

## **LA FERLA GROUP LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of La Ferla Group LLC (hereinafter “La Ferla Group” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at this telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, La Ferla Group is required to discuss any material changes that have been made to the brochure since the last update on August 21, 2015. La Ferla Group has added language discussing its newly-launched Muni Bond Advisor Wrap Fee Program.

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## Item 4. Advisory Business

La Ferla Group offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to La Ferla Group rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with La Ferla Group setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

La Ferla Group was formed in 2015 and has been owned by Joseph A. La Ferla, Jr., John G. Macri, and Thomas D. Cordovano since May 15, 2015. As of December 31, 2015, La Ferla Group had approximately \$185,484,752 assets under management; \$173,324,087 of which was managed on a discretionary basis and \$12,160,665 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of La Ferla Group, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on La Ferla Group’s behalf and is subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

La Ferla Group offers clients a broad range of financial planning and consulting services, which may include any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Tax Planning
- Manager Due Diligence

These services are typically rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, La Ferla Group is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. La Ferla Group may recommend clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage La Ferla Group or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding

implementation and are under no obligation to act upon any of the recommendations made by La Ferla Group under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising La Ferla Group's recommendations and/or services.

### **Investment and Wealth Management Services**

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La Ferla Group manages client investment portfolios, under this arrangement, on non-discretionary basis. In addition, La Ferla Group may provide clients with wealth management services which generally/may include a broad range of comprehensive financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

La Ferla Group manages client assets through three primary strategies: i) the Global Balanced Advisor; ii) the Muni Bond Advisor and iii) the Multi Asset Advisor. In addition, the Firm will look to purchase and sell certain mutual funds and ETFs for which there is no transaction fees. The Global Balanced Advisor is managed on a discretionary basis and primarily invests in mutual funds and ETFs. The Muni Bond Advisor is managed on a non-discretionary basis and primary invests in municipal bonds. Finally, the Multi Asset Advisor is managed on a non-discretionary basis and invests in a wide range of securities and asset classes, where the risk ranges from low to high, depending on a client's risk tolerance.

#### *Multi Asset Advisor*

This strategy is more malleable than the Global Balanced Advisor or Muni Bond Advisor, and while La Ferla Group primarily allocates client assets among a wide range of securities and asset classes in the Multi Asset Advisor strategy, it may allocate amongst any other securities as well. In this arrangement brokerage commissions and transaction costs are not absorbed by the Firm.

#### *Global Balanced Advisor*

The Global Balanced Advisor is managed by La Ferla Group as a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the Firm). La Ferla Group is the sponsor and manager of the Global Balanced Advisor wrap fee program. The Global Balanced Advisor is only offered through a wrap relationship. Participants in the Global Balanced Advisor may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. Additional information about the wrap program is available in La Ferla Group's Wrap Brochure for the Global Balanced Advisor Wrap Fee Program, which appears as Part 2A Appendix 1 of the Firm's Form ADV.

#### *Muni Bond Advisor*

The Muni Bond Advisor is also managed by La Ferla Group as a wrap fee program. La Ferla Group is the sponsor and manager of the Muni Bond Advisor Wrap Fee Program. The Muni Bond Advisor is only

offered through a wrap relationship. Participants in the Muni Bond Advisor may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. Additional information about this program is available in La Ferla Group's Wrap Brochure for the Muni Bond Advisor Wrap Fee Program, which appears as Part 2A Appendix 1 of the Firm's Form ADV.

### *General*

In addition to the descriptions for the strategies above, where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage La Ferla Group to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, La Ferla Group directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

La Ferla Group tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. La Ferla Group consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify La Ferla Group if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if La Ferla Group determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

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

La Ferla Group offers services on a fee basis, which may include fixed and/or hourly fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, may offer securities brokerage services and/or insurance products under a separate commission-based arrangement.

### **Wealth Management Fees**

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La Ferla Group offers investment management services for an annual fee based on the amount of assets under the Firm's management. The management fee will depend upon which strategy is being utilized.

*Multi Asset Advisor*

The fee for the Multi Asset Advisor strategy varies between 0.25% and 1.25% in accordance with the following blended fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
First \$500,000	1.25%
Next \$500,000	1.00%
Next \$4,000,000	0.75%
Next \$5,000,000	0.50%
Above \$10,000,000	0.25%

*Global Balanced Advisor*

The fee for the Global Balanced Advisor is also disclosed in the Firm's Wrap Brochure and varies between 0.50% and 1.50% in accordance with the following blended fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
First \$500,000	1.50%
Next \$500,000	1.25%
Next \$4,000,000	1.00%
Next \$5,000,000	0.75%
Above \$10,000,000	0.50%

*Muni Bond Advisor*

The fee for the Muni Bond Advisor is also disclosed in the Firm's Wrap Brochure and varies between 0.20% and 0.30% in accordance with the following blended fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
First \$1,000,000	0.30%
Next \$4,000,000	0.25%
Above 5,000,000	0.20%

The annual fee for all three strategies is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by La Ferla Group on the last day of the previous billing period.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is not adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), La Ferla Group may negotiate a fee rate that differs from the range set forth above.

### **Fee Discretion**

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La Ferla Group may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to La Ferla Group, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), 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. Some, but not all, of these fees and expenses are included in the Firm’s wrap program for the Global Balanced Advisor and Muni Bond Advisor as disclosed in the respective Wrap Brochure. The Firm’s brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients generally provide La Ferla Group with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to La Ferla Group.



### **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to La Ferla Group's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to La Ferla Group, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. La Ferla Group may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

### **Commissions and Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with La Ferla Group (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with La Ferla Group.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to PKS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. La Ferla Group may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PKS.

A conflict of interest exists to the extent that La Ferla Group recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that La Ferla Group, in its sole discretion, deems appropriate, La Ferla Group may provide its investment advisory services on a fee-offset basis. In this scenario, La Ferla Group may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of PKS.

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

La Ferla Group does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

La Ferla Group offers services to individuals, banking/thrift institutions, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Value**

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As a condition for starting and maintaining an investment management relationship, La Ferla Group generally imposes a minimum portfolio value. The minimum portfolio value for the Multi Asset Advisor is \$100,000. For the Firm's Global Balanced Advisor and Muni Bond Advisor Wrap Fee Programs, the minimum portfolio value is \$250,000. La Ferla Group may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. La Ferla Group only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. La Ferla Group may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### **Multi Asset Advisor**

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The Multi Asset Advisor is a non-discretionary advisory strategy, whereby the client and the portfolio manager work together to achieve the client's investment objectives relative to risk. This strategy is suitable for clients who would like to participate in the management of their portfolio, with the counsel and advice of a portfolio manager. The performance objectives and risk parameters depend on the client's investment objectives and risk tolerance.

## **Risk of Loss**

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### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of La Ferla Group's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that La Ferla Group will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Use of Mutual Funds, ETFs, and Individual Securities that Use Short Sales*

La Ferla Group may purchase / sell mutual funds, ETFs and individual securities that use short sales. Short selling involves the sale of a security that the seller does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the seller must borrow securities from a third party lender. The seller subsequently returns the

borrowed securities to the lender by delivering to the lender securities it previously owned or by purchasing securities in the open market. The seller must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains its right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the seller a fee for the use of the seller's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. A client's account may suffer significant losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

### *Municipal Bonds*

An investment in municipal bonds entails risk, including loss of principal. Investors in municipal bonds face a number of risks, specifically including:

- Call risk. Call risk refers to the potential for an issuer to repay a bond before its maturity date, something that an issuer may do if interest rates decline -- much as a homeowner might refinance a mortgage loan to benefit from lower interest rates. Bond calls are less likely when interest rates are stable or moving higher. Many municipal bonds are "callable," so investors who want to hold a municipal bond to maturity should research the bond's call provisions before making a purchase.
- Credit risk. This is the risk that the bond issuer may experience financial problems that make it difficult or impossible to pay interest and principal in full (the failure to pay interest or principal is referred to as "default"). Credit ratings are available for many bonds. Credit ratings seek to estimate the relative credit risk of a bond as compared with other bonds, although a high rating does not reflect a prediction that the bond has no chance of defaulting.
- Interest rate risk. Bonds have a fixed face value, known as the "par" value. If bonds are held to maturity, the investor will receive the face value amount back, plus interest that may be set at a fixed or floating rate. The bond's market price will move up as interest rates move down and it will decline as interest rates rise, so that the market value of the bond may be more or less than the par value. U.S. interest rates have been low for some time. If they move higher, investors who hold a low fixed-rate municipal bond and try to sell it before it matures could lose money because of the lower market value of the bond.
- Inflation risk. Inflation is a general upward movement in prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. It also can lead to higher interest rates and, in turn, lower market value for existing bonds.

- Liquidity risk. This refers to the risk that investors won't find an active market for the municipal bond, potentially preventing them from buying or selling when they want and obtaining a certain price for the bond. Many investors buy municipal bonds to hold them rather than to trade them, so the market for a particular bond may not be especially liquid and quoted prices for the same bond may differ.

#### *Management through Similarly Managed "Model" Accounts*

La Ferla Group manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds, ETFs and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

## **Item 9. Disciplinary Information**

La Ferla Group has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed.

### **Registered Representatives of a Broker/Dealer**

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Certain of the Firm's Supervised Persons are registered representatives of PKS and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

### Licensed Insurance Agents

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A number of the Firm's Supervised Persons are licensed insurance agents and may offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that La Ferla Group recommends the purchase of insurance products where its Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

## Item 11. Code of Ethics

La Ferla Group has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. La Ferla Group's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of La Ferla Group's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person will access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase

agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact La Ferla Group to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker/Dealers for Client Transactions**

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La Ferla Group generally recommends that clients utilize the custody, brokerage and clearing services of Schwab Advisor Services™ (“Schwab”) for investment management accounts.

Factors which La Ferla Group considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab may enable the Firm to obtain many mutual funds and ETFs without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by La Ferla Group’s clients to Schwab comply with the Firm’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where La Ferla Group determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution’s services, including among others, the value of research provided, execution capability, commission rates and responsiveness. La Ferla Group seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other broker-dealers with whom the Firm and its custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the Client may be required to sign an additional agreement, and additional fees are likely to be charged.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist La Ferla Group in its investment decision-making process. Such research generally will be used to service all of the Firm’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of

the benefit of such investment research products and/or services poses a conflict of interest because La Ferla Group does not have to produce or pay for the products or services.

La Ferla Group periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Software and Support Provided by Financial Institutions**

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La Ferla Group may receive without cost from Schwab computer software and related systems support, which allow La Ferla Group to better monitor client accounts maintained at Schwab. La Ferla Group may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab.

In addition, Schwab has provided a loan to the Firm to assist its business operations, and the loan is guaranteed by Joseph A. La Ferla, Jr., John G. Macri and Thomas D. Cordovano, principals of La Ferla Group. The terms of the loan require that management fees to the Firm be paid to an account at Schwab for deduction of interest and principal payments on the loan before the Firm may access such management fees. The loan agreement contains various representations and covenants by La Ferla Group, including, among others, that the Firm will maintain at least \$200,000,000 in end-client net assets held at Schwab (“Assets Under Management at Schwab”), and that Advisor will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents and permits. Upon the occurrence and during the continuance of an event of default under the loan agreement, Schwab may terminate and/or accelerate the loan, which may have a material adverse effect on the Firm’s ability to perform services for you.

The software and support, including the loan noted above, is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). That support may benefit La Ferla Group, but not its clients directly. In fulfilling its duties to its clients, La Ferla Group endeavors at all times to put the interests of its clients first. Clients should be aware, however, that La Ferla Group’s receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm’s choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, La Ferla Group may receive the following benefits from Schwab:

- The loan referenced above;
- Up to \$110,000 in credits to be used toward qualifying third-party service providers used in connection with the initial set up of the Firm’s research, technology and software platforms;
- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;



- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### **Brokerage for Client Referrals**

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La Ferla Group does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct La Ferla Group in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by La Ferla Group (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, La Ferla Group may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of PKS. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless PKS provides written consent. Therefore, clients are advised that certain Supervised Persons may be restricted to conducting securities transactions through PKS if they have not secured written consent from PKS to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PKS, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than PKS under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### Trade Aggregation

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Transactions for each client generally will be effected independently, unless La Ferla Group decides to purchase or sell the same securities for several clients at approximately the same time. La Ferla Group may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among La Ferla Group’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which La Ferla Group’s Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. La Ferla Group does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## Item 13. Review of Accounts

### Account Reviews

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La Ferla Group monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with La Ferla Group and to keep the Firm informed of any changes thereto. The Firm contacts ongoing

investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from La Ferla Group and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from La Ferla Group or an outside service provider.

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

### **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

## **Item 15. Custody**

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize La Ferla Group to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to La Ferla Group.

In addition, as discussed in Item 13, La Ferla Group may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from La Ferla Group.

**Item 16. Investment Discretion**

La Ferla Group may be given the authority to exercise discretion on behalf of clients. La Ferla Group is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. La Ferla Group is given this authority through a power-of-attorney included in the agreement between La Ferla Group and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). La Ferla Group takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- The broker-dealer that executes trades (in the case of a prime brokerage relationship); and
- When transactions are made.

**Item 17. Voting Client Securities****Declination of Proxy Voting Authority**

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La Ferla Group generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

**Item 18. Financial Information**

La Ferla Group is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.