

# DISCLOSURE BROCHURE

PREPARED IN COMPLIANCE WITH  
THE INVESTMENT ADVISERS ACT OF 1940 RULE 204-3(A)

## Sound Income Strategies, LLC

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This brochure provides information about the qualifications and business practices of Sound Income Strategies, LLC. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 646-512-5780. 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 Sound Income Strategies, LLC (CRD #173272) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**MARCH 18, 2016**

## **Item 2: Material Changes**

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### **Annual Update**

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

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### **Material Changes since the Last Update**

This update is in accordance with the required annual update for Registered Investment Advisors.

Sound Income Strategies, LLC has the following material changes to report. This list summarizes changes to policies, practices or conflicts of interests only.

- The firm now participates in a Wrap Fee Program.
  - The firm has changed its main office address to Rye, New York.
  - Item 4 has been updated to disclose the current assets under management.
  - Item 5 has been updated to disclose that some investment adviser representative of the firm may accept compensation for the sale of securities to firm clients.
  - Item 10 has been updated to disclose additional outside business activities of the firm's investment adviser representatives that may present potential conflicts of interest.
  - Item 14 has been updated to disclose the Advisor may pay referral fees.
  - David Ackerman is now the CCO of Sound Income Strategies, LLC.
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### **Full Brochure Available**

This Firm Brochure being delivered is the complete brochure for the Firm.

# **Item 3: Table of Contents**

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## Item 4: Advisory Business

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### Firm Description

Sound Income Strategies, LLC ("SIS") was founded in 2014.

SIS is a fee based financial planning and investment management firm. The firm's managing member also sells insurance commissioned products.

SIS does not act as a custodian of client assets.

Other professionals (e.g., lawyers, accountants, tax preparers, insurance agents, etc.) are engaged directly by the client on an as-needed basis and may charge fees of their own. Conflicts of interest will be disclosed to the client in the event they should occur.

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### Types of Advisory Services

#### ASSET MANAGEMENT

SIS offers discretionary and non-discretionary direct asset management services to advisory clients. SIS will offer clients ongoing portfolio management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors. The client will authorize SIS discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

When deemed appropriate for the client, SIS will utilize the Unified Managed Account Exchange Program ("UMA") through TD AMERITRADE Institutional, a Division of TD AMERITRADE, Inc., Member FINRA/SIPC/NFA. SIS, on behalf of clients, will retain, Placemark and/or Assetmark, as Overlay Manager(s) to provide Overlay Management Services. SIS is solely responsible for selecting suitable clients to participate in the program and select on behalf of the client, for the management of their account Model Portfolio Advisors to act as sub-advisors to the Overlay Manager from among the Investment Vehicles available in the Program and to select other Account features such as rebalancing, tax overlay management, cash management and restrictions.

SIS is constantly searching for securities that have an improving credit story and as we find these opportunities we will "swap" out of some current holdings into newer securities. We look to for at least one of the following conditions before making a swap: lowering duration, lowering interest rate risk, increasing yield or lowering credit risk.

#### ERISA PLAN SERVICES

SIS provides service to qualified and non-qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit sharing plans, cash balance plans, and deferred compensation plans. SIS may act as either:

1. *Limited Scope 3(21) Fiduciary.* SIS typically acts as a limited scope 3(21) fiduciary that can advise, help and assist plan sponsors with their investment decisions. The plan sponsor is still ultimately responsible for the decisions made in their plan, though using SIS can help mitigate that plan sponsor's liability by following a diligent process.
2. *3(38) Investment Manager.* SIS can also act as an ERISA 3(38) Investment Manager in which it has discretionary management and control of a given retirement plan's

assets. SIS would then become solely responsible and liable for the selection, monitoring and replacement of the plan's investment options.

#### FINANCIAL PLANNING AND CONSULTING

If financial planning services are applicable, the client will compensate SIS on an hourly fee basis described in detail under "Fees and Compensation" section of this brochure. In a financial plan, the advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The advisor may employ several different strategies, including: long-term purchases, short-term purchases and short term trading. All of these strategies may be used at various times as a possible hedge against market movement which may adversely affect the client's portfolio.

The advisor may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in risk tolerance of the client or any risk deemed unacceptable for the client's risk tolerance.

Representatives of SIS may also provide general non-securities advice on topics including estate planning, retirement planning, and mortgage consulting. Fees are billed at an hourly rate, negotiated in advance and paid as services are rendered. This non-securities financial planning will not exceed 50% of the firm's billings.

#### Educational Workshops

SIS provides educational workshops to all clients. These workshops will cover topics such as social security where they cover benefits and any regulatory change. SIS will also discuss estate planning and explain the different options. If needed SIS will also refer clients to an attorney.

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#### **Client Tailored Services and Client Imposed Restrictions**

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

Agreements may not be assigned without written client consent.

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#### **Wrap Fee Programs**

SIS participates in wrap fee programs, which are investment programs wherein the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. SIS manages the investments in the wrap fee program, but does not manage those wrap fee accounts any differently than non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to SIS as a management fee.

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#### **Client Assets under Management**

As of March 2016, SIS had \$97,600,000 on a discretionary basis and \$4,600,000 on a non-discretionary basis.

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

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#### **Method of Compensation and Fee Schedule**

##### ASSET MANAGEMENT

SIS offers discretionary asset management services to advisory clients. The fees for these services will be based on an annual fee of 1.50% of Assets Under Management.

The annual fee may be negotiable. Accounts within the same household may be combined for a reduced fee. Fees are billed monthly in arrears based on the value of the assets under management at the end of each month. Clients may terminate their account within five business days of signing the Investment Advisory Agreement with no obligation. SIS will be entitled to a pro rata fee for the days service was provided in the final month. Client shall be given thirty (30) days prior written notice of any increase in fees, and client will acknowledge, in writing, any agreement of increase in said fees.

When utilizing the UMA program, the fees charged by SIS are in addition to the fees charged by any other investment advisor and the custodian. TD Ameritrade will act as the custodian, collect the fees and disburse to the relevant parties. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five business days of signing the Investment Advisory Agreement with no obligation. Clients may terminate advisory services with thirty (30) days written notice. Client will be entitled to a pro rata refund for the days service was not provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees.

#### ERISA PLAN SERVICES

The annual fees are based on the market value of the Included Assets and will not exceed 1% of the value. The fee is charged in arrears and the initial fee will be based on the market value of the Plan assets as calculated by the custodian or record keeper of the Included Assets on the first business day of the initial fee period and will be due on the first business day of the fee period. For services started any time other than the first day of a billing cycle, the fee will be prorated based on the number of days remaining in the initial fee period. Thereafter, the fee will be based on the market value of the Plan assets on the last business day of the previous fee period (without adjustments for anticipated withdrawals by Plan participants or other anticipated or scheduled transfers or distribution of assets) and will be due within ten (10) business days. If this Agreement is terminated prior to the end of the fee period, SIS shall be entitled to a prorated fee based on the number of days during the fee period services were provided. Any unearned fees shall be refunded to the Plan or Plan Sponsor.

The compensation of SIS for the services is described in detail in Schedule A of the ERISA Plan Agreement. The Plan is obligated to pay the fees, however the Plan Sponsor may elect to pay the fees. SIS does not reasonably expect to receive any additional compensation, directly or indirectly, for its services under this Agreement. If additional compensation is received, SIS will disclose this compensation, the services rendered, and the payer of compensation. Advisor will offset the compensation against the fees agreed upon under this Agreement.

#### FINANCIAL PLANNING FEES

SIS intends to be compensated for its investment advisory services and/or financial planning services by charging fees on an hourly basis of \$500 per hour. The fee will be negotiated in advance and will be set-out in each client's advisory contract. Client will pay \$2,000 upon signing the agreement with the balance due in bi-weekly payments until the balance is paid. Clients may terminate their advisory contract with SIS within five (5) business days with no obligation. After the initial five (5) business days, any fees



paid in advance will be prorated to the date of termination and any excess will be refunded to client. Plans will be completed within ninety (90) days.

#### Educational Workshop fees

SIS does not charge for the educational workshops they offer.

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#### **Client Payment of Fees**

Investment management fees are billed monthly, in arrears, meaning that we invoice you after the billing period has ended. Fees are deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Financial Planning fee will be negotiated in advance and will be set-out in each client's advisory contract.

SIS does not charge for the educational workshops they offer.

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#### **Additional Client Fees Charged**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, equities, exchange-traded funds and any fees for individual fixed income securities. These charges may include Mutual Fund transactions fees, postage and handling and miscellaneous fees (fee levied to recover costs associated with fees assessed by self-regulatory organizations). These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

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

For more details on the brokerage practices, see Item 12 of this brochure.

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#### **Prepayment of Client Fees**

The financial planning fee will be negotiated in advance and will be set-out in each client's advisory contract. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client.

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#### **External Compensation for the Sale of Securities to Clients**

Jason D. Carrier, in his role as a registered representative with Broker Dealer Financial Services Corp., and Mark S. Falter, in his role as a registered representative with Investors Capital Corp., accept compensation for the sale of securities to SIS clients.

##### **1. This is a Conflict of Interest**

The supervised persons will accept compensation for the sale of securities or other investment products, including asset based sales charges or service fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which the supervised persons receives compensation, they will document the conflict of interest in the client file and inform the client of the conflict of interest.

2. Clients Have the Option to Purchase Recommended Products From Other Brokers  
Clients always have the option to purchase SIS recommended products through other brokers or agents that are not affiliated with SIS.
3. Commissions are not the Primary Source of Income for SIS  
Commissions are not SIS's primary source of compensation for advisory services.
4. Advisory Fees in Addition to Commissions or Markups  
Advisory fees that are charged to clients are not reduced to offset the commissions or markups on securities or investment products recommended to clients.

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

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### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

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

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## **Item 7: Types of Clients**

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### **Description**

SIS generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

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### **Account Minimums**

SIS does not require a minimum to open an account.

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

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### **Methods of Analysis**

Security analysis methods typically will involve fixed income analysis. Fixed income analysis is the valuation of fixed income or debt securities, and the analysis of their interest rate risk, credit risk, and likely price behavior in hedging portfolios. This includes analyzing bonds issued by the same entity for different maturities.

Regarding equity securities, these methods may also include fundamental analysis and technical analysis. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not a guarantee of future returns.

Fundamental analysis involves evaluating a stock using real data such as company revenues, earnings, return on equity, and profits margins to determine underlying value and potential growth. Technical analysis involves evaluating securities based on past prices and volume.

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

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## Investment Strategy

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes a document stating their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases and trading.

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## Security Specific Material Risks

All investment programs have certain risks that are borne by the investor. Fundamental analysis may involve interest rate risk, market risk, business risk, and financial risk. Risks involved in technical analysis are inflation risk, reinvestment risk, and market risk. Cyclical analysis involves inflation risk, market risk, and currency risk.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with SIS:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability

to meet loan obligations may result in bankruptcy and/or a declining market value.

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## **Item 9: Disciplinary Information**

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### **Criminal or Civil Actions**

The firm and its management have not been involved in any criminal or civil action.

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### **Administrative Enforcement Proceedings**

The firm and its management have not been involved in administrative enforcement proceedings.

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### **Self-Regulatory Organization Enforcement Proceedings**

The firm and its management have not been involved in legal or disciplinary events related to investment clients within the past ten years.

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

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### **Broker-Dealer or Representative Registration**

Jason D. Carrier is a registered representative with Broker Dealer Financial Services Corp and Mark S. Falter is a registered representative with Investors Capital Corp.

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### **Futures or Commodity Registration**

Neither SIS nor its employees are registered or have an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

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### **Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

David Scranton is also licensed as an independent insurance agent for various insurance companies. Approximately 30% of Mr. Scranton's time is spent in his insurance practice. From time to time, he will offer clients advice or products from these activities. Therefore, they will be able to purchase products for any client in need of such services.

Jason D. Carrier is a registered representative with Broker Dealer Financial Services Corp. and a licensed insurance agent, selling products through Scranton Financial Group. From time to time, he will offer clients advice or products from these activities.

Yvette M. Scanlon is an investment adviser representative with another investment advisory firm. From time to time, she will offer clients advice or products from these activities.

Mark S. Falter is a registered representative and an investment adviser representative with Investors Capital Corp., President of Mid-American Tax Advisory Group and a licensed insurance agent. From time to time, he will offer clients advice or products from these activities.

These practices represent conflicts of interest because it gives an incentive to recommend products based on the commission amount received. This conflict is mitigated by the fact that Mr. Scranton has a fiduciary responsibility to place the best interest of the client first and the clients are not required to purchase any products. Clients have the option to purchase these products through another insurance agent of their choosing.

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**Recommendations or Selections of Other Investment Advisors and Conflicts of Interest**

SIS may at times utilize the UMA program through TD Ameritrade to assist in the management of client accounts. In such circumstances, SIS' fees are in addition to any custodial or fees charged by other investment advisors. This situation does not create a conflict of interest because SIS charges the same fees for clients utilizing the UMA program and those who do not. Fees for these services will be based on a percentage of assets under management as follows: TD Ameritrade clearing and custody fees range from 6 basis points to 22 basis points, the Overlay Manager fees range from 10 basis points to 20 points and the Model Portfolio Advisors Fees range from 15 basis points to 90basis points. The final fee schedule will be attached to the UMA Agreement.

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

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**Code of Ethics Description**

The employees of SIS have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of SIS employees and addresses conflicts that may arise. The Code defines acceptable behavior for employees of SIS. The Code reflects SIS and its supervised persons' responsibility to act in the best interest of their client.

One area the Code addresses is when employees buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

SIS policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of SIS may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

SIS' Code is based on the guiding principle that the interests of the client are our top priority. SIS' officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When a conflict arises, it is our obligation to put the client's interests over the interests of either employees or the company.

The Code applies to "access" persons. "Access" persons are employees who have access to non-public information regarding any clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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**Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

SIS and its employees do not recommend to clients securities in which we have a material financial interest.

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**Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

SIS and its employees may buy or sell securities that are also held by clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide SIS with copies of their brokerage statements.

The Chief Compliance Officer of SIS is David Ackerman. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

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**Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

SIS does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist. However, employees may buy or sell securities at the same time they buy or sell securities for clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide SIS with copies of their brokerage statements.

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**Item 12: Brokerage Practices**

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**Factors Used to Select Broker-Dealers for Client Transactions**

SIS may recommend the use of a particular broker-dealer or may utilize a broker-dealer of the client's choosing. SIS will select appropriate brokers based on a number of factors including but not limited to their relatively low transaction fees and reporting ability. SIS relies on its broker to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by SIS.

- *Directed Brokerage*

In circumstances where a client directs SIS to use a certain broker-dealer, SIS still has a fiduciary duty to its clients. The following may apply with Directed Brokerage: SIS' inability to negotiate commissions, to obtain volume discounts, there may be a disparity in commission charges among clients and conflicts of interest arising from brokerage firm referrals.

- *Best Execution*

Investment advisors who manage or supervise client portfolios on a discretionary basis have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the operational facilities of the broker-

dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. SIS does not receive any portion of the trading fees.

- *Soft Dollar Arrangements*

The Securities and Exchange Commission defines soft dollar practices as arrangement under which products or services other than execution services are obtained by SIS from or through a broker-dealer in exchange for directing client transactions to the broker-dealer. As permitted by Section 28(e) of the Securities Exchange Act of 1934, SIS receives economic benefits as a result of commissions generated from securities transactions by the broker-dealer from the accounts of SIS. These benefits include both proprietary research from the broker and other research written by third parties.

A conflict of interest exists when SIS receives soft dollars. This conflict is mitigated by the fact that SIS has a fiduciary responsibility to act in the best interest of its clients and the services received are beneficial to all clients.

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### **Aggregating Securities Transactions for Client Accounts**

SIS may aggregate orders in a block trade or trades when securities are purchased or sold through the same broker-dealer for multiple (discretionary) accounts. If block trades cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This must be done in a way that does not consistently advantage or disadvantage particular client accounts. For example, a partial fill will generally be filled pro-rata among participating accounts. Prior to entry of a block trade, a written pre-allocation will be generated which identifies the group of client accounts participating in the order.

Changes in allocation prior to final allocation may be made for good cause provided that all client accounts receive fair and equitable treatment. A written explanation of the reason for any material change in the allocation must be provided to and approved by the Compliance Officer no later than the morning following the execution of the trade. If the change in the allocation is the result of a condition that exists or a change in the client's account outside of the portfolio manager's control, then approval by the Compliance Officer is not required.

## **Item 13: Review of Accounts**

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### **Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Account reviews are performed quarterly by Investment Advisor Representatives of SIS. Account reviews are performed more frequently when market conditions dictate. Financial planning relationships with clients are monitored on an ongoing basis to ensure the recommendations made are within the scope of the plan remain suitable.

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### **Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

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**Content of Client Provided Reports and Frequency**

Clients receive account statements no less than quarterly for managed accounts. Account statements are issued by the Advisor's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs.

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

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**Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

SIS does not receive any economic benefits from external sources.

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**Advisory Firm Payments for Client Referrals**

SIS may, from time to time, enter into agreements with individuals and organizations, which may be affiliated or unaffiliated with SIS, that refer clients to SIS in exchange for compensation. All such agreements will be in writing and comply with the requirements of Federal or State regulation. If a client is introduced to SIS by a solicitor, SIS may pay that solicitor a fee. While the specific terms of each agreement may differ, generally, the compensation will be based upon SIS engagement of new clients and is calculated using a varying percentage of the fees paid to Sector Analysts, LLC by such clients. Any such fee shall be paid solely from SIS investment management fee, and shall not result in any additional charge to the client.

Each prospective client who is referred to SIS under such an arrangement will receive a copy of this brochure and a separate written disclosure document disclosing the nature of the relationship between the solicitor and SIS and the amount of compensation that will be paid by SIS to the solicitor. The solicitor is required to obtain the client's signature acknowledging receipt of SIS's disclosure brochure and the solicitor's written disclosure statement.

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**Item 15: Custody**

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**Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. Clients are urged to compare the account statements received directly from their custodians to the performance report statements prepared by SIS.

SIS is deemed to have constructive custody solely because advisory fees are directly deducted from client's account by the custodian on behalf of SIS.

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**Item 16: Investment Discretion**

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**Discretionary Authority for Trading**

SIS accepts discretionary authority to manage securities accounts on behalf of clients. SIS has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The client will authorize SIS discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement. If the client does not grant discretionary authority to SIS, SIS will consult with the client prior to each trade to obtain authorization.



The client approves the custodian to be used and the commission rates paid to the custodian. SIS does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

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### **Item 17: Voting Client Securities**

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#### **Proxy Votes**

SIS does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent.

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

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### **Item 18: Financial Information**

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#### **Balance Sheet**

A balance sheet is not required to be provided because SIS does not serve as a custodian for client funds or securities and SIS does not require prepayment of fees of more than \$1200 per client and six months or more in advance.

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#### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

SIS has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

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#### **Bankruptcy Petitions during the Past Ten Years**

Neither SIS nor its management has had any bankruptcy petitions in the last ten years.