit is performed by an independent public accountant that is registered with the Public Company Accounting Oversight Board.

## Item 16 – Investment Discretion

Sequoia Financial Advisors usually receives limited discretionary authority from the client at the outset of an investment management relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Clients give us limited discretionary authority when they sign an Advisory Services Agreement (*Sequoia Client Agreement*).

When selecting securities and determining amounts, Sequoia Financial Advisors observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Sequoia Financial Advisors in writing.

Clients are advised that they are under no obligation to implement all or any part of the recommendations made by Sequoia Financial Advisors or its Investment Advisor Representatives.

In non-discretionary accounts, we make periodic recommendations to clients regarding the securities to be purchased or sold and the size of those transactions.

For those clients who have engaged with a third-party money manager as outlined above, you may be entering into an investment discretion relationship. These clients should consult the third-party advisory agreement for more details.

#### **Item 17 – Voting *Client* Securities**

As a matter of firm policy and practice, Sequoia Financial Advisors does not have any authority to and does not vote proxies on behalf of investment advisory clients. Clients retain the responsibility for receiving and voting, proxies for any and all securities maintained in their accounts. Sequoia Financial Advisors may provide advice to clients regarding the clients' voting of proxies, if so requested.

#### **Item 18 – Financial Information**

Sequoia Financial Advisors is required in this Item to provide certain financial information or disclosures about Sequoia Financial Advisors' financial condition. Sequoia Financial Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.