

Investment Adviser Brochure  
Form ADV Part 2A  
Disclosure Statement  
ADV Item 1

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This brochure provides information about the qualifications and business practices of CONOVER CAPITAL MANAGEMENT, LLC. If you have any questions about the contents of this brochure, please contact us at: 888-888-6870, or by email at: [INFO@CONOVERCAPITAL.COM](mailto:INFO@CONOVERCAPITAL.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.

Additional information about CONOVER CAPITAL MANAGEMENT is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our Firm's CRD number is 118393

January 2017

## ADV Item 2    Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated at least annually when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update

None

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### Full Brochure Available

We are providing you with this material in accordance with Rule 204-3 of the Investment Advisers Act of 1940, which requires a registered investment adviser to provide a written disclosure statement upon entering into an advisory relationship. Future updates to this Brochure may be obtained by written request to Conover Capital Management LLC., Attn: Chief Compliance Officer, 155 108th Ave NE, Suite 725, Bellevue, WA 98004 by telephone at: 888.888.6870 or by email at: [info@conovercapital.com](mailto:info@conovercapital.com).

## Item 3 Table of Contents Page

|   |                              |
|---|------------------------------|
| <b>ADV Item 1 .....</b>   | <b>1</b>                     |
| <b>ADV Item 2   Material Changes .....</b>  | <b>2</b>                     |
| Annual Update.....  | 2                            |
| Material Changes since the Last Update .....  | 2                            |
| Full Brochure Available .....   | 2                            |
| <b>Item 3 Table of Contents Page.....</b>   | <b>3</b>                     |
| <b>Item 4   Advisory Business .....</b>   | <b>6</b>                     |
| <b>Item 5   Fees and Compensation.....</b>  | <b>10</b>                    |
| California Disclosures .....  | 15                           |
| Conflict of Interest Disclosure .....   | 15                           |
| Financial Planning Conflict of Interest Statement.....  | 15                           |
| <b>Item 6 Performance-Based Fees and Side by Side Management .....</b>                              | <b>16</b>                    |
| <b>Item 7 Types of Clients .....</b>  | <b>16</b>                    |
| <b>Item 8 Methods of Analysis, Investment Strategies and Risk of Loss .....</b>                     | <b>17</b>                    |
| <b>Item 9 Disciplinary Information.....</b>   | <b>20</b>                    |
| <b>Item 10 Other Financial Industry Activities and Affiliations .....</b>                           | <b>22</b>                    |
| <b>Item 11 Code of Ethics, Participation or Interest in Client Transactions, Personal Trading..</b> | <b>23</b>                    |
| <b>Item 12 Brokerage Practices.....</b>   | <b>24</b>                    |
| <b>Item 13 Review of Accounts.....</b>  | <b>25</b>                    |
| <b>Item 14 Client Referrals and Other Compensation.....</b>   | <b>25</b>                    |
| <b>Item 15 Custody.....</b>   | <b>26</b>                    |
| <b>Item 16 Investment Discretion.....</b>   | <b>26</b>                    |
| <b>Item 17 Voting Client Securities .....</b>   | <b>27</b>                    |
| <b>Item 18 Financial Information.....</b>   | <b>27</b>                    |
| <b>CFA Institute Financial Adviser Statement for SEC Form ADV .....</b>                             | <b>28</b>                    |
| <b>CFP® Certification Explanation Statement .....</b>   | <b>29</b>                    |
| <b>PHR® Certification Explanation Statement .....</b>   | Error! Bookmark not defined. |
| <b>CPA Certification Explanation Statement.....</b>   | <b>30</b>                    |

## Item 4 **Advisory Business**

Founded in 2002 Conover Capital Management, LLC ("CCM") is a registered investment adviser based in Bellevue, Washington. CCM provides a full range of wealth management services, including portfolio management, financial retirement and education planning and investment management. CCM representatives may be registered representatives of Conover Securities Corporation ("CSC"), a full service broker/dealer affiliated with Conover Capital Management, LLC. In such capacity, representatives may sell securities through CSC and receive normal and customary commissions as a result of such purchases and sales. A conflict of interest may exist between the interests of CCM or your representative and your interests if you choose to buy product(s) through your representative in his or her capacity as a CSC registered representative where the representative may receive a commission on the product(s) sold in addition to the fees charged for investment advice. Your representative may recommend investments to you in which you may pay management fees and/or broker/dealer commissions if our broker/dealer affiliate processes the transaction. You are under no obligation to act upon CCM's or your representative's recommendations. If you elect to act on any of the recommendations, you are under no obligation to effect transactions through CCM or our broker/dealer affiliate.

CCM manages client portfolios independently based on the needs of the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning and wealth transfer planning.

CCM provides periodic reviews, at least annually for the client to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

### **Principal Owners Shareholders (25% or more)**

Abacus Group, LLC ("Abacus") owns 100% of CCM

BD Green's Descendant's Trust owns more than 25% of Abacus

Bravo Delta Group II, LLC owns more than 25% of Abacus.

### **Types of Advisory Services**

CCM provides investment supervisory services, also known as asset management services. On more than an occasional basis, CCM furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of December 2014, CCM advises on approximately \$242 million in assets for approximately 593 accounts for individual clients, business entities and 401k plans and these assets can be managed on a non-discretionary basis and discretionary basis.

### **Tailored Relationships**

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

CCM provides advice for investment portfolios and personalized financial planning to:

- ❖ Individuals
- ❖ Foundations and Institutions
- ❖ Pension, defined contribution and profit sharing plans
- ❖ Corporations or other business entities

CCM works with individual and institutional investors to build investment strategies, including strategies for wealth accumulation, wealth preservation, and wealth transfer. CCM will only recommend transactions to, and makes investment decisions on behalf of, clients based solely on investment considerations, including whether the investments are in the best interest of the client and are consistent with the client's investment objectives, risk tolerances, policies and restrictions on activities within an account. Special consideration is given to the tax implications of holding or liquidating an equity in a certain type of account.

### **Types of Agreements**

The following agreements define the typical client relationships.

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

CCM also provides financial planning services. When you purchase financial planning services you will receive a written report, providing you with a financial plan designed to achieve your stated financial goals and objectives. In general, the financial plan will address the following areas:

Personal: Family records, budgeting, personal liability, estate information and financial goals.

Tax & Cash Flow: Income tax and spending analysis and planning for past, current and future years. Adviser will illustrate the impact of various investments on your current income tax and future tax liability.

Death & Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

Retirement: Analysis of current strategies and investment plans to help you achieve your retirement goals.

Investments: Analysis of investment alternatives and their effect on your client's portfolio. We gather required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents you supply are carefully reviewed, including a questionnaire you complete, and we prepare a written report. Should you choose to implement the recommendations contained in the plan, we suggest that you work closely with your attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at your discretion.

You may choose to use any broker-dealer with which our employees are associated as registered representatives to implement the recommendations made in the financial plan, but you are under no obligation to do so. You may implement our recommendations through any adviser or broker-dealer of your choice. The fees, commissions, or other expenses of implementing our recommendations through a broker-dealer with which our employees are associated may be higher than the fees, commissions, or expenses charged by other investment advisers or broker-dealers for similar services.

Our financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

Implementation of financial plan recommendations is entirely at your discretion. You may choose to use any broker-dealer with which our employees are associated as Registered Representatives to implement the recommendations made in the financial plan, but you are under no obligation to do so. You may implement our recommendations through any adviser or broker-dealer of your choice. The fees, commissions, or other expenses of implementing our

recommendations through a broker-dealer with which our employees are associated may be higher than the fees, commissions, or expenses charged by other investment advisers or broker-dealers for similar services. Fund companies charge each shareholder an investment management fee that is disclosed in the Fund's prospectus

### **Advisory Service Agreement**

Most clients choose to have CCM manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed, including those of their children. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. An Advisory Service Agreement includes: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning; estate planning; and tax preparation, as well as the implementation of recommendations within each area.

The Advisory Service Agreement fee may be based on a percentage of the investable assets.

The Advisory Service Agreement fee may be a flat fee agreed upon by the client and CCM.

Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. Fees paid in advance will be refunded to the client on balance of the time remain in the quarter in which termination occurs. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

CCM provides consulting services for defined contribution and defined benefit plans. CCM may act as either 3(38) or 3(21) fiduciary investment advisor on these plans. CCM is a member of the Retirement Plan Advisory Group (RPAG), who provides back office support and analysis of fund performance using team of Certified Financial Analysts (CFA).

Fiduciary Investment Reviews™ for plans are done on a quarterly basis using RPAG's proprietary ScorecardSM System to provide a prudent process to monitor and evaluate fund managers and investment strategies. The ScorecardSM

evaluates investments on a scale of 1 to 10 in core asset classes including asset allocation investments. An investments score is made up of quantitative factors and qualitative factors. Quantitative factors include:

- ❖ Style factors
- ❖ Risk/Return factors
- ❖ Peer Group Ranking factors:

Reporting to the plan sponsor: all reports provided by CCM are available to clients in hardcopy, with a copy available online via a secure site.

CCM also offers a The Fiduciary Fitness Program™ for plan sponsors, an independent compliance tool to measure the health of a retirement plan.

Market Risk - Equities can generally be expected to provide higher returns than fixed income.

Size Risk - Small-Cap equities can generally be expected to provide higher returns than Large-Cap equities.

Price Risk - Lower-priced equities, or "value" stocks, can generally be expected to provide higher returns than higher-priced equities, or "growth" stocks.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPO's) are not available through CCM.

CCM does not participate in wrap fee programs

CCM does not issue periodicals about securities or special reports about securities by subscription that is not included in our service models described above.

## **Item 5 Fees and Compensation**

Management fees charged in our programs are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds and variable annuities that may be recommended to you. A description of these fees and expenses are available in each mutual fund and annuity prospectus. The ongoing management fee for investment management services may cost you more than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged a commission for each transaction, and the representative has no



duty to provide ongoing advice with respect to the account. You may also be assessed ticket charges on account transactions and other miscellaneous charges by Fidelity, NFS and Charles Schwab on account transactions.

Miscellaneous charges may include custodial fees levied by the custodian. If you plan to follow a buy and hold strategy for the account or do not wish to buy ongoing investment advice or management services, you should consider opening a brokerage account rather than an advisory account. You may be able to obtain similar services for a lesser fee from other advisors. The fees charged vary among our programs. The factors to be considered by clients in determining the reasonableness of the fees charged include, but may not be limited to, the following:

- ❖ The fee charged for development of an asset allocation study and/or development of an investment strategy.
- ❖ Transaction and custody costs or other miscellaneous fees and taxes and/or charges as well as commissions or mark-ups and mark-downs on the purchase and/or sale of securities.
- ❖ The cost of producing a quarterly performance report covering the managed assets. The value of the consulting services provided by the representative in designing and then monitoring the client's managed assets.
- ❖ The cost of investment advice provided by the representative.

The typical CCM basic fee schedule for Wealth Management Advisory services is as follows:

- 1.00% on the first \$1,000,000 million in assets under management
- 0.90% on the next \$5,000,000 million in assets under management
- 0.80% on the next \$10,000,000 million in assets under management

Fixed income portions of a portfolio, or a portfolio comprising entirely of fixed income investments may be managed at a reduced charge from this fee level mutually agreed upon by the client and the adviser.

All fees are negotiated on an individual basis based on scope of engagement. Current client relationships may exist where the fees are higher or lower than the fee schedule above not to exceed 3% and with a minimum annual advisory fee of \$500.

Typical Fixed Fee 401k Consulting Services:

401(k) Vendor Analysis and Benchmarking™ Reporting - fees based on plan size and demographics range from \$5,000 to \$20,000.

Typical 401(k) consulting service fees range from 60 basis points to 25 basis points. Fees for Vendor Analysis and Benchmarking™ can be credited back toward ongoing consulting service fees if CCM, is retained as the investment adviser for the plan.

Fees for Vendor Analysis and Benchmarking™ are credited back toward ongoing consulting service fees if CCM, is retained as the investment adviser for the plan.

Fees for Vendor Analysis and Benchmarking™ - half of fixed payment due upon the effective date of the arrangement with balance due upon completion of services if CCM is not retained as the adviser on the account. Expected timeframe for completion 6 to eight weeks.

Where CCM is engaged solely for Financial Planning the fee is negotiable based upon the complexity and scope of the work. The fee for our usual engagement is \$2500, but in each case the fee arrangements are negotiated individually with each client.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-on implementation work is billed separately at the rate of \$250 per hour.

Financial plans are priced according to the degree of complexity associated with the client's situation as described in Section 4.

Fees are subject to negotiation based on the circumstances of the client and other factors, including but not limited to the type and size of the plan and the type and amount of client-related services that CCM will provide.

CCM accepts no fees from other parties such as custodians, financial services companies, TPA's or mutual funds to recommend those services to clients or to include them in our product offerings.

### **Fee Billing**

Investment management fees are billed quarterly, in advance or arrears depending on the custodian or vendor. Fees are calculated as an annual percentage of assets based on the value of the account at quarter end and then divided by four. Fees are billed following the inception of the account at the next calendar quarter and quarterly thereafter.

You will be sent an invoice showing the amount of the fee, the value of the assets upon which the fee was based, and the specific manner in which the fee was

calculated. Clients have the responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated.

Payment in full is expected upon invoice presentation for 401k plans. Other fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Any asset purchased for a commission within clients accounts are excluded from fee billing calculations.

### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

CCM, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

### **Mutual Fund Fees & Expense Ratios**

Mutual funds generally charge an internal management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to CCM.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Mutual Fund Fees; All fees paid to us are separate and distinct from the internal fees and expenses charged by mutual funds (or ETFs) to their shareholders. These fees and expenses are described in each fund's or ETF's prospectus or summary disclosure document. These fees will generally include a management fee, other internal expenses, and a possible distribution fee. If the fund also imposes sales charges, the account or sub advisory account may pay an initial or deferred sales charge.

Accordingly, you should review both the fees charged by the funds and ETFs and the fees we charge to fully understand the total amount of fees to be paid by the account or sub advisory account, and evaluate the advisory services being provided.

## **Past due Accounts and Termination of Agreement**

CCM reserves the right to stop work on any account that is more than 90 days overdue. In addition, CCM reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in CCM judgment, to providing proper financial advice.

Any unused portion of fees collected in advance will be refunded within 30 days; fees will be prorated through the termination date. Since accounts are generally charged quarterly in advance based on the inception of assets or assets at the close of business in the prior quarter, the daily pro-ration upon termination will usually result in a rebate to the client of the unused portion of the quarterly fee. This rebate will be accompanied by an invoice showing the basis for the calculations including assets value used, length of time remaining in the quarter.

## **Supervised Persons Compensated from other sources**

One or more of our management persons is separately licensed as insurance agents or brokers for one or more insurance companies. This individual may offer to purchase insurance products for clients for separate and typical compensation. The ability to receive insurance commissions creates a conflict of interest that may impair the objectivity of our firm and these individuals when making financial planning recommendations.

CCM endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; to address this conflict CCM takes the following steps by:

- ❖ Disclosing to clients the existence of all material conflicts of interest in writing to the client, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- ❖ Disclosing to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- ❖ CCM receives less than 5% of its revenue from other compensation sources that are not asset based fees.
- ❖ CCM does not charge markups or mark downs in addition to its advisory fees.
- ❖ CCM clients that purchase investments in their accounts that are on a commission basis will have the value of that investment excluded from any calculation of fees.

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## California Disclosures

### Conflict of Interest Disclosure

#### Required by California Code of Regulation

California requires Investment Advisory Firms to disclose to clients and prospective clients the potential conflicts of interest between themselves and their client's best interest (CCR Section 260.238(k)). A material conflict of interest exists when the firm, its representatives or its employees could reasonably be expected to be impaired in rendering unbiased or objective advice. Conflicts of interest generally include compensation arrangements; other industry activities or affiliations or participation in client transactions.

CCM does not received additional compensation from other sources beyond the advisory fees for financial planning and investment management. The investment advisory fee is quoted as an annual percentage of assets under management and is divided into a quarterly withdrawal based on the assets at the beginning of each quarter. Financial planning fees are either hourly or at a flat rate as quoted in the advisory contract. Neither Conover Capital Management, LLC nor its advisory representative participates in client transactions, although they may own the parallel investments.

### Financial Planning Conflict of Interest Statement

#### Required by California Code of Regulation

California also requires Investment Advisory Firms to disclose to prospective clients that potential conflicts of interest exist between themselves and their client's best interest if they provide financial planning services and receive fees and/or commissions from the sale of securities, insurance, real estate or any other product or services recommended in a financial plan (CCR Section 260.235.2).

In the course of a financial planning engagement, the advisory representatives of CCM will make recommendations for asset management of securities through the advisory services of CCM and will receive fees for such asset management. Fees are based on a percentage of the assets, generally around 1% and such fees will be fully disclosed prior to engagement of CCM. At no time is the client obligated to act on our recommendations and the client can choose to transact our recommendations through any other party.

We are committed to the highest level of ethical professional duty and we continually strive for integrity, objectivity, competence, fairness and diligence. We will always put the client's best interest first and above our own interests and act with care and in good faith.

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

### Sharing of Capital Gains

CCM does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Item 7 Types of Clients

### Description

CCM generally provides investment advice and wealth management services to:

- ❖ Affluent Individuals and their Families
- ❖ Corporate Executives
- ❖ Business Owners
- ❖ Multi-Generational Family Wealth
- ❖ Professional Athletes
- ❖ Private Foundations
- ❖ Corporate Pension and Profit Sharing plans
- ❖ Endowments and Not-for-Profit Organizations

Limitations to authority may be based upon specific written objectives and guidelines between CCM and the client, ERISA regulations or other regulatory body directives.

Client relationships vary in scope and length of service.

The minimum account size for non 401k or fixed accounts is \$250,000 of assets under management, which equates to an annual fee of \$2,500.

Depending upon circumstances, CCM may sign an Hourly Agreement with the client if assets have diminished significantly below \$100,000.

CCM has the discretion to waive the account minimum. Accounts of less than \$50,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$250,000 within a reasonable time, or at the discretion of the individual advisor.

Other exceptions will apply to employees of CCM and their relatives, affiliate companies and their employees, relatives of existing clients.

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

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

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

Fundamental analysis of a stock, futures contract, or currency using fundamental analysis there are two basic approaches one can use; bottom up analysis and top down analysis. The top-down starts with the analysis with global economics, including both international and national economic indicators, such as GDP growth rates, inflation, interest rates, exchange rates, productivity, and energy prices; then narrowing down to regional/industry analysis of total sales, price levels, the effects of competing products, foreign competition, and entry or exit from the industry. The bottom-up method starts with specific businesses, regardless of their industry/region.

Technical Analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis. In this type of technical analysis, we measure the movements of a particular index or sector or mutual fund against the overall market in an attempt to predict the price movement of the security.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

CCM may receive information from specialized investment and economic publications and electronic information retrieval systems, such as Bloomberg and Reuters. Money manager research/analysis is conducted by alliances with investment management research companies

Fiduciary Investment Reviews™ for plans are done on a quarterly basis using RPAG's proprietary ScorecardSM System to provide a prudent process to monitor and evaluate fund managers and investment strategies. The ScorecardSM evaluates investments on a scale of 1 to 10 in core asset classes including asset

allocation investments. An investments score is made up of quantitative factors and qualitative factors.

### **Investment Strategies**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

Investment Advice for 401k plans is specific to each plan and is based on the criteria detailed in the plans investment policy statement and the available options available to that specific plan.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- ❖ Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- ❖ Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- ❖ Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- ❖ Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- ❖ Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- ❖ Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they



can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- ❖ Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- ❖ Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Item 9 Disciplinary Information

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients relating to the provision of investment advisory services. One representative was subject to complaints at a prior firm and self-regulatory organization (SRO) proceeding in which the supervised person has a disciplinary history, the details of which can be found on FINRA's BrokerCheck system or the IARD. Clients can view the information by typing or cutting and pasting the following link into a web browser, person is provided through either the Financial Industry Regulatory Authority's (FINRA) BrokerCheck system link is [www.finra.org/brokercheck](http://www.finra.org/brokercheck); the IARD link is [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Clients may search for an individual or for a company at each site, both sites contains link to the other. Clients can also refer to Part2 B of this brochure for information on individuals.

CCM has not been subject of:

- A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management person
  - 1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
  - 2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
  - 3. Was found to have been involved in a violation of an investment-related statute or regulation; or
  - 4. Was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

CCM has not been subject of:

- B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person
  - 1. Was found to have caused an investment-related business to lose its authorization to do business; or

2. Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority

- (a) Denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business;
- (b) Barring or suspending your firm's or a management person's association with an investment-related business;
- (c) Otherwise significantly limiting your firm's or a management person's investment-related activities; or
- (d) Imposing a civil money penalty of more than \$2,500 on your firm or a management person.

CCM has not been subject of:

C. A self-regulatory organization (SRO) proceeding in which your firm or a management person

- 1. Was found to have caused an investment-related business to lose its authorization to do business; or
- 2. Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

CCM has not been subject of:

D. Any other proceeding in which a professional attainment, designation, or license of the supervised person was revoked or suspended because of a violation of rules relating to professional conduct. If the supervised person resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.

## Item 10 Other Financial Industry Activities and Affiliations

### Financial Industry Activities

Conover Capital Management, LLC ("CCM") is a Registered Investment Advisory firm based in the state of Washington, located at 155 108th Ave NE, Suite 725, Bellevue, WA 98004. CCM is in compliance with current registration and/or filing notice requirements imposed upon Washington State Registered Investment Advisers. Conover may only transact business in those states in which it is registered or qualifies for an exemption or exclusion for registration requirements.

### Affiliations

CCM arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, accounting firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

Conover Capital Management, LLC is owned by Abacus Group, LLC. Abacus Group, LLC also owns Conover Securities Corporation and Conover Tax and Accounting Corporation. Conover Securities Corporation is a registered broker dealer member of the Financial Industry Regulatory Authority (FINRA) and member of the Securities Investor Protection Corporation (SIPC). Conover Tax and Accounting provides tax services and are affiliates of CCM.

CCM does not receive any fee or compensation from our affiliated companies or third party for the referral of any clients.

One of our management persons is separately licensed as insurance agents or brokers for one or more insurance companies. This individual may offer to purchase insurance products for clients for separate and typical compensation. The ability to receive insurance commissions creates a conflict of interest that may impair the objectivity of our firm and these individuals when making financial planning recommendations.

One of our management persons is a registered representative of Conover Securities Corporation, a broker-dealer. This individual may offer to buy and sell securities for financial planning clients for separate and typical compensation. The ability to receive brokerage commissions creates a conflict of interest that may impair the objectivity of our firm and this individual when making investment and financial planning recommendations.

Prior to referring clients to third party advisors CCM makes sure that they are correctly licensed and registered to conduct business in the client's location.

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

CCM has adopted a Code of Ethics that summarizes the firm's values, ethical standards, and commitment to address potential conflicts of interest that arise from its activities. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Our Code of Ethics describes our fiduciary duties and responsibilities to clients, and sets forth our practice of supervising the personal securities transactions of supervised persons with access to client information.

We require that all individuals must act in accordance with all applicable Federal and State regulations governing investment advisory activities. Our Code of Ethics also includes the firm's policy prohibiting the use of material non-public information. Any individual who fails to abide by our Code of Ethics may be subject to discipline.

Personal securities transactions by an employee of an investment adviser may raise a potential conflict of interest when that employee owns or trades in a security that is owned or considered for purchase or sale by a client, or recommended for purchase or sale by an employee to a client.

CCM's Code of Ethics includes rules that are designed to detect and prevent conflicts of interest when investment professionals and other employees own, buy or sell securities which may be owned by, or bought or sold for clients. To supervise compliance with our Code of Ethics, we require that anyone associated with the firm who has access to information regarding client investment recommendations or transactions must provide an initial and annual securities holdings report and quarterly transaction reports to the firm's Chief Compliance Officer. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

While our officers and employees endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations. This individual may spend as much as 50% of their business time in connection with these separate activities.

## Item 12 Brokerage Practices

CCM does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. CCM recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

CCM currently utilizes Fidelity Investments and Charles Schwab as primary custodians. CCM believes that they provide clients with the best mix of professional services, execution services and commission costs that will assist CCM in the best execution for transactions.

Financial planning clients may implement the recommendations in the financial plan through any broker they wish to choose.

We participate in the programs through Fidelity and Charles Schwab offered to independent investment advisers CCM is independently owned and operated, and are not affiliated with any of our custodians or other service providers.

With respect to the services we offer, CCM recognizes your unrestricted right to select and choose any broker or dealer you wish, except in situations where CCM or a recommended manager is given discretionary authority over your account. We require that you direct us to place trades either directly with the mutual fund companies and managers utilized as investments in the applicable services, or through the Custodian (or its affiliate). In these instances CCM does not have authority to negotiate commissions, ticket charges, or other expenses, among various brokers on a trade-by-trade basis or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission or other charges may exist compared to other clients' accounts.

### **Soft Dollars**

CCM does not receive any credits or other soft dollar payments from any custodian, vendor or affiliated companies.

### **Order Aggregation**

Although we will have the authority to aggregate or block client orders placed with the same Custodian, such aggregated or block orders, if any, will be rare due to the our services primary investments in mutual funds and limitations of the systems for placing orders through the Custodians. Most trades are open ended mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

## Item 13 Review of Accounts

The daily supervision of advisory accounts is the responsibility of the CCM advisors. The Chief Compliance Officer or a principal will periodically review accounts as needed, required and appropriate. Account reviews are performed more frequently when market conditions dictate reviewers are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Other conditions that may trigger a review are changes in the tax laws, political and economic events, and changes in a client's own situation.

The Custodian provides statements to clients and accountholders not less than quarterly reflecting the transactions, fees, expenses, holdings, and balances in the client's accounts.

401k clients receive quarterly investment reviews, an annual compliance review and a benchmarking for the plan every three years. This is presented usually with a hard copy at review with electronic versions uploaded to a secure lockbox for clients to access via the internet.

CCM does not provide ongoing reports to financial planning clients. CCM provides quarterly statements to clients showing account ending values and performance for that period.

## Item 14 Client Referrals and Other Compensation

CCM has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

CCM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Custodians available to CCM products and services that benefit us but may not benefit our clients. Some of these other products and services assist us in managing and administering accounts. These include software and other technology that:

- ❖ Provide access to client data (such as trade confirmations and account statements);
- ❖ Facilitate trade execution;

- ❖ Provide research, pricing information and other market data;
- ❖ Facilitate payment of our fees from clients' accounts; and
- ❖ Assist with back-office support, recordkeeping and other services.

Many of these services generally may be used to service all or a substantial number of Adviser's clients.

## Item 15 Custody

CCM does not maintain custody of client funds or securities. Which means the custodian or clearing firm will provide account statements directly to clients at their address of record at least quarterly. These statements will show activity in the account and ending position balances for the quarter. Clients will also receive confirmation of each transaction from the Custodian or clearing firm.

Statements for participants of 401k plans are provided by the custodian for the plan assets directly to the participant's address of record at least quarterly.

## Item 16 Investment Discretion

CCM usually receives any discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold, upon execution of a CCM Investment Management Agreement. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client investment portfolio.

When selecting securities and determining amounts, CCM observes the investment policies, limitations and restrictions of the clients for which it advises.

For ERISA clients, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment restrictions must be provided to CCM in writing.

CCM consults with the client prior to each trade for other actions such as portfolio changes or rebalancing to obtain concurrence on the transaction.

The client approves the custodian to be used and the commission rates paid to the custodian. CCM does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades not involving the open ended mutual funds.



### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney or through agreement by signing the Advisory Agreement so that we may execute the trades in your account.

## **Item 17 Voting Client Securities**

CCM does not vote proxies on securities and clients are expected to vote their own proxies. Third party managers engaged by the client through their relationship with CCM may retain the authority to vote proxies for assets under their management.

You are required to instruct your Custodian of the assets to forward copies of all proxies and shareholder communications relating to your investments directly to you or to another party you designate.

When assistance on voting proxies is requested, CCM will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

CCM will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

## **Item 18 Financial Information**

CCM does not have any financial impairment that will preclude the firm from meeting contractual commitments or fiduciary commitment to clients and has not been the subject of a bankruptcy petition at any time during the past ten years.

## Appendix

### CFA Institute Financial Adviser Statement for SEC Form ADV

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

#### High Ethical Standards

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

#### Global Recognition

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment. Additionally, regulatory bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

#### Comprehensive and Current Knowledge

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

# CFP® Certification Explanation Statement

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

# CPA Certification Explanation Statement

## About The CPA Certification Institute

Certified Public Accountant (CPA) is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA. In most U.S. states only CPAs who are licensed are able to provide to the public attestation, including auditing, opinions on financial statements.

In Washington State holders of the CPA designation are initially qualified and subsequently monitored by the Washington State Board of Accountancy who review the professional performance and ethical behavior of Certified Public Accountants (CPAs), CPA-Inactive certificate holders, CPA firms, and non-licensure CPA firm owners in Washington State.

The Board contracts with CPA Exam Services (CPAES) for application requirements, intake and processing for Washington's CPA exam applicants. Current Education Requirements - After July 1, 2000

To be eligible to take the CPA exam, you must have completed:

- At least 150 semester credits of college education, including:
- A baccalaureate degree or higher
- 24 semester credits in accounting subjects with 15 credits at the upper or graduate level
- 24 semester credits in business administration subjects

Once a holder of the CPA designation you must complete ongoing education requirements that require 120 credits every three years, this must include four Continuing Professional Education (CPE) hours in Board approved ethics and regulations with specific application to the practice of public accounting in Washington State.

CPA professionals who fail to comply with the above standards and requirements may be subject to Board's enforcement process, which could result in suspension or permanent revocation of their CPA status.

## Certified 401(k) Professional - C(k)P® Certification Process

The C(k)P® Certified 401(k) Professional Designation represents the pinnacle of achievement for the professional Retirement Plan Advisor, recognizing a combination of substantial practical retirement plan management experience, and the completion of a comprehensive and highly specialized educational program. To earn the right to use the C(k)P® designation requires more than just academic aptitude. A financial professional must have demonstrated real world application of the core competencies taught in the classroom.

### C(K)P® Designation Program:

The C(k)P® Designation or Certified 401(k)Professional Designation is administered by The Retirement Advisor University in collaboration with UCLA Anderson School of Management Executive Education. The C(k)P® Designation identifies individuals who have been authorized to use the C(k)P® Designation certification marks in the USA by identifying financial professionals who have the knowledge and experience to favorably affect the outcome of corporate retirement plans.

C(k)P® Designation holders have:

- Demonstrated competency and experience in the retirement field.
- Completed a rigorous and unique education course work experience.
- Agreed to adhere to a code of conduct and ethics.

The education course work includes classroom, online, and live online instructor led courses, as well as periodic assessments, an exam and a case study. The conduct and ethics codes embrace the core values of integrity, diligence, fairness, and objectivity.

The C(k)P® Standards & Certification Committee sets the standards for the Certified 401(k) Professional Designation. Designation candidates are expected to develop a high degree of knowledge and ability in the following study areas:

- Technical Competence
- Optimizing Plan Outcomes
- Management and Business
- Sales & Marketing