

## **SUNBURST FINANCIAL GROUP, LLC**

*a Registered Investment Adviser*

600 Vestavia Parkway, Suite 100  
Vestavia Hills, AL 35216

(205) 823-4949

[www.sunburstfinancial.com](http://www.sunburstfinancial.com)

This brochure provides information about the qualifications and business practices of Sunburst Financial Group, LLC (hereinafter “Sunburst Financial Group” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the 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, Sunburst Financial Group is required to discuss any material changes that have been made to the brochure since the last annual amendment. As this brochure has been prepared in connection with the Firm's initial application for investment adviser registration, there are material changes to disclose.

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## Item 4. Advisory Business

Sunburst Financial Group is an independent investment adviser specializing in multiple areas of planning including retirement, investment, tax, estate and insurance. The Firm concentrates its efforts on financial planning based investment management. Sunburst Financial Group offers a variety of advisory services, including financial planning, consulting, and investment management services. Prior to Sunburst Financial Group rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Sunburst Financial Group setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Sunburst Financial Group first filed for registration as an investment adviser in April 2016 and is owned by Randy Martin, Barry Rhea, and Jonathan Winzeler. As of the date of this filing, Sunburst Financial Group does not have any assets under management; however, the Firm reasonably expects to be eligible for registration with the SEC within 120 days of approval as an investment adviser.

While this brochure generally describes the business of Sunburst Financial 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 Sunburst Financial Group’s behalf and is subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

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The foundation of Sunburst Financial Group stands on the belief that financial planning is the process of meeting life goals through proper management of clients’ assets, liabilities and cash flow. This process provides direction and meaning as Sunburst Financial Group assists clients with making decisions that will affect their financial future. The Firm continually monitors the tax and economic environment to determine both the short- and long-term effects on each client’s investment choices, and to adapt the financial plan to stay on track toward achieving the client’s goals.

Sunburst Financial 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

In performing these services, Sunburst Financial 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. Sunburst Financial 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 Sunburst Financial 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 Sunburst Financial 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 Sunburst Financial Group's recommendations and/or services.

### **Investment Management Services**

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Sunburst Financial Group manages client investment portfolios on a discretionary or non-discretionary basis. Sunburst Financial Group primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs") and individual debt and equity securities in accordance with their stated investment objectives. In certain circumstances, the Firm will also utilize independent investment managers ("Independent Managers") to manage client assets.

Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage Sunburst Financial 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, Sunburst Financial 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.

Sunburst Financial 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. Sunburst Financial 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 Sunburst Financial 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 Sunburst Financial 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.

### **Retirement Plan Consulting Services**

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Sunburst Financial Group provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and may include any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by Sunburst Financial Group as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of Sunburst Financial Group’s fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

### **Use of Independent Managers**

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As mentioned above, Sunburst Financial Group may select certain Independent Managers to actively manage a portion of its clients’ assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

Sunburst Financial Group evaluates a variety of information about Independent Managers, which may include the Independent Managers’ public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers’ investment strategies, past performance and risk results in relation to its clients’ individual portfolio allocations and risk exposure. Sunburst Financial Group also takes into consideration each Independent Manager’s management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Sunburst Financial Group continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. Sunburst Financial Group seeks to ensure the Independent Managers’ strategies and target allocations remain aligned with its clients’ investment objectives and overall best interests.

## Item 5. Fees and Compensation

Sunburst Financial Group offers services on a fee basis, which may include fixed fees and/or hourly fees, as well as fees based upon assets under management. 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.

### Financial Planning and Consulting Fees

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Sunburst Financial Group generally charges a fixed fee for providing the initial financial planning services. The fee is typically \$1,000 for a comprehensive plan and multiple meetings. The Firm may charge \$500 to clients that require a less robust plan and less meetings. In addition to the plan, the Firm may charge a fixed and/or hourly fee for additional financial planning and consulting services. These fees are negotiable, but generally range from \$500 to \$2,000 on a fixed fee basis and/or from \$100 to \$300 on an hourly basis, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services.

If the client engages the Firm for additional investment advisory services, Sunburst Financial Group may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and Sunburst Financial Group generally requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fees

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Sunburst Financial Group offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee generally varies in accordance with the following fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$99,999	1.00%
\$100,000 - \$999,999	0.85%
\$1,000,000 - \$2,499,999	0.75%
\$2,500,000 - \$4,999,999	0.65%
\$5,000,000 - \$9,999,999	0.55%
\$10,000,000 - \$19,999,999	0.45%
\$20,000,000 - \$49,999,999	0.35%
\$50,000,000 and Up	Negotiable

The annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by Sunburst Financial Group on the last day of the previous billing period. The Firm will charge the fee in advance for certain clients that were billed as such in the past. 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.), Sunburst Financial Group may negotiate a fee rate that differs from the range set forth above.

### Retirement Plan Consulting Fees

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Sunburst Financial Group generally charges a fixed project-based fee to provide clients with retirement plan consulting services. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement. These fees vary, based on the scope of the services to be rendered, and may range up to 0.50% of the plan's assets per annum depending upon the complexity of the engagement and the amount of assets to be managed.



### **Fee Discretion**

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Sunburst Financial 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 Sunburst Financial 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, fees charged by the Independent Managers, margin costs, 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. The Firm’s brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients generally provide Sunburst Financial Group and/or certain Independent Managers 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 Sunburst Financial Group. Alternatively, the Firm may allow certain clients to have Sunburst Financial Group send a separate invoice for direct payment. In that case, the billing terms may be revised.

### **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to Sunburst Financial 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 Sunburst Financial 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. Sunburst Financial 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.

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

Sunburst Financial 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**

Sunburst Financial Group offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

As a condition for starting and maintaining an investment management relationship, Sunburst Financial Group generally imposes a minimum portfolio value of \$25,000. Sunburst Financial 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. Sunburst Financial 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.

In addition, the Firm generally imposes a minimum quarterly fee of \$125. This minimum fee may cause clients with smaller portfolios to incur an effective fee rate that is higher than the Firm's stated fee schedule. Sunburst Financial Group may, in its sole discretion, elect to waive its minimum fee 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.

Sunburst Financial Group may aggregate the portfolios of family members to meet the minimum portfolio size and fee.

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

### Methods of Analysis

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Sunburst Financial Group utilizes a fundamental method of analysis while employing an asset allocation strategy based on a derivative of Modern Portfolio Theory (“MPT”).

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For Sunburst Financial Group, this process typically involves an analysis of an issuer’s management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm’s model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Modern Portfolio Theory (“MPT”) is a mathematical based investment discipline that seeks to quantify expected portfolio returns in relation to corresponding portfolio risk. The basic premise of MPT is that the risk of a particular holding is to be assessed by comparing its price variations against those of the market portfolio. However, MPT disregards certain investment considerations and is based on a series of assumptions that may not necessarily reflect actual market conditions. As such, the factors for which MPT does not account (*e.g.*, tax implications, regulatory constraints and brokerage costs) may negate the upside or add to the actual risk of a particular allocation. Nevertheless, Sunburst Financial Group’s investment process is structured in such a way to integrate those assumptions and real life considerations for which MPT analytics do not account.

### Investment Strategies

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The core of Sunburst Financial Group’s investment process rests on the belief that successful investing is dependent on a longterm focus. As investors, the Firm is willing to accept short-term fluctuations in market performance knowing that markets have a historical upward trend. Attempting to “micromanage” a portfolio or speculate on the short-term price fluctuation of a security can create trading losses and high transaction costs. It may also put the client on the sideline in a rising market. Short-term liquidity requirements are to be analyzed and funded with cash equivalents.

#### *A) Asset Allocation Has the Greatest Impact on Return*

Sunburst Financial Group and the client will mutually agree upon the overall asset allocation. Long-term investment performance, in large part, is primarily a function of asset class mix. Historically, while interest-generating investments (*i.e.* bonds) have the advantage of relative stability of principal, they provide only small opportunities for real long-term capital growth. On the other hand, equity investments (*i.e.* common

stock) have a higher expected return with greater volatility. The Firm's goal is to focus on balancing the risks and rewards of each broad asset class.

All of Sunburst Financial Group portfolios adhere to a macro and micro allocation. The macro allocation consists of cash, bonds, and equities. The micro allocation consists of the various categories within the macro asset class (i.e. US large cap growth & Intermediate term bonds). The Firm's planning process and professional expertise help clients determine an appropriate level of risk and the savings required to achieve their financial goals. This process determines the suitable macro allocation. The micro allocation is constructed by the Firm's investment committee and reviewed on a quarterly basis. The client drives the macro portfolio and Sunburst Financial Group's market outlook drives the micro.

#### *B) High Quality, Liquid Investment Selection*

Sunburst Financial Group firmly believes that individuals dislike losing capital more than they enjoy gaining it. To hedge against the risk of losing capital, we allocate investments across a diverse group of liquid, non-correlated asset classes. The Firm adheres to this policy in each asset class. For example, Sunburst Financial Group believes that the risk taken in extending maturities in fixed income investments may not exceed potential reward. Also, the risk of investing in lower quality income investments is not well compensated over time. To reflect this belief, the Firm's fixed income portfolio will generally consist of investment grade securities with varying maturities.

#### *C) Securities used in Portfolios*

The majority of Sunburst Financial Group's portfolios are comprised of no-load mutual funds and exchange-traded funds. Occasionally, the Firm may use individual stocks, bonds, and alternative investments. All of these investments must meet the criteria established in the Firm's selection process and be suitable for a client's risk tolerance.

#### *D) Expense Reduction is Imperative*

Expenses can have a significant impact on the overall return of an investment. Sunburst Financial Group believes it is in clients' best interests to invest in securities with below average expense and turnover ratios. The Firm always looks at the total amount of expenses that may affect a client's investment. This includes management expenses, administrative costs, turnover expenses, and taxes.

#### *E) Passive and Active Management May Be Used in the Portfolio*

To mitigate the risk of relative underperformance, Sunburst Financial Group invests with active and passive managers. The Firm's passive investments ensure similar returns to a market benchmark, reduce costs, and can increase tax efficiency. The objective of the actively managed portion of the portfolio is to generate a return in excess of the market and attempt to take advantage of market inefficiencies. The Firm's

investment committee meets quarterly to determine which asset classes may benefit from an active or passive strategy.

*F) Tactical Shifts Can Be Used to Enhance Return*

Statistics show that market timing is generally a losing endeavor. However, Sunburst Financial Group does believe that fundamental and technical indicators may reveal periods of market over-valuation and under-valuation. With this in mind, it is important for our model portfolios to have a range of variance. The Firm's investment committee uses a "top down" approach to determine which asset classes to underweight, remain neutral, or overweight. Tactical shifts will only occur in the client's micro allocation. A fundamental or discontinuous change to the client's financial position or risk tolerance is the only reason the Firm may alter the client's macro allocation.

*G) Tax Efficiency is Vital*

In taxable accounts, it is imperative to analyze the tax implications of buying and selling a security. Sunburst Financial Group also places an emphasis on projecting an investment's capital gains and dividend distributions by utilizing indicators like Morningstar's potential capital gains exposure ratio and tax cost ratio. The Firm employs the following strategies to all of our taxable managed accounts: tax loss harvesting, low turnover, and tax structure. The Firm will always take into consideration the costs of taxes when rebalancing.

## **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 Sunburst Financial 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 Sunburst Financial 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 Independent Managers*

As stated above, Sunburst Financial Group may select certain Independent Managers to manage a portion of its clients' assets. In these situations, Sunburst Financial Group continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Sunburst Financial Group generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

## **Item 9. Disciplinary Information**

Sunburst Financial 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 and Investment Adviser Representatives of Another Firm**

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Certain of the Firm's Supervised Persons, in their individual capacities, are registered representatives and investment adviser representatives of Cambridge Investment Research ("Cambridge"). The Supervised Persons may provide clients with advisory services or securities brokerage services under a separate fee or commission-based arrangement. The Firm expects this affiliation to last until the Supervised Persons' clients are transitioned to the Firm, at which time the Supervised Persons will terminate their affiliation with Cambridge. Until such termination, however, these Supervised Persons may receive commissions for securities transactions. The Supervised Persons will not, however, receive such commissions from any investment adviser client of Sunburst Financial Group.

**Licensed Insurance Agency**

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Sunburst Financial Group is a duly licensed insurance agency. Additionally, 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 Sunburst Financial 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**

Sunburst Financial 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. Sunburst Financial 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 Sunburst Financial 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 with 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 Sunburst Financial 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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Sunburst Financial Group generally recommends that clients utilize the custody, brokerage and clearing services of Schwab Advisor Services<sup>TM</sup> ("Schwab") for investment management accounts.

Factors which Sunburst Financial 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 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 Sunburst Financial 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 Sunburst Financial 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. Sunburst Financial 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 Sunburst Financial 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 Sunburst Financial Group does not have to produce or pay for the products or services.

Sunburst Financial 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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Sunburst Financial Group may receive without cost from Schwab computer software and related systems support, which allow Sunburst Financial Group to better monitor client accounts maintained at Schwab. Sunburst Financial Group may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit Sunburst Financial Group, but not its clients directly. In fulfilling its duties to its clients, Sunburst Financial Group endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Sunburst Financial 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, Sunburst Financial Group may receive the following benefits from Schwab:

- 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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Sunburst Financial 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 Sunburst Financial 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 Sunburst Financial 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, Sunburst Financial 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.

### **Trade Aggregation**

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Transactions for each client generally will be effected independently, unless Sunburst Financial Group decides to purchase or sell the same securities for several clients at approximately the same time. Sunburst Financial 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 Sunburst Financial 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 Sunburst Financial 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. Sunburst Financial 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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Sunburst Financial 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 Principals. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Sunburst Financial 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 Sunburst Financial 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 Sunburst Financial Group or an outside service provider.

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

In the event a client is introduced to Sunburst Financial Group by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. The Firm may also compensate third parties for referring other unaffiliated solicitors. Unless otherwise disclosed, any such referral fee is paid solely from Sunburst Financial Group's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with Sunburst Financial Group's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of Sunburst Financial Group is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

## **Item 15. Custody**

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize Sunburst Financial Group and/or the Independent Managers 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 Sunburst Financial Group.

In addition, as discussed in Item 13, Sunburst Financial 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 Sunburst Financial Group.

## **Item 16. Investment Discretion**

Sunburst Financial Group may be given the authority to exercise discretion on behalf of clients. Sunburst Financial 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. Sunburst Financial Group is given this authority through a power-of-attorney included in the agreement between Sunburst Financial Group and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Sunburst Financial Group takes discretion over the following activities:

- The securities to be purchased or sold;

- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

### **Item 17. Voting Client Securities**

Sunburst Financial 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**

Sunburst Financial 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.