

**Part 2A of Form ADV: *Firm Brochure***



**Powers Capital Investments, Inc.**

8141 East Kaiser Blvd. Suite 300  
Anaheim Hills, CA 92808

Telephone: 714-282-1566  
Email: [contactus@powerscapital.com](mailto:contactus@powerscapital.com)  
Web Address: [www.powerscapital.com](http://www.powerscapital.com)

March 20, 2015

This brochure provides information about the qualifications and business practices of Powers Capital Investments, Inc. If you have any questions about the contents of this brochure, please contact us at 714-282-1566 or [contactus@powerscapital.com](mailto:contactus@powerscapital.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 Powers Capital Investments, Inc. also 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 145045.

## **Item 2    Material Changes**

Material changes to the ADV Brochure will be provided to clients who have received previous versions of the Brochure. We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. There are no material changes to report for 2014.

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## **Item 4    Advisory Business**

Powers Capital Investments, Inc. is a SEC-registered investment adviser with its principal place of business located in California. We began conducting business as Powers Capital Investments, Inc. in 2007. The firm's principal shareholder is the Patrick D. Powers Family Trust dated March 11, 2011, Patrick D. Powers and Deborah Powers, Trustees.

We offer the following advisory services to you:

### **Investment Supervisory Services ("ISS")**

- **Individual Portfolio Management**

We provide continuous advice regarding the investment of funds based on your individual needs. Through personal discussions in which goals and objectives based on particular circumstances are established, we develop a personal investment policy. We create a basic asset allocation and manage the portfolio based on that policy. This asset allocation strategy is drafted into a Investment Management Agreement ("IMA") or Investment Policy Statement ("IPS"). During our data-gathering process, we determine individual objectives, time horizons, risk tolerance, and liquidity needs. We also review and discuss prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by stated objectives (i.e., maximum capital appreciation, growth, income, balanced, or growth and income), as well as tax considerations. Our overall goal is to increase the value of your shares ("capital appreciation") while tailoring your portfolio to meet your needs and goals.

You may impose reasonable restrictions on investing in a particular security, a type of security, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in private equity
- Non-public real estate investment trusts
- Private investments

Because investments involve differing degrees of risk, they will only be implemented/recommended when consistent with your stated investment objectives, tolerance for risk, liquidity and suitability. Furthermore, riskier investments may only be available to "accredited investors", if you have a net worth of at least \$1 million (excluding your primary residence), or if you have income of \$200,000+ in each of the two most recent years or joint income of \$300,000+ and have a reasonable expectation of reaching the same income level in the current year.

We may also provide investment advice regarding unaffiliated private investment funds. Our role relative to the private investment funds shall be limited to initial and ongoing due diligence and investment monitoring services. You are under absolutely no obligation to consider or make an investment in a private investment fund(s).

- **Manager of Managers Program**

We offer advisory management services to you through our Manager of Managers Program. We perform management searches of various unaffiliated registered investment advisers that may manage a portion of your portfolio.

Based on your individual circumstances and needs (as exhibited in your IMA/IPS) we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for you. Factors considered in making this determination include account size, risk tolerance, your consent, and the investment philosophy of the selected registered investment adviser. You should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered.

Once we determine the most suitable investment adviser(s) for you, we provide the selected adviser(s) with your IMA/IPS or have you complete the selected adviser(s) data gathering form. The adviser(s) then creates and manages your portfolio based on your individual needs. This portfolio will be managed in the context of an aggregated, integrated portfolio, and not as a stand-alone individual portfolio(s).

On an ongoing basis, we monitor the performance of the asset manager(s). If we determine that a particular adviser is not providing satisfactory management services to you, or is not managing your portfolio in a manner consistent with your IMA/IPS, then we may move your portfolio to a different asset manager and/or program sponsor. Under this scenario, our firm retains the discretion to hire and fire the asset manager and/or move your portfolio to a different program.

### **Pension Consulting Services**

We also provide several combined and separate advisory services. While the primary clients for these services will be qualified retirement plans (pension, profit sharing, and 401(k) plans), we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of four distinct services. You may choose to use any or all of these services.

#### *Investment Policy Statement ("IPS") Preparation:*

We will meet with you (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring investment performance.

#### *Selection of Investment Vehicles:*

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement your IPS.

### *Monitoring of Investment Performance:*

We monitor your investments continually, based on the procedures and timing intervals delineated in the IPS. We manage your portfolio and will make portfolio changes as market factors and your needs dictate.

### *Employee Communications:*

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide periodic educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and you under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will *not* provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations. A third-party administrator will monitor and report on pension plan requirements.

### **Manager Selection Programs**

We also offer advisory management services to you through our Manager Selection Programs ("Programs").

Based on your individual circumstances and needs (as exhibited in your IMA/IPS) we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for you. Factors considered in making this determination include account size, risk tolerance, your consent, and the investment philosophy of the selected registered investment adviser. You should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. In addition, if the investment program recommended to you is a wrap fee program sponsored by banks, broker-dealers or other investment advisors you will also receive the Form ADV Part 2, Appendix 1 wrap fee brochure provided by the sponsor of the program.

Once we determine the most suitable investment adviser(s) for you, we provide the selected adviser(s) with your IMA/IPS or have you complete the selected adviser(s) data gathering form. The adviser(s) then creates and manages your portfolio based on your individual needs. This portfolio may be managed in the context of an aggregated, integrated portfolio, and not as a stand-alone individual portfolio(s).

We monitor the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) is not providing satisfactory management services to you, or is not managing your portfolio in a manner consistent with your IMA/IPS, we may suggest that you contract with a different registered investment adviser and/or program sponsor. Under this scenario, our firm assists you in selecting a new registered investment adviser and/or program. However, any move to a new registered investment adviser and/or program is solely at your discretion.

### **Financial Planning**

Periodically we may provide services that are individually tailored to the specific needs of each client. Financial planning is a comprehensive evaluation of your current and future financial state by using currently known variables and estimates to predict future cash flows, asset values and withdrawal plans. We will request and rely upon data provided by you. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by your entire financial and life situation. These services are value-added services offered to you on a best efforts basis to the extent such services are specifically requested by you, and are generally covered by our

management fees. You may be charged an hourly fee for financial planning when the circumstances are complex and for special projects. When you receive financial planning services, you will receive a written report which provides you with a detailed financial plan designed to assist you to achieve your financial goals and objectives.

Should you choose to implement the recommendations contained in the plan, we suggest you work closely with your attorney, accountant, insurance agent, and/or estate planning attorney.

Implementation of financial plan recommendations is entirely at your discretion. Please remember to contact us, in writing, if there are any changes in your personal/financial situation for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning. We generally review and advise on annuities. Powers Capital Investments, Inc. does not serve as an attorney, accountant, or insurance agent. To the extent requested, we may recommend the services of other professionals for certain non-investment implementation purposes.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **Advisory Referral Services**

We act as a solicitor on behalf of third-party financial service providers for implementing 401(k) plans for businesses. We work with a third-party administrator and based on your business's circumstances and needs, we will assist you in determining which third-party service provider's services are appropriate for you. Factors considered in making this determination, include the number of participants, expected or current annual deposits, employee census, and plan type, which are discussed during our consultation. You should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered.

We will meet with you on a regular basis, or as requested by you, to review the plan. We will, when requested to do so, suggest changes in the plan participant's portfolio ("rebalancing"), to more effectively address each plan participant's goals and answer any questions about the plan.

Implementation of financial plan recommendations is entirely at your and the plan participants discretion.

At the time of conducting the advisory solicitation, we will ensure that all federal and/or state specific requirements governing solicitation activities are met, including providing you with disclosure of any fees to us.

### **Education/Seminars**

We teach courses on behalf of a third-party professional fiduciary and on behalf of the California CPA Education Foundation. We develop course material on equity investing, fixed income investing, and mutual fund investing. We may invite guest speakers from third-party financial service providers to discuss certain topics covered in the course material. The courses are taught to promote financial and investment management education of attendees and for continuing education for the California CPA Education Foundation courses.

## **Amount of Managed Assets**

As of December 31, 2014, we were actively managing \$181,479,453 of clients' assets on a discretionary basis plus \$399,570 of clients' assets on a non-discretionary basis.

### **Item 5 Fees and Compensation**

#### **Investment Supervisory Services ("ISS")**

##### **• Individual Portfolio Management Fees**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from **0.50%** to **1.65%**.

A total minimum fee of **\$1,000/year** is required for this service.

*Limited Negotiability of Advisory Fees:* We retain the discretion to negotiate fees on a client-by-client basis and to waive minimum fees. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. The specific annual fee schedule is identified in the contract between us and you.

We may group certain related client accounts for the purposes of determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

Fees are paid quarterly in advance. Fees will be automatically deducted from your account(s) each quarter. In certain instances, such as when your account is a retirement plan, we may bill you quarterly in advance so as not to use assets in deferred tax accounts for fees. Fees are due within the first 10 business days of the calendar quarter, and are based on your account's asset value as of the last business day of the prior calendar quarter. Fees are prorated for account(s) opened during the quarter based on the number of days that the account was open during the quarter. Additions of cash or securities made to your account(s) in excess of ten percent (10%) of the preceding quarter end value may be subject to prorated fees.

##### **• Manager of Manager Fees**

We may pay selected asset manager(s) directly out of the management fees paid by you, without charging additional fees for their management. Please refer to the management fee schedule for the fees and additional information. Fees are paid quarterly in advance. Fees will be automatically deducted from your account(s) each quarter.

A minimum of **\$2,000,000** of assets under management is required for this service. This account size may be negotiable under certain circumstances. We may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

We do not control the fees or the billing arrangements of certain selected asset manager. For a complete description of the fee arrangement including billing practices, minimum account requirements and account termination provisions, you should review the independent investment adviser's Firm Brochure or other disclosure document.

#### **Pension Consulting Fees**

Our fees for Pension Consulting Services are based on a percentage of assets under advisement, according to the management fee schedule referenced above.



Plan sponsors are invoiced in advance at the beginning of each calendar quarter. Fees will be automatically deducted from your account(s) each quarter.

A total minimum fee of **\$1,000/year** is required. This fee may be negotiable under certain circumstances. This minimum fee may prevent us from providing services to very small ERISA plans.

### **Manager Selection Program Fees**

You should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of their fees.

### **Advisory Referral Services Fees**

We do not enter into an advisory agreement with you nor do we charge a fee to you for referrals to another Adviser(s)/Financial Services Firm(s) who provide platforms for qualified retirement plans. Our fees for such services provided in respect to these plans are paid by the referred Adviser(s)/Financial Services Firm(s) who shares with our firm a percentage of the fees received from you. Your fees are not increased in any way as a result of our referral of any clients to another Adviser(s)/Financial Services Firm(s). We typically receive **0.50%** of the advisory management fee paid by you to that Adviser on a monthly basis.

You will receive a separate disclosure document describing the fee paid to us by such Adviser(s)/Financial Services Firm(s). You should refer to that Advisers' disclosure document for information regarding its fees, billing practices, minimum required investments and termination of advisory agreements.

### **Financial Planning Fees**

Our Financial Planning fee is determined based on the nature of the services being provided and the complexity of your circumstances. All fees are agreed upon prior to entering into a contract with you.

Our Financial Planning fees are calculated and charged on an hourly basis and are billed at a rate of \$150-\$300 per hour depending on the complexity of the Financial Plan. Although the length of time it will take to provide a Financial Plan will depend on your personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. A deposit equal to two hours may be required depending on the amount of necessary up-front work to be completed (data gathering, interviews, etc.).

*Financial Planning Fee Offset:* We reserve the discretion to reduce or waive the hourly fee if you choose to engage us for our Portfolio Management Services.

We consider fees for financial planning to be earned as progress is realized toward creation of the plan or completion of the service. You will be billed monthly in arrears based on actual hours accrued.

### **Education/Seminars**

We volunteer to teach the educational courses for the professional fiduciary and receive no direct compensation from attendees or from the third-party financial service providers. We are paid to teach the courses for the California CPA Education Foundation and also receive reimbursement for travel related expenses from the California CPA Education Foundation. We receive no direct compensation from attendees. We may be referred prospects from the CPA's attending the California CPA Education Foundation educational courses.

## General Information

*Termination of the Advisory Relationship:* You will have a period of five (5) business days from the date of signing the client agreement to terminate the agreement and receive a full refund of all fees. Thereafter, a client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

*Mutual Fund Fees:* All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or exchange-traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. You could invest in a mutual fund directly, without our services. In that case, you would not receive the services provided by our firm which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate given your financial condition and objectives. Accordingly, you should review both the fees charged by the funds and our fees to fully understand the total amount to be paid by you and to thereby evaluate the advisory services being provided.

*Wrap Fee Programs and Separately Managed Account Fees:* If you participate in separately managed account programs, you may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, you pay a single fee for advisory, brokerage and custodial services. Your portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, you should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in your account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with you any separate program fees that may be charged to you. We can delegate our brochure delivery requirement to the sponsor of the wrap fee program and we can satisfy our record keeping obligation that evidence the delivery by such records being retained in the offices of the sponsor and not ours, as long as we are able to provide the records to Commission staff upon request.

*Additional Fees and Expenses:* In addition to our advisory fees, you are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for your account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

*Grandfathering of Minimum Account Requirements:* Pre-existing advisory clients are subject to our minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements and management fees will differ among clients.

*ERISA Accounts:* We are deemed to be a fiduciary to advisory clients that are qualified retirement plans pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"). 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. To avoid engaging in prohibited transactions, we may only charge fees for investment advice about products for which our firm and/or our related persons do not

receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset our firms advisory fees.

*Advisory Fees in General:* You should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

*Limited Prepayment of Fees:* Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance for services rendered.

*Valuation:* In computing the market value of your assets, each security listed on any national securities exchange will be valued at the last quoted price on the valuation date. The valuation date will be the last business day of the month in each quarter. Securities not traded on such date will be valued at the last sale price prior to the valuation date. Any unlisted stock regularly traded in the over-the-counter market will be valued at the last bid price quotation on the valuation date furnished to us by sources we may deem appropriate. Any other security not readily valued will be valued as determined by us, in good faith, to reflect the most current fair market value. The CCO will document the rationale used to establish a fair valued price for the security.

We will use information provided by the custodian as our primary pricing source for purposes of valuing your portfolio, both for fee billing and investment performance calculation purposes.

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

We do not charge performance-based fees.

## **Item 7 Types of Clients**

Our firm provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Other pooled investment vehicles (e.g., family limited partnerships)
- Charitable organizations
- Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **Methods of Analysis**

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

*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 that may suggest future activity.

*Fundamental Analysis:* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

*Technical Analysis:* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and that may suggest future activity.

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 movement of a particular stock against the overall market in an attempt to chart the price movement of the security.

*Qualitative Analysis:* We subjectively evaluate non-quantifiable factors (not readily subject to measurement) such as quality of management, labor relations, and strength of research and development, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

*Asset Allocation:* Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of equities, fixed income, and cash suitable to your investment goals and risk tolerance.

A risk of asset allocation is that you may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for your goals.

*Mutual Fund and/or Exchange-Traded Fund ("ETF") Analysis:* We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to successfully invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in your portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by you may purchase the same security, thereby increasing the risk to you if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for your portfolio.

*Third-Party Money Manager Analysis:* We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest successfully over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying

investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for you. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis:** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **Investment Strategies**

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

*Long-term purchases.* We purchase securities with the idea of holding them in your account(s) for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current valuation or projection for this asset class.

A risk in a long-term purchase strategy is that by holding the security for an extended length of time, we may not take advantage of short-term gains that could be profitable to you. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

As this is our primary strategy, we recommend you view investment performance over a full economic or market cycle, a time horizon of at least five to seven years.

*Short-term purchases.* When using this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

*Trading.* We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings and/or to hedge your portfolio as a risk management strategy.

A risk in a trading strategy is that during times of stress security markets can be extremely volatile and a security may decline sharply in value before we make the decision to sell. In addition investment performance may be affected through increased brokerage and other transaction costs and taxes.

*Short sales.* We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, your account realizes the profit. Short sale strategies are typically used to hedge market volatility during times of market stress.

*Margin transactions.* We will purchase stocks for your portfolio with money borrowed from your brokerage account (leverage). This allows you to purchase more stock than you would be able to with

your available cash, and allows us to purchase stock without selling other holdings. Use of leverage by us will be infrequent.

Certain products that we may use or offer may use leverage or derivatives and may include the following risks:

- The instrument used may be exposed to potentially dramatic changes (losses or gains) in value;
- Losses may exceed the amounts invested in those instruments; and/or
- The use of such instruments may result in imperfect correlation between the value of the instruments and the referenced index, which may prevent us from achieving our objective for using the instrument

*Private Investment Funds.* Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to you for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. You will be required to complete a subscription agreement, pursuant to establishment that you are an accredited investor, and acknowledge and accept the various risk factors that are associated with such an investment.

*Aggregated Portfolio Management.* When you have more than one account you own or in which you have a material beneficial financial interest, it is generally recommended that the accounts be managed in the context of an aggregated, integrated portfolio, and not as stand-alone individual portfolios. The purpose of this is to attempt to optimize aggregate portfolio results, improve tax efficiency, minimize portfolio turnover, and control expenses.

The risk to this strategy includes returns that may vary materially in individual accounts because we will allocate assets to individual accounts as we see fit in your best interest.

*Client Investment Objectives and Strategies.* Clients' investments and investment returns typically will vary due to different client investment objectives and strategies. Conflicts may stem from clients' differing client investment objectives and strategies (e.g., certain client accounts may hold individual stocks while others may hold only mutual funds, or, certain client accounts may engage in short selling while others hold long positions only). We carefully manage your account based on your investment objective.

***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for volatility, liquidity needs, tax status, and distribution/withdrawal rates at the onset of the relationship and on a continuous basis should changes in your situation occur.

The risk and uncertainties that may affect performance include, but are not limited to, general market conditions, unexpected events in the economy, acts of terrorism, changes in your requirements or demands, your cash flow needs, and shifts in market demand.

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

## **Item 9     Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to you or a prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have never been disciplined and there are no reportable disciplinary events to disclose.

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

*Other pooled investment vehicle(s):*

Patrick D. Powers, a Managing Member of our firm, is the president of a general partner to a limited partnership ("LP") formed for investment purposes. The LP was formed for the benefit of the family of Patrick D. Powers. Clients are not solicited to invest in the LP. The related person of our firm does not receive compensation from the general partner.

*Other registered investment adviser(s):*

Patrick D. Powers, a Managing Member of our firm, participates in the investment committee meetings of Chelsea Management Company, Inc. ("CMC"), a registered investment adviser. There are no referral arrangements between our firm and CMC. None of our clients are obligated to use the advisory services of CMC, and no CMC advisory client is obligated to use our advisory services. We do not, nor does our managing member, receive any compensation from CMC.

We may occasionally trade the same or similar securities in your portfolios that are traded by CMC in its client portfolios.

As previously disclosed, we may recommend the services of other registered investment advisers to you to manage a portion of your portfolio. We do not receive any compensation from these advisers. You may be charged additional fees for their management of your portfolio.

*Other financial service provider(s):*

As previously disclosed, we may recommend the services (e.g., 401(k) plan platform) of various financial service providers to you if you have a small business. In exchange for this recommendation, we receive a fee from the selected provider. The fee received by us is typically a percentage of the fee charged by that provider to you. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected provider by you. We do not charge you any fees for these referrals. We will only recommend advisers that pay us a fee that is not negotiable, under most circumstances.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

*Conflicts of Interest:*

The LP may own an interest in or buy or sell for its account(s), the same securities which may be purchased or sold in the accounts of clients. The LP account(s) may be included within an aggregated order. We have established written policies and procedures for employee trading that state clients should be receiving terms as favorable as or better than employees.

As our working relationships with other registered investment advisers may present potential conflicts of interest, we have established written policies and procedures for employee trading that prohibit our firm, and any other member, officer or employee of our firm, from buying or selling securities bought or sold by the other registered investment advisers without pre-approval by a member of our

investment committee. No employee may approve their own trades, under any circumstances.

In addition, we have established written policies and procedures for insider trading that prohibit our firm, and any other member, officer or employee of our firm, from buying, selling, or recommending the securities of companies of securities where material, non-public information was used.

Compensation we receive may differ depending on the agreement with each financial service provider; therefore we may have an incentive to recommend one financial service provider over another. Our firm currently only has an agreement with one financial service provider.

Our firm endeavors at all times to put your interests first as part of our fiduciary duty as a registered investment adviser. We take the following steps to address this conflict:

- We disclose to you the existence of all material conflicts of interest, including the potential for us to earn compensation from the referral of you to other financial service providers in addition to our firm's advisory fees;
- We disclose to you in a separate disclosure document provided by the plan provider for qualified plans the compensation we receive in exchange for your referral to the selected financial service provider and the services we provide;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to you are suitable to your needs and circumstances;
- We collect, maintain and document accurate, complete and relevant background information, including your financial goals, objectives and risk tolerance;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- We have established a privacy policy to protect your privacy and to safeguard your information;
- We conduct initial and periodic due diligence on the selected investment advisers to establish that the advisers are suitable to recommend to our clients; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to you

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

Our firm has adopted a Code of Ethics. Our Code of Ethics is an expression of high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Our firm and our personnel owe a duty of loyalty, fairness and good faith towards you, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering (IPO). Our code also has oversight, enforcement and recordkeeping provisions.



Our Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to you and prospective clients upon request. You may request a copy by email sent to [contactus@powerscapital.com](mailto:contactus@powerscapital.com), or by calling us at 714-282-1566.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (A) making decisions in the best interest of advisory clients and (B) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to you.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation and will not receive their allocation until all advisory clients have received theirs.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for the purchase of any Initial Public Offering (IPO) or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.

8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require every employee of our firm to acknowledge receipt of our Code of Ethics in writing.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

Our firm does not maintain custody of your assets that we manage or on which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (reference Item 15 - Custody). Your assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank.

We recommend 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 your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as your custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

Although we recommend that clients establish accounts at Schwab, it is your decision to custody assets with Schwab. You will be responsible for negotiating the terms and arrangements for your account(s) with a client specified brokerage account. If you direct brokerage it may be more costly as we may be unable to achieve most favorable execution of your transactions. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transactions costs, or you may receive less favorable prices.

Even though your 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").

### **Other Compensation**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. 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.

Our firm and/or our officers and representatives are eligible to receive gifts and entertainment for using certain investment products. While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving gifts and entertainment creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Our firm's Code of Ethics addresses gifts and entertainment and the overriding principle is that supervised persons should not accept inappropriate gifts, favors, entertainment, special accommodations, or other things of material value that could influence their decision-making or make them feel obligated to a person or firm. We require all supervised persons to report gifts and entertainment to the Chief Compliance Officer or President and require clearance.

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

We seek to recommend a custodian/broker who will hold your 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:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
2. Capability to execute, clear, and settle trades (buy and sell securities for your account);
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payments, etc.);
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.);
5. Availability of investment research and tools that assist us in making investment decisions;
6. Ability to provide necessary performance reporting;
7. Quality of services;
8. Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
9. Reputation, financial strength, and stability;
10. Prior service to us and our other clients; and
11. Availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us")

## **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account.

Schwab's commission rates and asset-based fees applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be otherwise.

We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your 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

Schwab Advisor Services™ (formerly called Schwab Institutional©) is Schwab's business division that serves independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage: trading, custody, reporting, trust services, charitable services, and related services. Many of these 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 or 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 more a 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 us 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. We do not seek to allocate the benefits to client's accounts proportionately. In addition to investment research, Schwab also makes available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements);
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
3. Provide pricing and other market data;
4. Facilitate payment of our fees from our clients' accounts; and
5. Assist with back-office functions, recordkeeping, and client reporting

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

1. Educational conferences and events;
2. Consulting on technology, compliance, legal, and business needs;
3. Publications and conferences on practice management and business succession; and
4. 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 us. 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 for our personnel.

We may also use services from directed brokers/custodians that may or may not directly benefit you and/or benefit us only. The services described above from Schwab would be similar to those received from directed brokers/custodians.

*Our Interest in Schwab's Services.* In evaluating whether to recommend that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest as you may pay less for these services elsewhere.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't 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. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

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. Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

### **Trade Errors**

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer that has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, then 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). We may not benefit from trade errors that result in the purchase of securities that increase in value.

If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we 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.

### **Aggregated Trades**

We will block trades (aggregate trades) where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block trade.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. We will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. When we cannot block trade or it is not advantageous to our clients, you may therefore pay higher brokerage costs.

Our firm's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with our firm or our firm's order allocation policy.
- 2) The trading desk, in concert with the portfolio manager, must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable us to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro-rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro-rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order is allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) Our firm's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for that account.
- 9) Funds and securities for aggregated orders are clearly identified in our records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

## **Item 13    Review of Accounts**

### **Investment Supervisory Services ("ISS")**

- **Individual Portfolio Management**

*Reviews:* While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of your stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as your individual circumstances, or the market, political or economic environments. We may deviate from stated investment objectives and guidelines as market conditions warrant for short-periods of time in an effort to improve portfolio performance.

These accounts are reviewed by: Mr. Powers, Chief Investment Officer and Mr. Allbee, Portfolio Manager.

There is currently no limit on the number of accounts that can be reviewed by a portfolio manager.

*Reports:* In addition to the monthly statements and confirmations of transactions that you receive from your broker-dealer, we provide quarterly written reports summarizing account performance, balances and holdings.

- **Manager of Managers Program**

*Reviews:* The performance of the registered investment adviser(s) selected to manage client portfolios within our Manager of Managers Program is continually monitored by our firm. Furthermore, accounts within this program are formally reviewed at least quarterly. More frequent reviews may be triggered by material changes in variables such as your individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Mr. Powers, Chief Investment Officer and Mr. Allbee, Portfolio Manager.

There is currently no limit on the number of accounts that can be reviewed by a portfolio manager.

*Reports:* In addition to the monthly statements and confirmations of transactions that you receive from the respective broker-dealer, the asset manager(s) selected by us to manage your portfolio(s) within our Manager of Managers Program provides you with written quarterly performance reports. Unless otherwise contracted for, we do not typically provide additional reports.

### **Pension Consulting Services**

*Reviews:* We will review your Investment Policy Statement (IPS) whenever you advise us of a change in circumstances regarding the needs of the plan. We will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by: Mr. Powers, Chief Investment Officer and Mr. Allbee, Portfolio Manager.

There is currently no limit on the number of accounts that can be reviewed by a portfolio manager.

*Reports:* We will provide reports to you based on the terms set forth in your Investment Policy Statement (IPS).

## **Selection and Monitoring of Third-Party Money Managers**

*Reviews:* You should refer to the independent registered investment adviser's/financial service providers Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that adviser.

We will provide reviews as contracted for at the inception of the advisory relationship or on an as needed basis.

These accounts are reviewed by: Mr. Powers, Chief Investment Officer and Mr. Allbee, Portfolio Manager.

There is currently no limit on the number of accounts that can be reviewed by a portfolio manager.

*Reports:* You should refer to the independent registered investment adviser's/financial service providers Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that adviser.

We do not typically provide reports in addition to those provided by the adviser selected to manage your assets.

## **Financial Planning Services**

*Reviews:* While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for you unless otherwise agreed upon by you and us.

*Reports:* You will receive a completed financial plan, according to the scope agreed upon. Additional reports will not typically be provided unless otherwise agreed upon by you and us.

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

### **Client Referrals**

Our firm may pay fees to independent persons or firms ("Solicitors") for introducing clients to us and/or managing the ongoing face-to-face relationship. Whenever we pay such a fee, we require the Solicitor to provide you with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

Each Solicitor will enter into an agreement with our firm in accordance and compliance with the provisions of Rule 206(4)-3 of the Investment Advisors Act of 1940.

### **Other Compensation**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment 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.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct your custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account.

As part of this billing process, your custodian is advised of the amount of the fee to be deducted from your account(s). On at least a quarterly basis, the qualified custodian is required to send to you a statement showing all transactions within the account during the reporting period. The statement will be sent to the email or postal mailing address you provided to your custodian.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for you to carefully review your custodial statements to verify the accuracy of the calculation, among other things. You should contact us directly if you believe that there may be an error in their statement.

In addition to the periodic statements that you receive directly from your qualified custodians, we also send account statements directly to you on a quarterly basis. We urge you to carefully compare the information provided on these statements with those you receive from the qualified custodian to ensure that all account transactions; holdings and values are correct and current.

Our firm does not have actual or constructive custody of your accounts. The independent qualified custodian(s) maintain actual custody of your assets.

In addition, with the recent adopted amendments to the Investment Advisers Act Rule 206(4)-2, the Custody Rule, a related person of our firm has custody of client assets by acting as a trustee and/or general partner to family related accounts. However, as footnote 139 in the SEC's December 30, 2009, release adopting the amended Custody Rule states, "the rule of the supervised person as trustee will not be imputed to the advisory firm if the supervised person has been appointed as trustee (or executor) as a result of a family or personal relationship with the grantor or beneficiary and not as a result of employment with the advisor."

Our firm has determined that it has overcome the presumption of custody and is relying on this exception in order to exclude the required surprise exam by Rule 206(4)-2.

Our firm may maintain your web access login credentials to your retirement and/or educational savings account(s), not held directly with Schwab Advisor Services, to adjust investments in the account(s). Our firm has determined that it has overcome the presumption of custody because we are limited to transferring assets, if at all, to identically registered accounts in your name or to your address of record.

To verify that the qualified custodian is providing clients with quarterly account statements, the Chief Compliance Officer will conduct or will instruct his staff to:

- Periodically verify the postal/email addresses to which clients' account statements are sent;
- Periodically verify directly with the client that they are receiving the account statements;

- Perform regular reconciliation of account balance and transaction detail shown on our firms records with information reported by clients' custodians including any follow-up to resolve problems identified; and/or
- Follow-up with the client, and if necessary, with the custodian if unusual cash flows are detected during portfolio or account statement review

## **Item 16 Investment Discretion**

You may hire us to provide discretionary asset management services, in which case we place trades in your account(s) without contacting you prior to each trade to obtain your permission.

Our discretionary authority includes the ability to do the following without contacting you:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

You give us discretionary authority when you sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. You may also change/amend such limitations by once again providing us with written instructions. Discretionary accounts and/or trades may be traded first, resulting in a difference in price and execution costs.

If you wish to hold a security against our advice in a discretionary account, we will view these separately, and we will not include their performance in reported performance reports, nor will we charge management fees on these assets.

### ***Manager of Managers Program***

As previously disclosed in Item 4 of this brochure, we do not "manage" certain client portfolios in the traditional sense of the definition, rather we manage the managers of your portfolios within this program. Accordingly, clients participating in this program grant us authority to hire and fire the selected asset manager(s) managing your accounts.

You give us this authority when you sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. You may change/amend these limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

We vote proxies for some, but not all of our clients. You always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. We vote proxies in a manner designed to promote shareholders' best interests. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how our firm voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify you of the conflict and may seek to retain an independent third-party to cast a vote or will abstain from voting the proxy.

You may obtain a copy of our complete proxy voting policies and procedures by contacting our Chief Compliance Officer, Mr. Allbee, by telephone, email, or in writing. You may request, in writing, information on how proxies for your shares were voted. If you request a copy of our complete proxy policies and procedures or how we voted proxies for your account(s), we will promptly provide such information to you.

We will neither advise nor act on behalf of you in legal proceedings involving companies whose securities are held in your account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, you may direct us to transmit copies of class action notices to you or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices promptly.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, you should contact our Chief Compliance Officer, Mr. Allbee, by telephone, email, or in writing.

We do not vote proxies for the following types of accounts: Non-Discretionary Accounts

For accounts where we do not vote proxies, our firm may provide investment advisory services relative to your investment assets. You maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by you shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. You are responsible for instructing each custodian of the assets to forward to you copies of all proxies and shareholder communications relating to your investment assets.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Our firm does not have custody of client's funds or securities under the custody rules. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for clients, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. We have no additional financial circumstances to report.

Our firm has not been the subject of a bankruptcy petition at any time during the past ten years.