

# Syntal Capital Partners, LLC

## **ADV Part 2A, Appendix 1 Wrap Fee Program Brochure Dated: March 30, 2018**

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This brochure provides information about the qualifications and business practices of Syntal Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (432) 262-8111 or [Robert.Carlyon@syntal.com](mailto:Robert.Carlyon@syntal.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 Syntal Capital Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Syntal Capital Partners, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2           Material Changes**

Since last year's Annual Amendment filing on March 31, 2017, this brochure has been materially amended at Item 6 to reflect that the Registrant no longer votes client proxies.

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## Item 4 Services, Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary investment advisory services on a wrap fee basis. (*See* discussion below). If a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for investment advisory services, brokerage and custody, inclusive of commission and transactions costs. The services included in a wrap fee agreement will depend upon each client's particular need.

### SYNTAL CAPITAL PARTNERS WRAP PROGRAM

The Registrant is the sponsor and investment manager of the Syntal Capital Partners Wrap Program (the "Program"). Under the Program, the Registrant and/or independent investment managers are able to offer participants discretionary and/or non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The Registrant charges an annual wrap fee for participation in the Program. The wrap fee is charged as a percentage of assets under management, on a non-graduated basis, as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
Accounts valued \$5,000,000 and below	Up to 2.00%
Accounts valued between \$5,000,000 and \$10,000,000	Up to 1.65%
Accounts valued between \$10,000,000 and \$24,999,999	Up to 1.40%
Accounts valued at \$25,000,000	Up to 1.25%
Accounts valued in excess of \$25,000,000	Negotiable

The Registrant's investment advisory fee is negotiable at Registrant's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with the Registrant and/or its representatives, and negotiations with the client. Similarly situated clients could pay different fees based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

Under the Program, the Registrant may be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written agreement between each client and the Registrant. Clients may amend these limitations, in writing, at any time. The client shall have reasonable access to one of the Registrant's investment professionals to discuss their account.

Clients are required to open brokerage accounts and enter into new account agreements with Fidelity Institutional Wealth Services ("*Fidelity*"), Pershing, LLC through Pershing Investment Manager Services ("*Pershing*"), or other broker-dealers approved by Registrant under the Program.

Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the average daily balance of the client's account during the previous quarter. The Registrant does not require any minimum annual fee for investment advisory services. The *Wrap Fee Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Wrap Fee Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

**Fee Payment:** Clients will be charged in advance at the beginning of each calendar quarter based upon the average daily balance of the client's account during the previous quarter.

**Investment Risk:** Investing in securities involves risk of loss that clients should be prepared to bear. 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 Registrant) will be profitable or equal any specific performance level(s). Investors generally face the following investment risks:

- B. Participation in the Program may cost more or less than purchasing such services separately. Also the Program fee charged by Registrant for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the percentage wrap-fee charged by the Registrant, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately by another firm who may provide such services on a non-wrap fee basis.

**Conflict of Interest.** Because wrap program transaction fees and commissions are paid by Registrant to the account custodian/broker-dealer, the Registrant has an economic incentive to minimize the number of trades in the client's account. We address this conflict of interest by disclosing it to clients. **Our Chief Compliance Officer, Robert Carlyon, remains available to address any questions that a client or prospective client may have regarding the corresponding conflict of interest a wrap fee arrangement may create.**

- C. The Program's wrap fee does not include certain charges and administrative fees, including, but not limited to, fees charged by independent managers, asset management platform fees, transaction charges (including mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than *Fidelity* and/or *Pershing*, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Client accounts may invest in mutual funds (including money market funds)

and ETFs that have various internal fees and expenses (i.e. management fees), which are paid by these funds but ultimately borne by clients as a fund shareholder. All of these fees and expenses are in addition to the Program's wrap fee.

- D. Registrant's related persons who recommend the Program to clients may receive compensation as a result of a client's participation in the wrap fee program. However, we do not offer non-wrap programs, so a related person would not face a conflict in recommending the wrap fee program over a non-wrap fee program.

## **Item 5 Account Requirements and Types of Clients**

The Registrant's clients shall generally include individuals, high net worth individuals, the Funds, pension and profit sharing plans, charitable organizations and corporations and other businesses. The Registrant does not require any minimum annual fee for investment advisory services.

## **Item 6 Portfolio Manager Selection and Evaluation**

- A. The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers ("*Independent Manager(s)*") in accordance with the client's designated investment objective(s). Some or all of such *Independent Manager(s)* may be exclusively available through certain turnkey asset management platforms ("TAMPs"). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated Program assets. The Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), and the Independent Manager's management style, performance, reputation, financial strength, reporting, pricing, and research. Registrant generally performs reviews and monitors the performance of information furnished by the *Independent Manager[s]*. However, the Registrant does not ensure the accuracy or correctness of performance information provided by such *Independent Manager[s]*. Performance information furnished by the *Independent Manager[s]* may not be calculated on a uniform and consistent basis. Clients are encouraged to compare all information received from the *Independent Manager[s]* with information received from their custodians. The investment management fee charged by the *Independent Manager[s]*, as well as the platform access fees charged by certain TAMPS, are separate from and in addition to, Registrant's advisory fee as set forth above. These investment management fees charged by Independent Managers and platform access fees charged by TAMPS are typically calculated based on the notional value of the client's account, and not in the same manner that the Registrant calculates its advisory fees.
- B. The Registrant acts as the portfolio manager for the Program. Inasmuch as the Registrant will pay the execution costs for transactions effected in the client account, a conflict of interest arises in that the Registrant has a disincentive to trade securities in the client account.

As the Program sponsor, the Registrant shall be responsible for the primary management of the Program, including the selection and termination of all *Independent Manager[s]*. Once selected, *Independent Manager[s]* shall be responsible for day-to-day management and selection of securities for the account.

- C. The Registrant does not offer investment advisory services on a non-wrap fee basis. However, legacy clients of the Registrant may continue to receive services on a non-wrap fee basis. The Registrant's advisory services do not include financial planning and related consulting services.

## **OTHER ADVISORY BUSINESS SERVICES**

### **INVESTMENT ADVISORY SERVICES**

The Registrant may continue to provide non-discretionary investment advisory services on a wrap *fee* basis. (*See* discussion below).

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

The Registrant may provide consulting services and/or financial planning (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on either an hourly basis or a stand-alone separate fee basis. Before engaging the Registrant to provide stand-alone planning or consulting services, clients are required to enter into a separate *Consulting Services and Financial Planning Agreement* with Registrant setting forth the terms and conditions of the engagement. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including certain of the Registrant's investment adviser representatives in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments ("PKS") and/or as licensed insurance agents. (See disclosure at Item 10.C). The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages any recommended professional, and a dispute arises thereafter, the client agrees to seek recourse exclusively from the engaged professional. Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

### **MISCELLANEOUS ADVISORY SERVICES DISCLOSURE**

**Non-Investment Consulting/Implementation Services.** If requested by the client, the Registrant may provide consulting services regarding non-investment related matters, such as estate, tax and insurance planning. Neither the Registrant, nor any of its representatives, serves as an attorney or an accountant and no portion of the Registrant's services should be viewed as legal or accounting services. . Accordingly, Registrant does not prepare estate planning documents or tax returns. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents), including certain of the Registrant's investment adviser representatives in their separate registered or licensed capacities as discussed below. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages any recommended

professional, and a dispute arises thereafter, the client agrees to seek recourse exclusively from the engaged professional. Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

**Affiliated Private Funds.** The Registrant is affiliated with Avalon Hedged Equity Fund, LP and Wolfcamp Credit Fund I, LP, each a private investment fund (the “Funds”). The Registrant, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in the Funds. Registrant’s clients are under absolutely no obligation to consider or make an investment in a private investment fund.

**Please Note:** Private investment funds, including the 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 each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Conflict Of Interest.** Because the Registrant and/or its affiliates may earn compensation from the Fund (both management fees and incentive compensation) that may exceed the fee that the Registrant would earn under its standard asset based fee schedule referenced in Item 5 below, the recommendation that a client become an investor presents a **conflict of interest**. The Registrant waives its advisory fee for investments made by clients into either Fund and investors in each Fund are responsible for the payment of management fees disclosed in the Fund’s offering documents. No client is under any obligation to become an investor in either Fund. **The Registrant’s Chief Compliance Officer, Robert Carlyon, remains available to address any questions regarding this conflict of interest.**

**Inverse/Enhanced Market Strategies.** The Registrant may use leveraged or inverse ETFs. Leveraged ETFs are securities that attempt to replicate multiples of the performance of an underlying financial index. Inverse ETFs are designed to replicate the opposite direction of these same indices, often at a multiple. These ETFs often use a combination of futures, swaps, short sales, and other derivatives to achieve these objectives. Most leveraged and inverse-leveraged ETFs are designed to achieve these results on a daily basis only. This means that over periods longer than a trading day, the value of these ETFs can and usually does deviate from the performance of the index they are designed to track. Over longer periods of time or in situations of high volatility, these deviations can be substantial. There can be no assurance that any such security will be profitable or achieve its objective. In light of these enhanced risks, a client may direct the Registrant, in writing, not to employ any or all leveraged or inverse ETFs.

**Please Note: Cash Positions.** At any time and for a substantial length of time we may hold a significant portion of a client’s assets in cash or money market mutual funds. Investments in these assets may cause a client to miss out on upswings in the markets.

Unless we expressly agree otherwise in writing, account assets consisting of cash and money market mutual funds are included as part of assets under management for purposes of calculating the Registrant's advisory fee. **The Registrant's Chief Compliance Officer, Robert Carlyon, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.**

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis must be willing to accept that the Registrant cannot effect any account transactions without obtaining the client's consent. For instance, although the firm does not recommend market timing as an investment strategy, in the event of a market correction event where the firm cannot reach the client, a client may suffer investment losses or miss potential investment gains.

**RETIREMENT ROLLOVERS.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest if Registrant will earn an advisory fee on the rolled over assets. To the extent that Registrant recommends that clients roll over assets from their retirement plan to an IRA managed by Registrant, then Registrant represents that it and its investment adviser representatives are fiduciaries under the Employment Retirement Income Security Act of 1974 ("ERISA"), or the Internal Revenue Code, or both. **No client is under any obligation to rollover retirement plan assets to an account managed by Registrant. Registrant's Chief Compliance Officer, Robert Carlyon, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by a rollover recommendation.**

**ERISA / IRC Fiduciary Acknowledgment.** If the client is: (i) a participant or beneficiary of a Plan subject to Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distribution; (ii) the beneficial owner of an IRA acting on behalf of the IRA; or (iii) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code: then Registrant represents that it and its representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by Registrant or its representatives or with respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

**Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange traded funds are available directly to the public. A prospective client or client could obtain many of the funds that may be used by Registrant independent of engaging Registrant as an investment adviser. However, if a prospective client or client determines to do so, they will not receive the Registrant's initial and ongoing investment advisory services. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through selected investment advisers. Registrant may use DFA

mutual funds. Therefore, upon the termination of Registrant's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply.

**Client Obligations.** The Registrant will not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely on the information in its possession. Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

**Restrictions.** The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will determine each client's investment objectives. Once invested, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to the client's investment objectives and may periodically rebalance an account based upon these reviews. The client may impose reasonable restrictions, in writing, on the Registrant's services.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees, except with respect to a performance allocation that the Registrant is eligible to earn as a result of its management of the Funds.

A conflict of interest exists because the Registrant generally charges advisory clients an asset-based fee for the advisory services it provides, but the Registrant (or its affiliates) are entitled to receive performance-based fees or allocations from the Funds. As a result, we have an incentive to recommend that an advisory client invest in the Funds, as opposed to holding assets only in separate accounts and allocating those assets to investments where the Registrant (or its affiliates) would not be entitled to receive performance-based fees or allocations. We also have an incentive to offer investments that we believe will be more profitable than others to the Funds in order to earn more compensation. We seek to address these conflicts of interest by emphasizing our duty to place the interests of our clients first. In addition, the performance of the Funds does not drive the compensation structure of our representatives, though certain representatives who have an equity interest in the Registrant will derive indirect benefits from performance-based fees or allocations received by the Registrant (or its affiliates).

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

The Registrant may use any combination of the following when analyzing securities or third party managers:

- Research
  - i. The Registrant's research processes includes public, private and proprietary information
  - ii. Quantitative market analysis using proprietary models
  - iii. Reviewing third party fundamental & macro analysis
  - iv. Investment committee reviews academic research papers

- v. Technical research following price momentum and trade volume
- vi. Formulating views and opinions around economic and geopolitical developments
- Strategy Development & Implementation
  - i. Identify preferable investment space in the market
  - ii. Focus on styles and market segments where the dispersion between managers is significant – hire active managers for these pieces
  - iii. Where the dispersion between managers is minimal, allocate funds to passive managers
  - iv. Proprietary strategies are also managed next to external managers
  - v. Quantitative risk signal determines the process and timeline of implementation of client funds
- Risk Management
  - i. Quarterly review of external managers based on performance and investment mandate
  - ii. Disciplined risk budgeting and position size management for proprietary strategies
  - iii. Investment committee reviews market themes and risk factors weekly and reserves the right to override fund allocations in extreme markets

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

- Long Term Purchases – securities purchased with the intention of being held for at least a year;
- Short Term Purchases – securities purchased with the intention of being sold within a year;
- Trading – securities purchased with the intention of being sold within thirty (30) days; and
- Derivatives – the use of swaps, forwards, futures, options on futures and other options

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. 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 Registrant) will be profitable or equal any specific performance level(s). Investors generally face the following investment risks:

- Interest-rate Risk – Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk – The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

- Inflation Risk – When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Reinvestment Risk – This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Liquidity Risk – Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Financial Risk – Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

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

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend derivative transactions which may involve a high level of inherent risk. The use of derivatives, such as swaps, forwards, futures, options on futures and other options, which are subject to additional risks, including that the value of the derivative may not correlate with the value of the underlying security, rate or index, that portfolio volatility may increase due to the leverage associated with the use of derivatives, and that the counterparty to the derivative may be unable to satisfy its obligations. Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced

volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

As appropriate in accordance with the client's investment objectives, the Registrant currently primarily allocates client assets among: various independent investment managers, mutual funds, ETFs, individual debt and equity securities, derivatives, securities components of variable annuities and variable life insurance contracts.

**Risks Associated with the Use of Derivatives.** Certain of the ETFs and mutual funds the Registrant recommends or purchases on a discretionary basis for client accounts may use derivatives. Such strategies may be considered aggressive. Investing in derivatives may expose the clients to greater risks than investing directly in the reference asset(s) underlying those derivatives, such as counterparty risk, liquidity risk and increased correlation risk (each as discussed below). When the recommended funds use derivatives, there may be imperfect correlation between the value of the reference asset(s) and the derivative, which may prevent the funds from achieving their investment objective. The funds may use a combination of swaps on an index (such as the Dow Jones US Health Care Index) and swaps on an ETF that is designed to track the performance of an index. The performance of the funds may not track the performance of an index due to embedded costs and other factors. Thus, to the extent the funds invests in swaps that use an ETF as the reference asset, these funds may be subject to greater correlation risk and may not achieve as high a degree of correlation with an index as it would if the funds only used swaps on an index. In addition, with respect to the use of swap agreements, if an index has a dramatic intraday move that causes a material decline in the funds' net assets, the terms of a swap agreement between the funds and its counterparty may permit the counterparty to immediately close out the transaction with the funds. In that event, the funds may be unable to enter into another swap agreement or invest in other derivatives to achieve the desired exposure consistent with the funds' investment objective. This, in turn, may prevent the funds from achieving their investment objective, even if an index reverses all or a portion of its intraday move by the end of the day. Any financing, borrowing and other costs associated with using derivatives may also have the effect of lowering the funds' return.

**Leverage Risk.** Certain of the funds recommended by the Registrant attempt to obtain investment exposure in excess of its assets in seeking to achieve their investment objectives—a form of leverage—and will lose more money in market environments adverse to its daily objective than a similar fund that does not employ such leverage. The use of such leverage could result in the total loss of an investor's investment.

**Compounding Risk.** The Registrant may recommend or invest certain clients in leveraged ETFs. As a result of mathematical compounding and because particular ETFs may have a single day investment objective, the ETF's performance for periods greater than a single day is likely to be either greater than or less than the Index it may be tracking for performance times the stated multiple in the ETF's objective, before accounting for fees and ETF expenses. Compounding affects all investments, but has a more significant impact on a leveraged fund. Particularly during periods of higher volatility, compounding will cause longer term results to vary from the stated multiple in the ETF objective (e.g. 2x) of the return of the Index. This effect becomes more pronounced as volatility increases. ETF performance for periods greater than a single day can be estimated given any set of assumptions for the following factors: (a) Index

performance; (b) Index volatility; (c) period of time; (d) financing rates associated with inverse exposure; (e) other fund expenses; and (f) dividends or interest paid with respect to securities in the Index.

Finally, Registrant may also allocate investment management assets of its client accounts, on a discretionary basis, among one or more of its ETF and mutual fund and asset allocation programs (i.e. Aggressive, Moderately Aggressive, Moderate, and Conservative).

### **Voting Client Securities**

The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **Item 7 Client Information Provided to Portfolio Managers**

The Registrant shall be the Program's portfolio manager. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will determine each client's investment objectives. Once invested, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to the client's investment objectives and may periodically rebalance an account based upon these reviews. The client may impose reasonable restrictions, in writing, on the Registrant's services.

As indicated above, clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

To the extent the Program utilizes *Independent Manager[s]*, the Registrant shall provide the *Independent Manager[s]* with each client's particular investment objective(s). Any changes in the client's financial situation or investment objectives reported by the client to the Registrant shall be communicated to the *Independent Manager[s]* within a reasonable period of time.

## **Item 8 Client Contact with Portfolio Managers**

The client shall have reasonable access to the Program's portfolio manager.

## Item 9 Additional Information

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

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Registrant is registered with the U.S. Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator. The Registrant is also a member of the National Futures Association (the "NFA"). The NFA and CFTC each administer a comparable regulatory system covering futures contracts, swaps and various other financial instruments in which certain clients and pooled vehicles may invest.

The Registrant maintains a notice of claim for exemption pursuant to CFTC Rule 4.7. Rule 4.7 exempts a commodity trading advisor and a commodity pool operator that files a notice of claim for exemption from having to provide a CFTC-mandated Disclosure Document to certain highly accredited clients known as Qualified Eligible Participants ("QEPs") who consent to their accounts being Rule 4.7-exempt QEP accounts. Accordingly, the Registrant is exempt from the requirement to provide a Disclosure Document with respect to its Rule 4.7-exempt QEP accounts. In accordance with Rule 4.7, the Registrant must prominently display the following CFTC-specified disclosure statement in this Brochure.

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE COMMODITY FUTURES TRADING COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR BROCHURE.

In addition, certain of the Registrant's management persons are registered with the NFA as Associated Persons of the Registrant as appropriate to perform their responsibilities

**Registered Representatives of a Broker Dealer.** As disclosed above, certain of Registrant's representatives are, in a separate and independent capacity, registered representatives of *PKS*, a FINRA member broker-dealer. Therefore, clients can choose to engage Registrant's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

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

**Licensed Insurance Agents.** Certain of the Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis.

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

**Affiliated Private Funds.** As disclosed above, the Registrant is associated with affiliated private funds. For a complete description of this relationship and the conflicts of interest it may pose, clients and prospective clients should review the disclosures and associated conflicts of interest disclosed above.

- B. Registrant and its representatives may refer clients to Deutsche Bank Trust Company Americas, a bank ("DBTCA"), Deutsche Bank National Trust Company, a trust company ("DBNTC") and Deutsche Bank Trust Company, National Association, a trust company ("DBTCNA" and together with DBTCA and DBNTC, "DB Private Bank") and/or BlackRock, Inc. ("BlackRock") and/or Reich & Tang Asset Management, LLC ("RTAM"), and/or Stable Custody Group ("SCG"), a subsidiary of Reich & Tang Deposit Solutions, LLC, and/or Dynasty Financial Partners ("DFP") (collectively a "Receiving Party"). The Registrant may refer clients to a Receiving Party to evaluate the possibility of opening investment advisory, custody, and trust accounts, entering into lending transactions, investing in mutual funds and private investment funds, opening money market insured savings account and entering into other types of investment transactions where such would be consistent with those clients' needs and objectives. Registrant may receive from DB Private Bank and/or BlackRock a percentage of the gross revenues before taxes received by the banking division of DB Private Bank and/or BlackRock generated by the client. Specifically, the Registrant may receive fifteen percent (15%) of revenues generated by fees paid from referred clients to DB Private Bank. The Registrant may receive up to five basis points of revenues generated by BlackRock for clients referred to BlackRock for various services. Registrant shall share in interest income from bank deposits, i.e., checking accounts savings accounts, certificates of deposit, money market accounts. In addition Registrant may receive custody fees, excluding any commissions or credits related to the execution of the transaction(s) for accounts opened with DB Private Bank's and/or BlackRock's custody department. The Registrant may share in revenue on all loans (excluding mortgages) and capital markets transactions to be agreed upon on a case by case basis. In addition, the Registrant may receive compensation for demand deposit accounts that are opened through RTAM and/or SCG. In this relationship, Dynasty Network Advisors may receive compensation directly from revenues generated by the Demand Deposit MarketplaceSM Program. Dynasty Network Advisors will then pay the Registrant fifty percent of revenues that it receives from SCG.

**Conflict of Interest:** The recommendation by Registrant's representatives that a client choose a Receiving Party's products or services presents a conflict of interest, as the receipt of commissions, interests, or revenues may provide an incentive to recommend services or products based on compensation received, rather than on a particular client's need. No client is under any obligation to purchase any products or services from the Registrant's representatives or from any Receiving Party. Clients are reminded that they may purchase or select other products or services recommended by the Registrant through other, non-affiliated agents or entities or parties in which the Registrant does not stand to receive any additional benefit. The Registrant's Chief Compliance Officer, Robert Carlyon, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the conflicts of interest these arrangements create.

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

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

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

Except for the Registrant's affiliate private funds, neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest. However, the affiliated private funds may allow the Registrant and associated persons to earn compensation in excess of what they stand to earn under a separately managed account as a result of incentive allocations. For a complete description about the incentive allocation, please see the discussion in Item 5 (Performance Based Fees and Side-By-Side Management) and each fund's partnership agreement and private placement memorandum.

The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee

with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects

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

#### **REVIEW OF ACCOUNTS**

For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian, at least quarterly. The Registrant may also provide a written periodic report summarizing account activity and performance.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

Clients should review Item 12.A.1 of the Registrant's Form ADV Part 2A for a discussion on the economic benefits that Registrant receives from Fidelity and Pershing.

The Registrant does not compensate individuals or entities for prospective client introductions.

Please Also See disclosure at Item 9.B above for information about parties that the Registrant may refer clients to and additional compensation that the Registrant may receive from these parties.

#### **FINANCIAL INFORMATION**

The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary

authority over certain client accounts. The Registrant has not been the subject of a bankruptcy petition.

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