

CAPITAL INVESTMENT MANAGEMENT, LLC

Doing Business As



Item 1 Cover Page

FORM ADV PART 2A* Brochure

February 2014

www.sullivangroup.net

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*This brochure provides information about the qualifications and business practices of The Sullivan Group. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Sean A. Lehmann, at telephone 949-388-3440. The information in this brochure has not been approved or verified by any state or federal authority.

The oral and written statements of an advisor provide information upon which a prospective client may base a determination as to whether or not to hire the advisor. You are encouraged to review this Brochure and Brochure Supplements for the Firm's associates who advise you for more information on the qualifications of the Firm and its employees. The use of the term "registered or licensed investment adviser" and description of The Sullivan Group and/or our associates as "registered" or "licensed" does not imply a certain level of skill or training.

Additional information about The Sullivan Group is available at www.advisorinfo.sec.gov.

Item 2 **MATERIAL CHANGES FROM PRIOR FORM ADV PART 2A**

This updated Form ADV Part 2A contains the following changes from the prior version:

- Expanded and revised descriptions of required disclosures to conform to state registration requirements.
- New office in Laguna Niguel, California.
- New office address in Roseville, California.
- Registration converted from SEC to State of California.

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INDEX OF ERISA REQUIRED DISCLOSURES

Capital Investment Management, LLC. dba The Sullivan Group may provide investment management services to retirement plans governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). ERISA regulations require that specific disclosures be made to the ERISA plan fiduciary that is authorized to enter into, or extend or renew, an agreement with The Sullivan Group to provide these services. The following index identifies the disclosures required and their location.

Required Disclosure	Location of the Required Disclosure
Description of the services that The Sullivan Group will provide to covered ERISA plans	Item 4 of this Form ADV Part 2A and Paragraph 3 of the investment management agreement signed with our firm.
Statements that the services that The Sullivan Group will provide to covered ERISA plans will be as an ERISA fiduciary and licensed investment adviser	Item 4 of this Form ADV Part 2A and Paragraph 12 of the investment management agreement signed with our firm.
Description of the direct compensation to be paid to The Sullivan Group	Item 5 of this Form ADV Part 2A and Paragraph 5 of the investment management agreement signed with our firm.
Description of the indirect compensation The Sullivan Group might receive from third parties in connection with providing services to covered ERISA plans, if any	Items 5, 12 and 14 of this Form ADV Part 2A
Description of the compensation to be shared between The Sullivan Group and any third party or any affiliated entity, if any	Items 5, 10-12 and 14 of this Form ADV Part 2A.
Compensation that The Sullivan Group will receive upon termination of its agreement to provide investment management services, if any	Item 4 of this Form ADV Part 2A.

Item 4 **ADVISORY BUSINESS**

Item 4A

Registration Status - Licensed with the State of California on _____¹
Registered with the SEC from July 2009 to January 2014

Principal Owners - Kurt J. Halverstadt
Sean A. Lehmann

Item 4B and 4C

ADVISORY SERVICES

Investment Management Services

Capital Investment Management, LLC, doing business as The Sullivan Group (sometimes “The Sullivan Group,” the “Firm” or “Advisor”) is a limited liability company formed under the laws of the State of California and is licensed as an investment advisory firm with the State of California. The Sullivan Group offers investment management services to its clients on a fully discretionary basis and include, among others, financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments.

Item 4C

The Sullivan Group accepts clients for which The Sullivan Group investment strategy is suitable and appropriate. The investment management services we provide are based on each individual client’s financial circumstances and investment objectives. Our portfolio managers meet with each client to discuss the client’s current financial condition and to review the client’s current investment holdings. Based upon each client’s circumstances, we determine an appropriate asset allocation for the client’s investment portfolio, in accordance with the client’s specific financial objectives and risk tolerance and in consideration of other factors, including the client’s time horizon (education funding, home purchase, retirement, legacy planning), liquidity needs, and other available resources (including external retirement plans, projected social security, outside investments, real estate, and insurance). Clients may identify any investment restrictions to be placed on their account. Each client’s financial objectives, risk tolerance, and liquidity needs, along with a recommended asset allocation, are incorporated into an investment plan that is customized to the client.

A client may make additions to and withdrawals from the client’s portfolio account at any time, subject to the Firm’s right to terminate an account if the amount of assets drops below our account size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design client portfolios as long-term investments and caution

¹ “Registration” means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply a certain level of skill or training or that the State of California or any other regulator guarantees the quality of our services or recommends them.

our clients that asset withdrawals may impair the achievement of the client's investment objectives.

Additions to an account may be in cash or securities provided that we may decline to accept particular securities into a client's account or may recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

We may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters. Neither the Firm nor its principals or employees are affiliated with any law or accountancy firm.

401k Pension Services

401k Pension Services consists of assisting employer plan sponsors monitor and review their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure, participant education.

Fiduciary Status Under ERISA

To the extent any client is a retirement plan or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and depending upon the investment management services provided by, the Firm may be considered a "fiduciary" under ERISA.

General Notice

In performing its services, The Sullivan Group relies upon the information received from its client or from their other professional legal and accounting advisors, and is not required to independently verify such information. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or financial plan.

Item 4D

The Firm does not sponsor nor does it provide portfolio management services to wrap fee programs offered by broker-dealers or others.

Item 4E

ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 2013

Discretionary Assets - \$ 66,203,570

Non-discretionary Assets - \$ 0

TERMINATION OF AGREEMENT

The Sullivan Group or its clients may terminate their respective investment management agreement at any time upon the provision of written notice to the other party. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. Any earned investment management fees owed to the Firm will be billed to the client, or where authorized, deducted from the client's account, on a pro rata basis determined on the amount of time expired in the billing period. Any unearned prepaid management fees will be refunded to the client.

If a copy of this Form ADV Part 2A disclosure statement was not delivered to the client prior to or simultaneous with a client entering into a written advisory contract with The Sullivan Group, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

Item 5 FEES AND COMPENSATION

ADVISORY FEES

For its investment management services, The Sullivan Group charges an annual fee based on a percentage of assets under management. The Sullivan Group's annual investment management fee is charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter as reflected on the client's custodian account statement. All assets in the account are included in the fee assessment unless specifically identified in writing for exclusion. For new accounts, The Sullivan Group charges a fee based on the value of assets placed in the account, prorated to the portion of the calendar quarter during which the assets were under management by the Firm. The first advisory fee is based on the value of the account on the first day of management by The Sullivan Group and is payable upon execution of the agreement.

The Firm's standard fee schedule is as follows:

Value of Account Assets	Annual Fee Rate
On the market value up to \$500,000	1.75% plus
On the market value between \$500,000 and \$1,000,000	1.50% plus
On the market value of Account over \$1,000,000	1.25% plus

The fee for investment management is based on the time weighted value of the account for the previous quarter and is payable quarterly in advance. The first advisory fee is based on the value of the account on the first day of management by The Sullivan Group

and is payable upon execution of the agreement. The first advisory fee is assessed on pro-rata basis taking into account the time for which the account was not managed by The Sullivan Group and the time left in the quarter.

Clients customarily authorize The Sullivan Group to deduct its quarterly investment advisory fee directly from their custodial account. This authorization is granted under the terms of the client's signed investment management agreement and the client's instructions to the custodian. Adviser will invoice Client's custodian on a quarterly basis and invoice Client with Adviser's quarterly report. Adviser's fee also will be noted as a transaction on Client's account statement from the custodian. It is the client's responsibility to verify the accuracy of the fee calculation, as Client's custodian will not determine whether the fee is properly calculated.

The client's investment management fee is determined in accordance with the above standard fee structure, with exceptions negotiated on a case-by-case basis at The Sullivan Group's discretion. Services provided for the above fees are for investment advice and quarterly reporting of asset holdings, valuations and performance reviews. The Sullivan Group, in its sole discretion, may negotiate to charge a lesser investment management fee based upon, among other criteria, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and/or *pro bono* activities.

The client may make additions to and withdrawals from the client's custodial account at any time. If assets are withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the billing period. Clients may withdraw account assets on notice to The Sullivan Group, subject to the usual and customary securities settlement procedures. The Sullivan Group designs its portfolios as long-term investments and assets withdrawals may impair the achievement of a client's investment objectives. Client accounts with significant withdrawals that reduce assets below the Firm's minimum account size may result in the Firm terminating the relationship with the client.

To the extent that a client authorizes the use of margin, and margin is thereafter employed by our portfolio managers in the management of the client's portfolio, the market value of the client's account and corresponding fee payable by the client to The Sullivan Group may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Firm. Accordingly, the decision as to whether to employ margin is left to the sole discretion of client.

Fees for 401k Pension Services

The Firm's standard fee schedule for pension services is as follows:

Value of Account Assets	Annual Fee Rate
Any Assets	0.50%

Brokerage Commissions on the Sale of Insurance Products

In order to be able to provide insurance products to its clients for which such products are suitable and appropriate, Messrs. Halverstadt and Lehmann, as individuals, are licensed insurance agents and registered representatives of a broker-dealer. As such, and in addition to the investment management fees paid by clients to the Firm, they may receive brokerage commission payments for transactions they effect for The Sullivan Group clients.

GENERAL FEE DISCLOSURE

We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by The Sullivan Group.

Services provided for the above fees are for investment advice and quarterly reporting. The client's investment management fee to the Firm is determined in accordance with the above standard fee structure, with exceptions negotiated on a case-by-case basis at our discretion. Any deviations from the fee structure are based on a number of factors including the nature and length of the client relationship, the services requested, account composition, the amount of work involved, the amount of assets placed under management and the attention needed to manage the account.

CUSTODIAN AND BROKERAGE FEES

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

FUND DISCLOSURES

Mutual funds, closed-end funds, exchange traded funds and alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by The Sullivan Group, clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, “indirect” fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by The Sullivan Group. As required by law, a prospectus represents the fund’s complete disclosure of its management and fee structure. In addition, a fund’s prospectus can be obtained directly from the fund.

BOND DISCLOSURE

Clients whose assets are invested in bonds purchased directly from an underwriter or on the secondary market may pay a sales credit or sales concession on the trade (in lieu of a sales commission). The client’s custodian may also impose a fee on the transaction as well.

Item 6 PERFORMANCE-BASED FEES

The Sullivan Group does not charge an additional performance related fee based upon a percentage of the capital gains realized in client accounts. The Sullivan Group does not manage any client accounts where a performance fee is charged.

Item 7 TYPES OF CLIENTS

Our clients include individuals and their trusts and estates, pension and profit sharing plans, corporations or other businesses and charitable organizations. We have established a minimum value of assets of \$250,000 for opening an individual client account. As a result, The Sullivan Group’s services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisors may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

Multiple client accounts may be aggregated to meet the Firm’s minimum assets requirement. Under certain circumstances, and in its sole discretion, The Sullivan Group may waive or alter the minimum account size requirement. Accounts placed with the Firm prior to the institution of the minimum account size requirement may be exempted.

Item 8 **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

METHODS OF ANALYSIS

Dependent upon the type of investment, The Sullivan Group utilizes a combination of fundamental, technical and cyclical analysis. Fundamental analysis involves analyzing real data, including overall economic and company-specific information available to determine the value of a particular investment. Technical analysis involves analyzing statistics provided by market activity such as past prices and volume to identify patterns that can be used to predict future activity. We may also utilize charting as part of our technical analysis which involves plotting data points (i.e. price, settlement, volume). Cyclical analysis refers to stocks that are sensitive to business cycles and tied strongly to the overall economy (i.e. automobiles and housing). In performing these analyses, our portfolio managers consult third-party research materials, company annual reports and other regulatory filings, rating services, and financial newspapers and periodicals.

INVESTMENT STRATEGY

The Sullivan Group is authorized to enter into any type of investment transaction that it deems appropriate for the account, given the financial circumstances, investment objectives, risk tolerance and investment restrictions, if any, set by the individual client. The Firm currently utilizes the general types of investments including equities, corporate and municipal bonds, investment company products (i.e. mutual funds, annuities, ETFs), options, among other securities, as well as indexed funds and real estate or oil & gas partnership interests.

In addition to the types of investments identified above, the Firm may also make investment recommendations regarding alternative investments to qualified clients for whom such investments are deemed suitable. These alternative investments may include, but are not limited to hedge funds, commodity and currency investments and real estate investment trusts (REITs).

Portfolio Management Services Under Third Party Advisor Arrangements

The Sullivan Group may refer some or all of a client's assets to one or more unaffiliated third party investment advisors for asset management. This may occur when the third party advisor has an investment strategy or investment expertise that is not provided by The Sullivan Group and that would benefit and be suitable for the client. In such cases, the client will enter into a direct relationship with the third party advisor under a separate investment management agreement. Any such third party advisor would be unaffiliated with The Sullivan Group and not subject to The Sullivan Group's supervision or control.

To the extent The Sullivan Group continues to monitor and oversee the assets and evaluate the performance of the third party advisor, the assets under management with the third party advisor may be included in the calculation of The Sullivan Group's

management fee. Alternatively, the third party advisor may pay The Sullivan Group a referral fee representing a portion of the asset management fee paid by the client to the third party advisor. In these cases, the client is required to sign a Solicitation Disclosure Statement setting forth the percentage of the client's overall advisory fee to be paid to The Sullivan Group by the third party advisor and acknowledging that the client understands that The Sullivan Group is being paid a referral fee and whether the client's fee is increased as a result of the referral fee.

INITIAL PUBLIC OFFERINGS ("IPOs")

While not a substantial part of its investment style, The Sullivan Group does from time to time invest in initial public offerings ("IPO") on behalf of client accounts for which such investments are suitable. Some client accounts do not participate in IPOs at all or do not participate in certain volatile IPOs, either due to client instructions, risk tolerance, financial condition or investment objectives. When client accounts are determined to be eligible to participate in a purchase of an IPO, and there is an insufficient amount of shares of the IPO for all accounts eligible to participate in the trade, The Sullivan Group uses a random generator to select participating accounts so that all eligible accounts are selected from fairly.

INVESTMENT RISKS

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

Here are some of the general risks associated with parts of our investment strategy:

Market Risk: securities traded on securities exchanges are subject to demand and supply conditions. Investors could receive less than the original investment amount when they sell a security if the demand for that security has fallen. Prices generally reflect investors' confidence in the economy, interest rates, and many other factors. Investors must be able to tolerate such price movements.

Income Risk: Dividends may not be paid if a securities issuer reports an operating loss.

Short-term purchases - on occasion, generally only for tax management purposes, we may determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

Bond Pricing - The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

Inflation - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

Price Fluctuation - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

Interest-rate Fluctuation - 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.

Reinvestment of Dividends - An investor can choose to reinvest interest, dividends and capital gains to accumulate wealth. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate than was initially earned.

Mutual Funds with Foreign Asset Holdings - Any investments in mutual funds that make foreign investments are subject to the uncertainty with changes in the foreign currency value. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

Short Sale Trading - Short Sale Trading, or “shorting” involves a great amount of risk and is not advocated by the Firm, nor is it a part of its investment strategy. In rare cases, short selling may be used as directed by client to achieve specific goals.

Margin Trading -In some cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client’s custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by their custodian. Consequently, all margin decisions are left to the client.

Option Trading - Certain clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

Alternative Asset Classes - Many alternative investments are illiquid, which means that the investments can be difficult to trade. Consequently, such holdings may limit a client's ability to dispose of such investments in a timely manner and at an advantageous price. Additionally, many alternative investments may be subject to large swings in price and may not be suitable for all clients.

IPOs - Are generally investments in companies with limited operational histories and non-existent or weak earnings and are highly subject to market sentiment. Shares purchased through an IPO can often trade down immediately from their offer price or can be subject to wild fluctuations in performance at certain time periods after their entry to the public markets and, as such, carry increased risks of investment loss.

Private Equities - We may purchase or recommend the inclusion of shares in non-publicly traded equities in the accounts of accredited clients. These companies will generally have little available information on their financial status, capital structure or revenues, resulting in increased risk of loss, including total loss. In addition, these securities may be highly illiquid or may experience losses of liquidity - resulting in an inability to sell said equities or sales prices that are substantially below the purchase or market price. Unless otherwise expressly agreed, we will value these positions at their purchase price for any accounting purposes, which may not reflect losses that would be realized if the position was sold. Of particular risk is that The Sullivan Group will base its account values for billing purposes on these positions' purchase price (unless another methodology is agreed upon with the client), leading to a potential motivation to overvalue said equities. Finally, we may have clients who are executives of said firms or have other financial relationships that may create conflicts of interest. Where such conflicts exist, the Firm will disclose these conflicts in written format to the clients who hold such securities or whom we intend to purchase such securities under our discretion prior to any transactions.

Item 9 **DISCIPLINARY INFORMATION**

The Sullivan Group has no disciplinary history and consequently, is not subject to any reportable disciplinary disclosures.

Item 10 **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Sullivan Group is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. Although we recommend that our clients custody their investment accounts at Charles Schwab & Co., Inc. ("Schwab"), we have no affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

In order to allow them to offer insurance products to the Firm's clients, Messrs. Halverstadt and Lehmann are licensed insurance agents and registered representatives of a broker-dealer. Messrs. Halverstadt and Lehmann are registered representatives with Purshe Kaplan Sterling Investments, Inc. ("Purshe Kaplan"), a registered broker-

dealer and a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investors Protection Corporation (“SIPC”). Purshe Kaplan is otherwise unaffiliated with The Sullivan Group and does not supervise its investment management services. Purshe Kaplan does not have any responsibility for the decisions of The Sullivan Group regarding its any of the services provides to its clients. Equally, The Sullivan Group does not supervise and is not otherwise responsible for the brokerage and/or insurance related services provided by Purshe Kaplan.

In order to comply with FINRA Conduct Rule 3040, however, Purshe Kaplan as an unaffiliated broker-dealer may periodically review the securities transactions executed by Messrs. Halverstadt and Lehmann through Purshe Kaplan. These transactions are viewed by Purshe Kaplan’s compliance department personnel to supervise the brokerage activities of Messrs. Halverstadt and Lehmann only.

**Item 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT
TRANSACTIONS AND PERSONAL TRADING**

The Sullivan Group, its principals and employees and their immediate families (collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. The Sullivan Group’s employees are required annually to review the Firm’s code of ethics and to sign a certification that each will abide by its provisions. Each employee is required to report all personal securities transactions on a regular basis. No employee is permitted to execute or facilitate any securities transaction on the basis of inside information. The Sullivan Group’s employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. It is Firm policy that no employee trade will be given preference over the interests of Firm clients. Trades by clients and employees in the same security on the same day must either be aggregated (executed at the same time) or the employee trade must wait until the end of the trading day for execution. If a security is purchased or sold for client accounts and the employees on the same day, employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that employees’ personal transactions might be executed at more favorable prices than were obtained or clients. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients.

Employees may buy or sell different investment, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. The Firm is not obligated to acquire for any client account any security that is acquired for any Firm or employee account (or for the account of any other client), if in the

discretion of the Firm based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

It is possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

Item 12 **BROKERAGE PRACTICES**

RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER

The Sullivan Group recommends that clients establish brokerage accounts with Charles Schwab & Co., Inc., a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Schwab is independently owned and operated and not affiliated with The Sullivan Group and does not supervise or otherwise monitor our investment management services to clients. Schwab provides The Sullivan Group with access to its institutional trading and custody services, which typically are not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab, but are not otherwise contingent upon The Sullivan Group committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institution investors or would require a significantly higher minimum initial investment.

Schwab also makes available to The Sullivan Group other products and services that benefit The Sullivan Group but may not benefit its clients. Some of these other products and services assist The Sullivan Group in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of The Sullivan Group's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to

service all or a substantial number of The Sullivan Group's accounts, including accounts not maintained at Schwab. Schwab also makes available to The Sullivan Group other services intended to help The Sullivan Group manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to The Sullivan Group by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to The Sullivan Group.

The Sullivan Group's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to us of the availability of some of the foregoing products and services 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.

BEST EXECUTION

The Sullivan Group is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather applicable law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, The Sullivan Group's primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealer's willingness to commit capital, the broker-dealer's reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, The Sullivan Group may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. The Sullivan Group may select broker-dealers whose fees may be greater than those charged for similar investments if The Sullivan Group determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

The Sullivan Group reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom The Sullivan Group executes transactions on behalf of clients.

SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS

The Sullivan Group does not acquire research, research-related products or brokerage services on a soft dollar commission basis and has not entered into any formal soft dollar arrangements whereby such services and research are provided to the Firm in exchange for brokerage commissions.

The Sullivan Group may, on occasion, be the recipient of unsolicited discounts on software and other services from Schwab, as disclosed above. The discounts are generally offered to all firms who fit a common profile and we are not offered such discounts because of a particular event or request. Such discounts are accepted with the intent to benefit all clients and the value of these discounts is not considered in the process of selecting securities to purchase for client accounts.

AGGREGATION OF TRADES AND POTENTIAL CONFLICTS

The Sullivan Group may combine transaction orders on behalf of multiple clients and allocate the securities or proceeds on an average price basis among the various participants in the transactions. The Sullivan Group and/or its associated persons may participate in such aggregated orders.

While The Sullivan Group believes combining transaction orders in this way should, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to a particular client than if such client had been the only client effecting the transaction or had completed its transaction before the other participants. There may be circumstances in which transactions on behalf of The Sullivan Group or its associated persons may not, under certain laws and regulations, be combined with those of some of The Sullivan Group's other clients. In such cases, neither The Sullivan Group nor any associated person will effect transactions in a security on the same day as clients until after the clients' transactions have been executed.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades are not allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship. Aggregated trades placed with different executing brokers may be priced differently.

ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS

Because we manage more than one client account, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. We attempt to resolve all such conflicts in a manner that is generally fair to all of clients over time. We may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is our policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to

acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

Item 13 REVIEW OF ACCOUNTS

Trading in client accounts is monitored daily by the advisor responsible for the account, either Sean Lehmann, Managing Member and Chief Compliance Officer or Kurt Halverstadt, Managing Member the Firm's portfolio managers. Client account holdings are reviewed monthly by the portfolio managers for consistency with the client's investment objectives, risk tolerance, assets and liabilities and investment restrictions, if any. The portfolio managers routinely monitor client portfolio asset allocations, cash allocations and other account factors. Periodic allocation adjustments may be required due to client investment guideline changes, client deposits and withdrawals and changes in the client's financial condition. Additionally, client accounts are reviewed and asset allocations are adjusted in response to changes in the financial markets. Each client account is reviewed with the client at least annually at the client's discretion.

Clients receive a quarterly report that include relevant account and/or market-related information such as an inventory of account holdings and account performance. Clients also receive monthly statements from the qualified custodian of their account(s), which is generally Charles Schwab & Co., Inc., showing all securities holdings, contributions, withdrawals and other activities to their accounts. Clients are advised to regularly compare the reports received from The Sullivan Group with the statements received from their custodian to verify holdings.

Item 14 CLIENT REFERRALS AND OTHER COMPENSATION

The Sullivan Group is not currently a party to any third party solicitor agreements whereby it pays referral fees. The Sullivan Group employees are not paid "sales awards" or other prizes for referring clients to the Firm.

Item 15 CUSTODY OF CLIENT ASSETS

The Sullivan Group does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer, bank or trust company. The Sullivan Group is unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary. The Firm is given the authority to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or to transfer money out of the account to a third party.

Disclosures Related to Custodians

The Schwab Advisor Services Division of Schwab acts as custodian and executing broker-dealer for The Sullivan Group clients. Schwab is independently owned and operated and not affiliated with The Sullivan Group and does not supervise or otherwise monitor our investment management services to our clients.

For The Sullivan Group client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into client accounts that are held with Schwab. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab to avoid “trade away” charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab sends account statements directly to the client (or to an independent third party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client’s account, including the payment to The Sullivan Group of its investment management fees.

Item 16 INVESTMENT DISCRETION

Clients appoint The Sullivan Group as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm’s investment strategy and the client’s investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;
- Which securities to sell;
- The timing of any buys or sells; and
- The amount of securities to buy or sell.

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining a favorable price and market execution for each transaction.

Except in the case of directed brokerage instructions, client securities transactions generally are executed through the custodian of their account.

In addition to using brokers as “agents” and paying commissions, we may effect transactions in securities directly from or to dealers acting as principal at prices that

include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

Item 17 VOTING CLIENT SECURITIES

It is our policy not to vote proxy solicitations received on behalf of clients from the issuers of securities held in client's account. All such solicitations may be forwarded to client for voting upon client request. Any client wishing to review our proxy voting policies in full may request a copy.

Item 18 STATEMENT OF FINANCIAL INFORMATION

The Sullivan Group does not require or solicit prepayment of more than \$500 of its management fees from clients six months or more in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years. [Please see Form ADV Part 2B for financial disclosures related to the Firm's principals, Kurt Halverstadt and Sean Lehmann.]

Item 19 REQUIREMENTS FOR STATE-LICENSED ADVISORS

Please refer to the Firm's Form ADV Part 2B Supplements for the formal education and business backgrounds of its principals, Sean Lehmann and Kurt Halverstadt and other Firm employees.

The Sullivan Group is not involved in any other business activities. The Sullivan Group does not assess performance based investment management fees.

Neither Mr. Lehmann nor Mr. Halverstadt has been involved in, been held liable for or been subjected to an award or judgment for any arbitration, civil action, self-regulatory organization proceeding or administrative proceeding involving fraud, false statements or omissions, theft, embezzlement or wrongful taking of property, bribery, forgery, counterfeiting, extortion, dishonest, unfair or unethical practices.

Prior to forming The Sullivan Group, and while employed with retail brokerage firm in 2009, Firm principal Kurt Halverstadt was involved in a customer arbitration filed against the previous firm. A settlement was paid by the previous firm which acknowledged the firm's internal operational error and sole responsibility for the claim. Mr. Halverstadt was neither notified of nor required to participate in the settlement. Similarly, Firm principal Sean Lehmann was involved in a complaint filed and then dismissed as without merit in 1999 against a prior firm with which he was then employed. All relevant disclosures related to these matters are available for review on each principal's personal registration statement, the Form U-4, available to the public at the Investment Adviser Public Disclosure website, www.adviserinfo.sec.gov.

All material conflicts of interest under California Corporations Code Section 260.238 (k) regarding the Firm and its employees which could be reasonably expected to impair the rendering of unbiased and objective advice are disclosed in this brochure.

Item 20 BUSINESS CONTINUITY PLAN

The Sullivan Group maintains a business continuity plan that describes the steps the Firm will take to mitigate and recover from the loss of use of its office facilities, communications or services in the event of a natural disaster or other interruption of normal services by a man-made event such as a power grid failure, fire, major transportation accident, act of terrorism or war or other major event. The plan describes the transfer of Firm operations to alternative locations, efforts the Firm will take to resume normal business services and to re-establish of communications with clients, vendors and regulators.