

# Form ADV Part 2A Brochure

## Sheridan Road Advisors, LLC

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July 24, 2018

### ITEM 1. Cover Page

This brochure (“Brochure”) provides information about the qualifications and business practices of Sheridan Road Advisors, LLC (“SRA”).

If you have any questions about the contents of this Brochure please contact us at 847-205-9073 or [kshaweelliott@sheridanroad.com](mailto:kshaweelliott@sheridanroad.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration of an Investment Advisor does not imply any level of skill or training.

Additional information about Sheridan Road Advisors is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Sheridan Road Advisors is 293807.

## ITEM 2. SUMMARY OF MATERIAL CHANGES

This version of Part 2A of Form ADV ("Firm Brochure") dated **July 24, 2018**, is for an Other-than-Annual update to our ADV Part 1A. It contains information about our business practices as well as a description of potential conflicts of interest relating to our advisory business which could affect your account with us. We are providing you with this material in accordance with Rule 204-3 of the Investment Advisers Act of 1940, which requires a registered investment adviser to provide a written disclosure statement upon entering into an advisory relationship.

### 1. Summary of Material Changes

On July 24, 2018 Kimberly Shaw Elliott became General Counsel & Chief Compliance Officer. Christopher Karam will continue to serve as Chief Investment Officer.

### 2. Full Brochure Available

We will provide you with a new version of the Firm Brochure as necessary when material updates or new information are added, at any time, without charge. Request a complete copy of our Firm Brochure, by contacting us by telephone at (847) 205-9073 or by email at [kshawelliott@sheridanroad.com](mailto:kshawelliott@sheridanroad.com)

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## ITEM 4. ADVISORY BUSINESS

Sheridan Road Advisors LLC (“SRA”) is registered as a Registered Investment Adviser (“RIA”) with the Securities and Exchange Commission (“SEC”). SRA’s SEC CRD Number is 293807. SRA’s home office is in Northbrook, Illinois. SRA has been registered with the SEC as an RIA since 2018. SRA is owned and controlled by Daniel Bryant and James O’Shaughnessy.

SRA and its IARs may solicit, offer and sell fee-based investment advisory services, including fee-based financial planning, and/or charge an investment advisory fee for managing the clients’ accounts. IARs that are licensed as insurance agents may also solicit, offer and sell fixed and/or property and casualty insurance products. Usually the client will be charged a commission when purchasing securities or insurance products. Depending on the type of securities or insurance product recommended and sold, and/or the nature of the investment advisory services recommended by the IARs, clients may either be charged a commission or an investment advisory fee or a combination of both. Commissions are most often charged for the purchase of securities or fixed and property and casualty insurance products on a transaction by transaction basis. Purchases and sales for securities may be executed in a commission brokerage account or may be submitted to, purchased and held directly with a product sponsor or insurance company. An investment advisory fee is usually charged based on the amount of the client’s assets under management with the IAR as agreed upon under an Investment Advisory Agreement signed by the client. See Item 5 (Fees and Compensation) for additional information on commissions and fees charged to the client.

The IAR will decide, based on the client’s financial situation, age, income, tax status, investment objectives, and risk tolerance, whether to recommend that the client open a commission-based securities brokerage account, an account held directly with the product sponsor or insurance company and/or to recommend that the client open an Investment Advisory Managed Account, or a combination of all of them. The digital advice technology automatically adjusts a client’s asset allocation based on SRA model inputs.

Background information regarding each IAR is contained in the IAR’s individual Brochure Supplement, which is known as the Form ADV Part 2B Brochure Supplement. A copy of the Form ADV Part 2B Brochure Supplement will be provided to each client on or before the client enters into an investment advisory relationship with SRA.

### **Investment Supervisory Services and Individual Portfolio Management**

IARs provide continuous advice regarding the investment of client funds based on the individual needs of the client. The IAR and the client will discuss the client’s specific financial situation, goals, investment objectives, investment experience, time horizon, liquidity needs and risk tolerance. The IAR will then develop asset allocation strategies and/or models and make recommendations to the client to manage the client’s portfolio to meet the client’s stated goals and investment objectives. Investment advisory services are provided under a written Investment Advisory Agreement between SRA and the client.

Under the terms of the Investment Advisory Agreement, the IAR is either authorized by the client to execute transactions on a discretionary basis without contacting the client or on a non-discretionary basis requiring the client’s authorization prior to executing each investment recommendation. If the

client's financial situation, goals, investment objectives, time horizon, liquidity needs, or risk tolerance change the client should promptly notify his or her IAR.

Subject to SRA's approval, clients may request to impose reasonable restrictions on investing in certain types of securities or industry sectors. Clients with non-discretionary accounts should understand that any delay in obtaining the client's authorization to execute a recommendation may result in less favorable transaction terms, including a higher security transaction execution price depending on prevailing market conditions.

## **Features of Managed Service**

Investors participating in the Managed Service (each, a "client") complete an account application (the "Account Application") and enter into an account agreement (the "Account Agreement"). As part of the account opening process, clients are responsible for providing complete and accurate information regarding, among other things, their age, risk tolerance, and investment horizon (collectively, "Client Profile"). SRA relies on the information in the Client Profile in order to provide services under the Program, including but not limited to, determination of suitability of the Program for clients and an appropriate Investment Objective and Portfolio for clients. The Portfolios have been designed and are maintained by SRA, or a third-party investment strategist (as applicable, the "Portfolio Strategist") and shall include a list of securities holdings, relative weightings and a list of potential replacement securities for tax harvesting purposes.

Based upon a client's risk tolerance as indicated in the Client Profile, the client is assigned an investment allocation track, the purpose of which is to slowly rotate the client's equity allocation to fixed income over time. Within the applicable allocation track and based upon a client's chosen Retirement Age in the Client Profile, the client will be assigned a Portfolio and one of five of standard investment objectives:

- **Income with capital preservation.** Designed as a longer-term accumulation account, this investment objective is considered generally the most conservative. Emphasis is placed on generation of current income with minimal risk of capital loss. Lowering the risk generally means lowering the potential income and overall return.
- **Income with moderate growth.** This investment objective emphasizes generation of current income with a secondary focus on moderate capital growth.
- **Growth with income.** This investment objective emphasizes modest capital growth with some focus on generation of current income.
- **Growth.** This investment objective emphasizes achieving high long-term growth and capital appreciation. There is little focus on generation of current income.
- **Aggressive growth.** This investment objective emphasizes aggressive growth and maximum capital appreciation, with no focus on generation of current income. This objective has a very high level of risk and is for investors with a longer timer horizon.

Both the client and IAR are required to review and approve the initial Investment Objective. As a client approaches the Retirement Age, the digital advice will automatically adjust the client's asset allocation. Any change to the Investment Objective directed by a client due to changes in the Client's

risk tolerance and/or Retirement Age will require written approval from the client and IAR before implementation. Failure to approve the change in Investment Objective may result in a client remaining in a Portfolio that is no longer aligned with the applicable Client Profile. The Investment Objective selected for the account is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time and may be inconsistent with other asset allocations suggested to client by IAR prior to client entering into the Account Agreement. Achievement of the stated investment objective is a long-term goal for the account, and asset withdrawals may impair the achievement of client's investment objectives. A Client Profile that includes a conservative risk tolerance over a long-term investment horizon may result in the selection of an Investment Objective that is riskier than would be selected over a shorter-term investment horizon. Clients should contact IAR if they believe the Investment Objective does not appropriately reflect the Client Profile, such as their risk tolerance.

By executing the Account Agreement, clients authorize IAR to have discretion to buy and sell only equities, closed-end and/or open-end mutual funds ("Mutual Funds") and exchange-traded funds ("ETFs") fixed income securities, investment trusts, or collective trusts (collectively, "Program Securities"), according to the Model Portfolio selected and, subject to certain limitations described in the Account Agreement, hold or liquidate previously purchased non-model securities that are transferred into the account ("Legacy Securities"). Alternative investment may also include; limited partnership interests in real estate, business development companies, hedge funds and/or private equity.

In addition, uninvested cash may be invested in money market funds, as applicable, as described in the Account Agreement. Dividends paid in the account will be contributed to the cash allocation and ultimately reinvested into the account based on the Model Portfolio once the tolerance within cash allocation is surpassed.

### **Potential Conflicts of Interest**

SRA and its IARs receive compensation as a result of a client's participation in their investing program. The amount of this compensation may be more or less than what the SRA IAR would receive if the client participated in other programs, or paid separately for investment advice, brokerage, or other services, and could depend on the following factors: the type and size of the contract, type of securities held in the account, changes in account value over time, the ability to negotiate fees or commissions, the historical or expected size or number of transactions, and the number and range of supplementary advisory and client-related services provided to the client.

### **Use of Third-Party Managers**

IARs may recommend third-party asset money managers ("TPAMs") to manage part or all of the client's portfolio. TPAMs may be recommended when the TPAMs' philosophy, investment strategy and style meets the client's financial situation, investment objectives and risk tolerance. The asset management services provided by the TPAMs, the compensation to be paid, and other terms of the relationship between the client and the TPAMs will be described in the TPAMs' disclosure documents and its

managed account agreement. SRA will receive a portion of the investment advisory fee paid by the client to the TPAMs.

IARs are not permitted to recommend TPAMs unless the TPAMs has been approved by SRA. Before approving any TPAMs, SRA reviews and conducts due diligence on the TPAMs, including the programs they offer, their financial statements, their management, their track record and performance, their Part 2A of Form ADV, disclosure documents, their investment advisory agreement(s), their registration history, and any complaints or disciplinary actions that may have been taken against the TPAM by regulatory bodies.

SRA will not approve a TPAM until it has conducted due diligence on the TPAMs' knowledge, experience, investment philosophy and style and performance history. The investment advisory fee charged varies depending on the TPAM and the amount of assets under management. The investment advisory fee to be charged is disclosed and agreed upon by the client in the TPAM's Investment Advisory Agreement.

The client gives the TPAM discretionary authority over the assets held in the client's account held at the TPAM. Neither SRA nor the IAR provides investment advice to the TPAM. SRA and not the TPAM is the Client's IAR and primary point of contact, and we are solely responsible for determining the appropriateness of the investment strategy for the client. SRA conducts periodic reviews and monitors the TPAMs, including their investment performance. SRA may terminate a TPAM if SRA determines that it no longer meets SRA's criteria. IARs will periodically review the TPAM's performance and will discuss with their clients whether the TPAM is continuing to meet the client's investment objectives, goals and risk tolerance as agreed upon under the TPAM's investment advisory agreement. The IAR may make a recommendation to the client whether or not to continue to use the TPAM. SRA cannot predict or make assurances that any TPAM will continue to meet or maintain its stated investment objectives or performance.

## **Financial Planning**

IARs may offer fee-based financial planning services, and commonly charge fees between \$100 per hour and \$300 per hour. Financial planning generally involves an evaluation of a client's current and future financial situation using currently known variables to estimate future cash flows, asset values and withdrawal plans. Financial planning may be comprehensive based on all of the client's goals or may be more limited in scope to specific goals depending on the needs of the client. Clients will receive a written financial plan/analysis/report depending on the type and scope of the financial planning conducted and agreed upon with the IAR. The client signs a Financial Planning Agreement which outlines the financial planning services to be completed and the deliverable to be provided to the client by the IAR. The financial plan may address part or all the following areas:

- **Asset Allocation:** Based on the client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report and make asset class or asset mix recommendations.

- **Education Planning:** Based on the client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report and make recommendations as to the savings and investment goals clients would need to set to fund education goals.
- **Estate Planning:** Based on the client's financial situation, investment and estate distribution objectives, and risk tolerance, IARs may develop a financial plan/analysis/report and make recommendations for strategies to help provide clients with estate value retention and liquidity.
- **Financial Statements and Portfolio Reports:** IARs may provide clients with a financial statement or portfolio report and analysis.
- **General Analysis and Planning:** IARs can also provide planning on a more focused basis. Based on the client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report in specific financial planning in areas, including but not limited to estate planning, retirement planning or business planning.
- **Insurance Analysis:** Based on the client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report as to the adequacy of the client's life insurance death benefit coverage and make recommendations to address any gaps in life insurance.
- **Retirement Planning and Analysis:** Based on the client's financial situation, investment objectives, and risk tolerance, IARs may develop a financial plan/analysis/report and recommend the savings and investment goals clients would need to set to meet the capital and income needed to maintain the client's standard of living after retirement.
- **Business Retirement Planning:** Based on a business's objective to provide or assess retirement planning opportunities for its employees and/or partners, IARs may develop a financial plan/analysis/report based on a current business retirement plan, assist in the review or preparation of an Investment Policy Statement or work with the business to develop and implement a company retirement plan.
- **Income Lens<sup>SM</sup>:** IARs may provide clients with an initial plan illustrating both the amount and timetable of anticipated income derived from existing and potential future assets. IARs may also provide annual Income Lens<sup>SM</sup> updates for a separate annual maintenance fee.

IARs gather financial and asset information from the client to develop the financial plan/analysis/report. Information gathered includes, but is not limited to, the client's income, expenses, assets, liabilities, tax status, future goals, investment objectives, and risk tolerance. Based on the results of the financial plan/analysis/report the IAR may make recommendations to the client to achieve his or her stated goals. Financial planning recommendations are not product specific. The decision to implement the financial plan/analysis/report recommendations is entirely at the client's discretion.

The financial plan/analysis/report will usually be delivered to the client within 120 days from the date that the Financial Planning Agreement was signed by the client provided all information needed to prepare the financial plan/analysis/report has been provided to the IAR by the client.

Clients should be aware that there can be no assurance or guarantee that any of the goals and objectives outlined in the financial plan/analysis/report may be achieved.



## **Retirement Plan Advisory Services**

SRA provides investment advisory services to employer sponsored retirement plans, including but not limited to 401(k), 457(b), 403(b), and pension and profit sharing plans. Services include non-discretionary investment advice for an investment advisory fee where IARs may make recommendations to the plan administrator or sponsor and the plan administrator or sponsor retains full discretionary authority and control over its plan's assets. When acting on a non-discretionary basis, SRA and its IARs act as a fiduciary to the plan, as defined under Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974 ("ERISA"). The client retains discretion over any implementation decisions and may accept or reject any recommendation from SRA or its IAR. SRA may also serve as an investment manager authorized to act on a discretionary basis to an employer sponsored retirement plan, as defined in ERISA under Section 3(38). SRA and/or its IARs when acting as a plan fiduciary under Section 3(38) exercise discretionary authority or control over assets in the retirement plan. SRA and its IARs are granted full discretionary authority to select, monitor, remove and replace the investment options offered under the retirement plan subject to any limitations as described in the SRA Retirement Plan and Consulting Agreement. SRA also may provide other administrative services to the plan's administrator or sponsor, including providing services for which it does not act as a fiduciary to the retirement plan.

SRA and the retirement plan's plan administrator or sponsor enter into a Retirement Plan Advisory Services Agreement which describes the terms of the investment advisory services offered by SRA to the retirement plan. The Retirement Plan Advisory Services Agreement will include a menu of advisory services to be performed by SRA and its IAR, including:

### **1. Retirement plan advisory services may include, but are not limited to:**

- Non-discretionary Investment Advisory Services:
- Recommendations to establish or revise the retirement plan's Investment Policy Statement ("IPS")
- Recommendations to select and monitor investments
- Recommendations to select and monitor Qualified Default Investment Alternatives ("QDIA")
- Recommendations to allocate and rebalance model allocation portfolios ("Model Portfolios")
- Recommendations to select and monitor Investment Managers
- Recommendations and providing investment advice to individual plan participants

### **2. Discretionary Investment Management Services:**

- Selection and monitoring of the retirement plan's Designated Investment Alternatives ("DIAs")
- Creation and maintenance of model asset allocation portfolios
- Management of Qualified Default Investment Alternatives ("QDIAs")
- Managing the investment portfolios for individual participants

### **3. ERISA Non-Fiduciary Services:**

- Retirement plan governance and fiduciary education
- Assisting the plan administrator/sponsor with selecting and reviewing other service providers
- Employee investment education and communication
- Consulting services to assist with plan design (settlor) decisions

SRA may provide non-ERISA plan investment advisory advice to the plan's administrator or sponsor or the company retirement plan's Board of Directors. SRA may also provide the plan's administrator or sponsor or Board of Directors investment advisory services through a separate Retirement Plan Services Agreement on a fee for service basis.

In performing its investment advisory services, SRA is not required to verify or audit the information received from the plan's administrator or sponsor or from the plan's administrator's/sponsor's other designated professional(s). The client is under no obligation to engage the services of any professional recommended by SRA. It is the client's responsibility to promptly notify SRA if there is any change in the client's financial situation or investment objectives.

### **Fiduciary Investment Consulting to Participant Directed Retirement Plans – Managed Account Service**

For select clients, SRA provides investment advisory services to plan participants under the Managed Account Service Program. SRA may act as an ERISA 3(38) Investment Fiduciary to implement and monitor a participant's fund selection, asset allocation strategy, and rebalancing.

For clients in our Managed Accounts Service, specific participant services and their implementation are dependent upon the participant's current situation (years until retirement and risk tolerance levels) and is used to contract a participant-specific portfolio that matches restrictions, needs, and targets. For clients in our Pension Consulting, we offer general investment advice. For clients using our Discretionary Fiduciary Services, we usually allow clients to impose restrictions on investing in certain asset classes.

Under our Managed Account Service, we are responsible for managing retirement plan participant accounts until the individual elects to discontinue the Managed Account Service. Eligible participants are enrolled in the Managed Account Service in accordance with rules established by the retirement plan sponsor. Based on personal criteria and financial information provided by the plan sponsor or by each participant, we select investment allocations on a discretionary basis using the investment options that are available within the retirement plan, as defined by the retirement plan sponsor. Company stock, brokerage account holdings, and certain specific other investments may be excluded from our recommendations.

Excluded investments are taken into account when making allocation recommendations. Transaction instructions are then sent to the plan provider to implement our recommended retirement strategy in the participant's plan account. A participant can elect to discontinue participating in the Managed Account Service at any time.

**Employee and/or Plan Participant Communications**

For pension, retirement, profit sharing and 401(k) plan clients in self-directed plans, SRA will provide periodic educational investment meetings to the plan’s participants. Topics to be discussed will be determined in conjunction with the plan sponsor and in accordance with guidelines established in ERISA under Section 404(c). The meetings are intended to provide education to the plan’s participants about the plan and the investment options available to the participants but are not intended to and do not provide plan participants with individual investment advice or asset allocation investment recommendations.

**Business Continuity Plan**

SRA has established a Business Continuity Plan (“BCP”). The BCP describes how SRA would respond to significant business disruptions and provide clients with alternative contact information and access in the event of a significant business disruption. It is also available upon written request.

**Assets Under Management**

As of May 9, 2018, SRA had assets under management and assets under advisement as follows:

Discretionary Managed Assets .....	\$0
Non-Discretionary Managed Assets.....	\$0
Assets Under Advisement (not managed) .....	\$0

**ITEM 5. FEES AND COMPENSATION**

**Portfolio Management Fees**

**Description of Fees and Compensation**

In general, fees for SRA’s investment advisory services are based on a percentage of the client’s assets under management. Based on the agreed terms of the signed Agreement, investment advisory fees may be charged quarterly or monthly based on the following methods: 1) in advance based on the value of assets in the account at the end of the previous quarterly billing period, or 2) in arrears based on the balance at the end of the current billing period. Under no circumstances does SRA require or solicit payment of fees in excess of \$1,200 more than six months in advance of the services rendered. Certain clients may also have specific flat fee Agreements. Specific flat fee Agreements and calculation methods are outlined in the Investment Advisory Agreement the client signs with SRA.

**Financial Planning Fees**

The fees for financial planning services are negotiable and depend on the nature of the financial planning services provided, the time and the complexity of each client’s circumstances. All fees are

agreed upon prior to entering into the Financial Planning Services Agreement signed by the client. Fees for financial planning services may be charged in the following manner:

- **Hourly Fees** - IARs may charge an hourly fee for financial planning services. The amount of the hourly fee is set by each IAR and is described in the Financial Planning Services Agreement signed by the client.
- **Flat Fixed Fees** - IARs may charge a flat fixed fee for specific financial planning services. The total financial planning fee will be determined based upon the nature and complexity of the financial planning services provided to the client.

The hourly or flat fixed financial planning fees charged under the Financial Planning Services Agreement are separate from any commissions that may be charged by SRA and the IAR acting in his or her capacity as a Registered Representative of LPL Financial as a result of the client implementing any recommendations services provided. The IAR may collect a portion of the fee upfront with the remaining portion due upon the delivery of the financial plan to the client. However, financial planning fee payments will not exceed \$1,200 in advance for development of a financial plan that will not be completed within six months. At no time is the payment of the financial planning fee contingent upon whether the client chooses to implement the recommendations of the IAR or placing financial assets with the IAR for management.

Clients should understand that the flat fixed or hourly financial planning fees charged to the client may be higher than the financial planning fees charged by other investment advisers for similar services. Clients should consider the level and complexity of the planning services to be provided when negotiating the financial planning fee with their IAR.

The Financial Planning Services Agreement for financial planning services may be terminated at any time by providing written notice to the appropriate parties. Financial planning services will be terminated upon receipt of such notice without penalty. However, the client will be charged a pro-rata portion for financial planning services rendered up to the date of termination of the Agreement. After receiving notice of termination, SRA will promptly send the pro-rata refund of any financial planning fees paid in advance to the client.

## **Fees for Services**

Fees for services are negotiated prior to the signing of the Advisory and Consulting Agreement. The Advisory and Consulting Agreement language includes the negotiated fee, which may be charged as a percentage of the total retirement plan assets and/or as a flat annual fee. Fees may vary depending upon the advisory services agreed on and the individual retirement plan characteristics, but are generally calculated based on the fee ranges below:

## Financial Planning Fees

SERVICE	SERVICE YEAR	
Plan Type	Initial Fee	Ongoing Plan Update Fee
Modular Financial Planning	\$1,000 + additional planning topics (if applicable)	\$0
Comprehensive Financial Planning	\$2,500 + additional planning topics (if applicable)	\$2,500
Custom Financial Planning	\$5,000	\$5,000

FEES	Modular Planning	Comprehensive Planning	Custom Planning
Initial Fee	\$1,000 + additional topics	\$2,500	\$5,000
First Year Meetings	~1 Meeting	~2 Meetings	~4 Meetings
Ongoing Plan Update Fee - Annual	\$0	\$2,500	\$5,000
Ongoing Plan Update Meetings	~1 Meetings	~2 Meetings	~4 Meetings

## Asset Management Fees

PER ACCOUNT		INVESTMENT STRATEGY		
Minimum	Maximum	Digital Model	Strategic Model	Tactical Model
\$0	\$999,999	0.50%	1.00%	2.00%
\$1,000,000	\$2,999,999	0.50%	0.75%	1.75%
\$3,000,000	\$4,999,999	0.50%	0.50%	1.50%
>\$5,000,000		0.50%	0.25%	1.25%

## Financial Planning Services

It can be difficult to determine which financial planning services are right for you. Compare your options using the chart below and contact us if you have any questions. Modular Financial Planning is implemented on a transactional basis, so there are no required assets under management. Comprehensive Financial Planning requires a minimum \$200,000 of assets under management.

SERVICES	Modular Financial	Comprehensive Financial	Custom Financial
Financial Goals	✓	✓	Custom Financial Planning applies to clients who have more-complex financial situations than typical clients. These plans require much more time to complete and require more customization in areas such as bequests, charitable donations, concentrated stocks positions, etc.
Net Worth & Cash Flow	✓	✓	
Saving Strategies	✓	✓	
Education Funding	Available	✓	
Retirement Funding	Available	✓	
Cash Reserves	Available	✓	
Insurance Needs Analysis	Available	✓	
Current Portfolio Review	Available	✓	
Income Tax Planning	Available	✓	
Retirement Income Planning	-	✓	
Estate Planning	-	✓	
Budgeting	-	Available	

Fees charged for investment advisory services may be payable quarterly in advance or in arrears and are based on the market value of the client's retirement plan assets on the first or last business day of the calendar quarter. Fees may be direct billed to the client or to a third-party administrator ("TPA") or to a qualified custodian based on the client's instruction. Advisory fees charged for retirement plan clients engaging SRA in mid-quarter will be prorated and calculated on a per diem basis.

The Advisory and Consulting Agreement continues in effect until terminated by either party by thirty days written notice to the other party. If any advisory relationship terminates before the last day of a calendar quarter, advisory fees will be prorated accordingly and SRA will refund any unearned advisory fees due back to the Client.

Based on the specific Advisory and Consulting Agreement with the pension or retirement plan, SRA's fees for retirement plan investment advisory services may be charged as (1) an annual asset-based fee, (2) an annual flat fixed fee, or (3) a combination of both.

\*Subject to negotiation at the discretion of SRA

## **Fees in General**

The payment(s) that IAR may receive is/are in addition to the production bonuses, stock options and other economic benefits that IAR may be entitled to receive as a Registered Representative of a broker-dealer. The amount of any of these payments are significant in relation to the overall revenue earned or compensation received by the IAR at his/her prior firm. Such payments are generally based on the size of the representative's business established at his/her prior firm and/or assets expected to be under custody on a broker-dealer platform. As a result, IAR may have a financial incentive to recommend that clients establish an account with a broker-dealer. This financial incentive creates a potential conflict of interest in connection with IAR's recommendation of a broker-dealer.

Clients should be aware that other investment advisers may charge lower fees for similar investment advisory services. A client could also invest on his or own in a security or a portfolio of securities directly without being charged for investment advisory services. Clients should be aware that investment advisory program fees charged may be higher or lower than if the client elected to execute transactions on a commission basis for each transaction in a commission-based brokerage account. Investment advisory fees may be subject to negotiation depending upon a range of factors including, but not limited to account size and the type of investment advisory services provided. Clients should consider the value of these investment advisory services when making such comparisons. The combination of custodial, investment advisory and brokerage services provided may not be available separately or would require maintaining multiple accounts, documentation, and fees. Clients should also consider the amount of anticipated volume of trading activity when selecting among the investment advisory programs when assessing the overall cost. Investment advisory programs typically take into consideration certain volume of trading activity and therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash allocations may result in higher investment advisory fees being paid over time than if the client had been charged a commission separately for each transaction.

A portion of the investment advisory fees or commissions charged for the programs may be paid to SRA in connection with soliciting clients to third-party advisers under a Solicitor's Agreement. This compensation may be more or less than if the client paid separately for the third-party money managers investment advice, brokerage, and other services, and may vary depending on the investment advisory program or services offered by the third-party adviser.

## **Account Termination**

Termination and refund terms and conditions are outlined in each client's Investment Advisory Agreement with SRA. TPAMs and other program sponsor(s) selected by SRA for clients have their own policies for account terminations and refunds. SRA typically has no control over any contractual provisions imposed by third parties

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

SRA does not charge any investment advisory fees based on a share of capital gains or on capital appreciation of the assets of a client.

SRA does not participate in any investment advisory programs that charge performance-based fees, nor does SRA permit its IARs to enter performance-based fee arrangements with their clients.

Many IARs also make individual recommendations in commission-based brokerage accounts for their clients. The client's investment objectives and risk tolerance in a commission brokerage account may be different than those in the client's investment advisory asset management accounts. Additionally, clients in commission brokerage accounts may receive an execution price that may be higher or lower than the execution price in an investment advisory account.

## **ITEM 7. TYPES OF CLIENTS**

SRA provides investment advisory services to the following types of clients:

- Individuals, including high net worth individuals
- Pension and Profit Sharing Plans
- Charitable Organizations
- Corporations, Partnerships and other businesses not listed above

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

IARs use a variety of methods to analyze a client's situation as well as economic factors to develop investment advice and recommendations. IARs may use one or more of the following methods of analysis to formulate investment advice or manage the client's account:

- **Charting**: In this type of technical analysis, the IAR reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.
- **Fundamental Analysis**: IARs evaluate economic and financial factors to determine if a security may be underpriced, overpriced or fairly priced. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- **Technical Analysis**: IARs analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in against the overall market in an attempt to predict the price movement of the security.



- **Quantitative Analysis:** IARs use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of some share price or earnings per share and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.
- **Qualitative Analysis:** IARs subjectively evaluate non-quantifiable factors and attempt to potentially predict changes to share price based on that data.
- **Asset Allocation:** IARs attempt to identify an appropriate ratio of asset classes that are consistent with the client's investment objectives and risk tolerance.
- **Mutual Fund and/or ETF Analysis:** IARs evaluate a variety of factors in an attempt to potentially predict the future performance of the mutual fund or ETF. The IAR may consider the experience, expertise, investment philosophy, strategy and past performance to determine if a manager has demonstrated the ability to invest over a period of time and in different market conditions. The IAR may monitor the manager's underlying holdings, strategies and concentrations. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.
- **Third-Party Money Manager Analysis:** SRA examines the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. SRA may monitor the manager's underlying holdings, strategies, concentrations and the due-diligence process and survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as SRA does not control the manager's daily business and compliance operations, SRA may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Recommendations will be based on the information provided by the client, the IAR's discussions with the client, the IAR's analysis of the client's financial situation, investment objectives and risk tolerance and general economic or tax considerations. If the client's personal, financial situation, investment objectives or risk tolerance change, they are advised to promptly notify their IAR. Clients should discuss with their IAR the methods of analysis and strategies used by the IAR.

## Risks of Various Methods of Analysis

There are risks inherent in each type of analysis described above. For example, a risk of any method of analysis that considers the past performance of investments for future performance is that past performance does not guarantee future results. Some methods of analysis, such as fundamental analysis, focus on identifying the value of the company without considering external factors, such as market movements. Failure to consider external factors presents a potential risk, as the price of a security may be impacted by the overall market, regardless of the economic and financial factors considered in evaluating the specific risk. Other methods of analysis, such as technical analysis, evaluate external factors but do not consider the underlying financial condition of the company. Failure to consider a company's underlying value presents a risk that a poorly managed or financially unsound company may under-perform regardless of positive market movements.

A risk of investing with a third-party money manager who has been successful in the past is that the manager may not be able to replicate that success in the future. Therefore, any method of analysis is not proven to work in all market conditions. All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy will meet its objective(s). Investing in the financial markets always involves the possible risk of loss of principal.

Described below are some particular risks and features associated with investing in general, as well as with some types of investments that may be purchased by a plan.

- **Market Risk:** This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- **Interest Rate Risk:** This is the risk that fixed-income securities will decline in value because of an increase in interest rates; a bond or fixed-income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- **Credit Risk:** This is the risk that an investor could lose money if the issuer or guarantor of a fixed-income security is unable or unwilling to meet its financial obligations.
- **Group Annuities:** If a client purchases a group annuity contract for a Plan, the client should read and understand the group annuity contract and all other offering material prepared by the issuing insurance company prior to making an investment decision. In considering whether to purchase a particular group annuity for the Plan, the client should be aware that:
  - A group annuity is a contract between the plan sponsor or the plan trustee and the issuing insurance company that covers the participants in the plan.
  - A group annuity variable annuity consists of separate accounts that typically invest in underlying investment portfolios, the value of which fluctuate with the market value of the securities in the portfolio.
  - Although a group annuity is issued by an insurance company, the annuity's investment returns are not "insured" or guaranteed and risk of loss of principal does exist; however, the product may offer participants an option to purchase an annuity with a guaranteed component instead of a cash payout. Any such guarantee for an individual annuity is subject to the claims-paying availability of the insurance company.

- A group annuity held in a tax-qualified retirement plan does not provide any additional tax deferred treatment of earnings for the plan or participants beyond the treatment provided by the plan itself.
- A group annuity contract generally is not a registered security and separate account is generally not a registered separate account. Therefore, the contract and separate account are not subject to registration or regulation by the SEC under the Securities Act of 1933, the Securities Exchange Act of 1934 or the Investment Company Act of 1940.
- Unlike mutual funds and registered variable annuities, which are SEC-registered products, a group annuity generally is not required to prepare or deliver a prospectus.
- A group annuity contract typically involves various fees and expenses, including administrative fees for certain services of the insurance company, such as recordkeeping, customer services and enrollment. These fees and expenses are in addition to the fees and expenses of the underlying investment options, which a participant will indirectly bear by investing in those investment options through the group annuity.
- Investment Company Risk: Investments in investment companies are subject to the risks of the investment companies' investments, as well as to the investment companies' expenses.
- Stable Value Funds: If you are considering a stable value product to make available as an investment option for a Plan, you should review the contract for the product and understand and consider the following:
  - A stable value fund is a fixed-income investment fund with a "wrap" contract issued by a bank or insurance company. These wrap contracts seek to allow participants to transact at their book value (which, generally speaking, is their invested balance plus any accrued interest).
  - The objective of stable value funds, in general, is to preserve capital while providing a relatively stable rate of return that seeks to exceed returns provided by money market funds. Although designed as a low-risk investment, participants can lose money by investing in a stable value fund.
  - Stable value funds can be viewed as an alternative to money market funds; however, there are important differences, and stable value products can be complicated. Unlike money-market funds, stable value funds are typically not registered with the SEC. In addition, they are not guaranteed by the U.S. government, LPL, SRA, or the Plan. The structure of, or investments within, stable value funds may vary, and it is important to consider these differences when selecting a stable value fund.
  - Although a contract may provide for book value (even if fair market value is less) for participant-initiated events, the contract typically will not provide for book value for certain employer-initiated events (e.g., plan terminations, layoffs, sale of a division, employer bankruptcies, or change in recordkeepers). In the case of employer-initiated events, the contract typically will provide for a fair market value adjustment, which will not allow the Plan or participants to immediately receive book value if fair market value is less. It is important that plan sponsors understand these terms of the contract, in particular, as it will be a consideration in a future decision as to whether to terminate the stable value product provider.
  - As the stable value product wrap provider guarantees the receipt of book value to participants, it is important to consider the financial stability of the provider. It is also important to understand the underlying assets of the stable value product, as the type and

quality of the assets will bear on the risk vs. reward characteristics that result in a variance between book value and fair market value.

- There are fees and costs associated with stable value products.

## **ITEM 9. DISCIPLINARY INFORMATION**

SRA is required to disclose any disciplinary actions against the firm. Any information for disciplinary actions can also be found on SRA's Form ADV Part 1 on the SEC's website at [www.sec.gov](http://www.sec.gov).

SRA discloses the following disciplinary information: NONE

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Affiliations**

Some of SRA's Investment Adviser Representatives ("IARs") may also solicit, recommend, offer and sell securities through an unaffiliated broker-dealer. Some IARs may also continue to be affiliated as IARs with Independent Financial Partners (IFP) and some may continue to be IARs with IFP and LPL Financial. Some IARs may also be licensed as independent insurance agents and hold insurance licenses in the states where they solicit, offer and sell insurance products and are appointed with and represent various insurance companies. As such, IARs are able to receive separate, yet customary commission compensation resulting from the purchase and sales of securities and insurance product transactions on behalf of their investment advisory clients. Clients are not under any obligation to purchase or sell securities or insurance products through the IAR when considering whether to implement any investment advisory recommendations made by the IAR. The decision to implement any or all recommendations is solely based on the discretion of the client.

### **Outside Business Activities**

Some IARs may engage in Outside Business Activities (OBA) that are fully disclosed on the ADV Part 2B Brochure Supplement document. Client should read this document and inquire with SRA if they have any questions.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

## **Code of Ethics**

SRA has adopted a Code of Ethics that includes a Personal Trading Policy that applies to all of our employees and IARs. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. Upon employment or affiliation and at least annually thereafter, all supervised persons will acknowledge that they have read, understand and agree to comply with SRA's Code of Ethics.

In compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA"), SRA has established and will maintain and enforce written policies reasonably designed to prevent the misuse of material, nonpublic information by SRA or any person associated with SRA. In consideration of and in compliance with ITSFEA, SRA forbids any officer or employee, either personally or on behalf of others, to trade on material, nonpublic information or to communicate such information to others in violation of the law.

An investment adviser is considered a fiduciary as defined under the Investment Advisers Act of 1940. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. SRA, its employees, and its IARs have a fiduciary duty to all advisory clients. To assist our employees and IARs in meeting these obligations, SRA has adopted standards of business conduct that are outlined in our Code of Ethics. SRA requires all of its supervised persons to conduct business with integrity and to comply with all federal and state securities laws at all times.

## **Participation or Interest in Client Transactions**

There may be instances where an IAR will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which SRA, its affiliates, the IAR and/or other clients may also have a position or interest.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis. Generally, in such circumstances the affiliated and client accounts will share execution costs equally and receive a total average price. SRA will retain records of the trade order specifying each participating account and its allocation. Completed trade orders will be allocated according to the instructions from the initial trade order. Partially filled trade orders will be allocated on a pro-rata basis. Any exceptions will be explained on the trade order. Additional information on SRA's trade aggregation policies can be found in Item 12.

## **Personal Trading**

Subject to SRA's Code of Ethics and applicable securities laws, the employees and IARs of SRA and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased by SRA's clients. The Code of Ethics is designed to assure that the personal securities

transactions of the employees and IAR advisory clients and (2) when implementing such decisions allowing employees to invest for their own accounts.

SRA and its IARs may or may not maintain investment positions in their personal portfolios that are recommended to clients. In fact, SRA and its IARs may take positions or execute transactions for their personal accounts which are materially different than the positions or transactions recommended for their clients. Employees and IARs are expected to purchase or sell a security for their personal accounts only after trading of that same security has been executed in customer accounts.

Because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity in clients' accounts with a security also held by an employee. Therefore, a potential conflict of interest exists when SRA and its IARs purchase and sell the same securities owned by our clients. Trading activity of IARs and employees is reviewed and monitored under the Code of Ethics to help reasonably prevent this conflict of interest in trading between SRA and its clients.

SRA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm at the address noted on the cover of this brochure.

## **ITEM 12. BROKERAGE PRACTICES**

### **Research and Other Benefits**

The custodians used by SRA may make available other products and services that benefit SRA but may not directly benefit the client or their accounts. These products and services may assist SRA and the IAR in managing and administering the clients' accounts. These include investment research, access to client account data (such as duplicate trade confirmations and account statements), facilitation of trade execution, allocation of aggregated trade orders for multiple client accounts, pricing and other market data, facilitation of payment of our fees from clients' accounts, assistance with back-office functions, recordkeeping, and client reporting. Some services help SRA manage and further develop its business operations. These services include publications, educational conferences and events, and consulting on technology, compliance, legal, and other business needs. As of the date of this Brochure document SRA does not receive any of these types of benefits.

### **Selection of Brokers/ Dealers and/or Custodians**

The Custodians will hold customer assets and buy and sell securities based on the investment discretion of the IAR or, if the client does not authorize the IAR discretion, based on the instructions for each transaction by the client. Clients will enter into a separate account agreement directly with the Custodian. If the Client chooses to use a third-party money manager ("TPAM"), the TPAM may have arrangements with or only use certain custodians. The client agreement for the chosen TPAM will disclose its custodial arrangements.

SRA allows its IARs to manage accounts through a number of different Custodians. Every Custodian approved by SRA has an affiliated broker/dealer that is registered with the SEC and is a member of FINRA and SIPC. Clients are free to select and implement investment recommendations with any of these approved custodians. When clients decide to implement the investment recommendations from their IAR, the client will be required to establish an investment advisory account through one of these Custodians.

As previously stated, SRA IARs may also be RRs of a broker-dealer. These dually registered SRA IARs are restricted from maintaining client accounts at or executing client transactions in their clients' accounts through any broker/dealer or custodian that is not approved by SRA. It should be noted that not all RIAs require their clients to use specific broker-dealers and/or other custodians required by the RIA. The fees charged by other broker-dealers may be higher or lower than those charged by the broker/dealers and/or custodians used by SRA.

Clients may pay a ticket charge for each transaction executed through a broker-dealer or the Custodian. SRA may retain a portion of this ticket charge. This compensation received by SRA is not shared with the IAR providing investment advisory services to clients. The receipt of a portion of the ticket charge represents a potential conflict of interest.

While a broker-dealer does not participate in, or influence the formulation of, the investment advice of SRA IARs, SRA IARs are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through any broker-dealer or custodian that is not approved. As a result, the use of other trading platforms must be approved not only by SRA, but also by the broker-dealer. Clients should also be aware that for accounts where the same broker-dealer serves as the custodian, the IAR is limited to offering services and investment options that are approved by that broker-dealer and may be prohibited from offering services and investment options that may be available through other broker-dealers and custodians, some of which may be more suitable for a client's portfolio than the services and investment options offered through the broker-dealer.

Clients should understand that not all investment advisers require, request or recommend that clients custody their accounts and trade through specific broker-dealers.

Clients should also understand that the broker-dealer is responsible under FINRA rules for supervising certain business activities of IARs that are conducted through broker-dealers and custodians. A broker-dealer may charge a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a potential conflict of interest because IARs may have a financial incentive to recommend that the client maintain their account with a specific broker-dealer, rather than with another broker-dealer or custodian, to avoid incurring the oversight fee.

### **Brokerage and Custody Costs**

SRA's approved custodians generally do not have a separate charge for custodial services, but the custodians are compensated by charging commissions or other fees on transactions executed in a

client's account. These fees are in addition to the commissions or other compensation a client may pay the executing broker/dealer.

IARs do not negotiate commission rates with a broker-dealer or the custodians. Clients will pay the usual and customary brokerage commission rates charged by the affiliated broker/dealer executing the transactions. Insurance product transactions may be executed through insurance companies or insurance agencies that are not affiliated with SRA. The commission amount or percentages are set by the insurance companies or agencies and not by SRA. SRA and the IAR do not represent that the commissions or other amounts charged by a broker-dealer or any other custodian or any insurance company or agency are the same as or lower than commissions charged by other broker/dealers or insurance companies or agencies. The commissions or other amounts charged by broker-dealer, the custodians, insurance companies or agencies may be higher than those available from other firms. The client may choose to implement securities or insurance product transactions through other firms, insurance companies or agents.

### **Trade Aggregation**

Transactions implemented for client accounts are generally executed separately, unless an IAR decides to purchase or sell the same securities for several clients at the same time. This process is referred to as aggregating orders, batch trading, or block trading. When aggregating client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done to achieve better execution or to avoid differences in various transaction costs than might be obtained when orders are placed separately. Under this procedure, transactions will be averaged as to price and will be allocated among the IAR's clients in proportion to the purchase and sale orders placed for each client account on any given day.

SRA does not permit its IARs to receive any additional compensation or remuneration as a result of aggregation. See the Participation in Client Transactions section of Item 11 for a description of SRA's policies regarding trade aggregation with affiliated accounts.

### **Best Execution**

SRA owes a fiduciary duty to its clients to obtain best execution of their transactions. That duty states that an Investment Adviser generally must execute securities transactions in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. However, clients should understand that best execution does not necessarily mean receiving the lowest available price. Trades are periodically reviewed to evaluate the execution services provided by LPL Financial, other unaffiliated broker/dealers and custodians used by SRA.

When an account is being managed by a TPAM, SRA is not able to change the costs of execution charged by the custodian that holds the account or the quality of the execution services provided by the clearing firm used by the TPAM. Clients should address concerns or questions regarding the costs or quality of execution services to the clearing firm which holds the account, or the TPAM who manages the account. Clients should consider that, when an account is being managed by a TPAM or a broker-



dealer, that clients may pay higher commissions or trade execution charges through them than through other broker/dealers and/or custodians.

## **Trade Errors**

On occasion, an error may be made in a client's account. For example, a security may be erroneously purchased in a client's account instead of being sold. In these occasions, SRA generally seeks to correct the error by placing the client's account as it would have been had there been no error.

Depending on the circumstances, corrective steps may be taken, including but not limited to, cancelling the trade, adjusting an allocation, and/or crediting the client's account. In the event a trading error results in an erroneous profit, the erroneous profit is not allocated to the client, but retained by the broker-dealer.

## **Agency Cross & Principal Transactions**

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the investment advisory customer and for another person on the other side of the transaction (SEC Rule 206(3)-2). Agency cross transactions typically may arise where an investment adviser is dually registered as a broker/dealer or has an affiliated broker/dealer. SRA is not a broker/dealer and therefore it does not execute agency cross transactions with investment advisory customers.

A principal transaction is defined as a transaction where an adviser, acting as principal for its own account or the account of an affiliated broker/dealer buys or sells any security to any investment advisory customer. SRA is not a broker/dealer and therefore it does not execute riskless principal transactions with investment advisory customers.

SRA's policy prohibits any allocation of trades in a manner such that any particular customers or group of customers receive more favorable treatment than other customer accounts.

## **Unaffiliated Third-Party Custodians**

SRA may currently require that clients establish investment advisory accounts with unaffiliated third-party custodians and/or broker-dealers ("Custodians"), to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with any Custodian is at the discretion of the client, including those accounts covered under ERISA or Internal Revenue Service ("IRS") rules governing Individual Retirement Accounts ("IRAs"). Custodians provide SRA with access to their institutional trading and custody services, which are typically not available to retail commission brokerage clients.

Custodians SRA has agreements with offer brokerage services, execution, custody, research, analyses and reports, and access to mutual funds and other investments that otherwise generally available would only be made available to institutional investors.

For SRA client accounts, the Custodians generally do not charge separately for their custody services, but they are compensated by account owners through commissions and/or or other transaction-related or asset- based fees for securities trades that are executed through the Custodian.

Custodians may also make available to SRA other products and services that benefit SRA but may not benefit the client. These benefits may include national, regional or SRA-specific educational events organized and/or sponsored by the Custodians. Other potential benefits may include occasional business entertainment of personnel of SRA by the Custodians, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities.

Additional products and services offered through Custodians assist SRA in managing and administering its clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of SRA's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of SRA's accounts, including accounts not maintained at Custodians. Custodians also make available to SRA other services intended to help SRA manage and further develop its business. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, insurance, and marketing. In addition, Custodians may make available, arrange and/or pay vendors for these types of services rendered to SRA by independent third parties.

Custodians may also discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to SRA. As a fiduciary, SRA endeavors to act in its clients' best interests. SRA's recommendation or requirement that clients maintain their assets in accounts at Custodians may be based in part on the benefit to SRA of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by the Custodians. Offering these additional services through Custodians creates a potential conflict of interest to SRA's clients.

## **ITEM 13. REVIEW OF ACCOUNTS**

Model portfolios created and used by IARs are reviewed and monitored by the SRA Investment Committee. The Equity Ownership Group of SRA have the authority and ability to form the Committee, appoint a Committee Chair, and appoint members to the Committee. The Investment Committee is currently comprised of the following individuals: Jim O'Shaughnessy, Daniel Bryant, Chris Karam, Justin Fisk, and Paul Kubasiak. Committee membership is subject to change.

IARs will provide ongoing investment advice and continuously monitor their clients' portfolios. IARs are required to have a contact meeting with the client no less than annually, which is generally conducted in person, but can be by telephone. At the annual client contact meeting, the IAR will review the performance of the client's accounts and verify that the client's portfolio is still consistent with the client's stated investment objectives, asset allocation, and risk tolerance.

Account statements are provided no less than quarterly by the client's selected custodian. Account statements show account positions, balances, and transaction details. At the client's request the IAR may also provide a periodic consolidated report of the client's portfolio and performance. The consolidated report is used to show the client's portfolio and performance as of a specific date. The consolidated report is not and does not replace the client's account statements from the custodians. The client should always refer to his or her account statement from the custodian.

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **Client Referrals**

SRA has entered into a number of solicitor arrangements with unaffiliated solicitors and we pay those solicitors a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisors Act of 1940, and any corresponding state securities law requirements. Any such referral fee will be paid solely from our investment management fee and will not result in any additional charge to the client. If the client is introduced to SRA by a solicitor, the solicitor, at the time of the solicitation, will disclose the nature of his/her/its solicitor relationship and provide each prospective client with a copy of SRA's Form ADV Part 2 Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation agreement between SRA and the solicitor, including the compensation to be received by the solicitor from SRA. All referred clients will be reviewed to ensure that SRA's fees, service, and investment strategies are suitable to their specific investment objectives, needs and risk tolerance.

SRA and its IARs may offer investment advisory services on the premises of unaffiliated financial institutions, such as banks or credit unions. SRA has entered into agreements with the financial institutions and SRA may share compensation, including a portion of the investment advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals.

### **Other Compensation**

IARs may solicit, offer and sell securities and/or insurance products to any client for commissions in their separate capacities as Registered Representatives of a broker-dealer or acting as independent insurance agents. This could represent a potential conflict of interest since SRA and the IAR could receive fees and/or commissions if the client chooses to implement the recommendations of the IAR in his or her separate capacity as a Registered Representative of a broker-dealer and/or as an independent insurance agent. Clients are under no obligation to implement any recommendation through SRA or the IAR and are free to choose any broker/dealer or insurance company they wish to implement the recommendations.

Certain third-party investment advisers, product sponsors or brokerage and/or Custodians may provide SRA or the IAR with economic benefits as a result of the client's purchase of investments or insurance products, including sponsorship of meetings, marketing support, an occasional dinner or ticket to a sporting event, incentive awards, and payment of travel expenses. These arrangements may represent a conflict of interest since they may affect the independent judgment of SRA or the IAR in the recommendation of one third-party investment adviser, product sponsor or Custodian over another. However, SRA and the IAR are obligated to act in the best interest of the client when recommending any third-party investment adviser or service.

SRA and its IARs act as solicitors for various third-party investment advisers who compensate SRA and the IAR for soliciting a prospective client to the third-party investment adviser. Each solicitation arrangement is documented, and a solicitor's disclosure statement is provided to the client. When acting as a solicitor, SRA will be paid a portion of the advisory fee the client pays to the unaffiliated registered investment adviser. The total investment advisory program fee the client pays to some program sponsor(s) may be higher. Although SRA acts as a solicitor in certain of these third-party arrangements, SRA continues to monitor the performance of the TPAM and may recommend changes to the client regarding ongoing use of the TPAM and maintains its fiduciary responsibility as an investment advisor, as discussed below.

SRA addresses these conflicts of interest in the following ways:

- SRA clearly discloses the existence of solicitation arrangements to existing and prospective clients in SRA's disclosure documents, so that the client can assess the potential conflicts of interest;
- SRA provides written disclosures to prospective clients prior to the execution of an advisory agreement with the third-party manager, including:
  - The name of the third-party investment manager;
  - The nature of the relationship, including any affiliation, between SRA and the third-party manager;
  - A statement that SRA will be compensated for our solicitation services by the investment adviser; and
  - The terms of such compensation arrangement, including a description of the compensation paid or to be paid to SRA.

SRA periodically reviews and monitors the overall performance and reputation of third-party managers to ensure that continued recommendation of the third-party investment adviser remains in the best interest of SRA's clients. SRA may also pay referral fees to other firms and individuals that refer investment advisory clients to SRA. If a client is referred to SRA by a solicitor, SRA pays that solicitor an initial and/or an ongoing solicitor's referral fee, which usually is based on a percentage of the referred client's assets under management by SRA.

Payment of fees for the referral of prospective clients creates a potential conflict of interest to the extent that such a referral benefits SRA and/or its IAR.

## **ITEM 15. CUSTODY**

Custody is broadly defined as any authority given by the client that permits SRA to deduct client funds or securities from clients' accounts. All client funds and securities are maintained at qualified Custodians and SRA never has actual custody of clients' assets. Under a no action release granted by the SEC under the Investment Advisers Act of 1940 rules, SRA is not deemed to have custody of a client's assets if the client authorizes SRA to instruct the Custodian to deduct SRA's advisory fees directly from the client's account and the Custodian maintains actual custody of the client's assets. Clients should carefully review their account statements from the Custodian for accuracy of the amount of SRA advisory fees being deducted from their accounts. Further to the SEC NO-Action letter that permits SRA's custodian to fulfill six (6) of seven(7) elements of "cashiering functions" and SRA's provision of one (1) element of this function which includes the determination of no economic benefit resulting from this service.

## **ITEM 16. INVESTMENT DISCRETION**

SRA and its IARs may execute securities transactions on a discretionary basis. Prior to exercising and executing any discretionary authority or transaction, SRA and the IAR are required to receive written consent from the client to execute transactions on discretion. The Client agrees and authorizes discretion as part of the Investment Advisory Agreement signed by the Client. If the Client does not authorize written discretionary authority, no transactions will be executed in a client's account without the Client's consent.

SRA may establish relationships with various third-party asset managers ("TPAMs"). As a part of the TPAMs' agreement, the TPAMs may require that they have investment discretion over the Client's account. The terms of the advisory relationship between the Client and the TPAM will be described in the TPAM's disclosure document and its separate investment advisory agreement signed by the Client. The TPAM will not have the authority to withdraw funds from the account except to deduct the agreed upon investment advisory fees for managing the Client's account.

## **ITEM 17. VOTING CLIENT SECURITIES**

SRA does not vote proxies on behalf of its clients. It is the responsibility of the client to vote all proxies for securities held in their investment advisory management account(s). Clients will receive their proxies directly from the custodians or transfer agents and clients retain sole responsibility and authority for voting. All proxy materials received by SRA on behalf of a client will be sent directly to the client or a representative that has been previously designated by the client to be responsible for voting proxies. Third-party investment advisers may have their own policies regarding proxy voting. Clients are advised to review the policies of their third- party adviser to determine their proxy voting policy.

## **ITEM 18. FINANCIAL INFORMATION**

This item is not applicable to SRA's Disclosure Brochure. SRA does not require or solicit prepayment of more than \$1,200 in investment advisory fees per client, six months or more in advance, with the remainder upon delivery of the plan. Therefore, SRA is not required to include a balance sheet for its most recent fiscal year. SRA is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to our clients, nor has SRA been the subject of a bankruptcy petition at any time.