



Form ADV Disclosure Brochure

December 9, 2020

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This Brochure provides information about the qualifications and business practices of The Herbst Group (or “the Firm”). If you have any questions about the contents of this brochure, please contact us at the telephone number listed above. For compliance specific requests, please call 212-500-2097. 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. The Firm has filed to become an SEC registered investment adviser. Registration does not imply any level of skill or training.

ITEM 2 - MATERIAL CHANGES

In this Item, The Herbst Group, LLC (hereby known as “The Herbst Group” “we”, “us” or the “Firm”) is required to discuss any material changes that have been made to the Brochure since the last annual amendment.

Our Brochure provides information about the qualifications and business practices of The Herbst Group. Except for the item listed below, the business practices of the Firm are substantially the same as represented in this Firm’s previous updated Brochures. The only material change is as follows:

- The Firm has appointed Donald Capelin as Chief Compliance Officer.
- The Advisor no longer maintains a relationship with Tru Independence, LLC.

We will ensure that all current clients receive a Summary of Material Changes and updated Brochure within 120 days of the close of our business’ fiscal year. A Summary of Material Changes is also included with our Brochure on the SEC’s website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for The Herbst Group is #309319. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Donald Capelin, Chief Compliance Officer at (212) 500-2097 or dcapelin@herbstgroup.com.

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ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

The Herbst Group, LLC ("The Herbst Group", "we", "our," or "us") is a privately owned limited liability company headquartered in Westport, Connecticut.

The Herbst Group has filed for registration as an investment adviser with the U.S. Securities and Exchange Commission. The Firm was formed in 2020 and is owned by Brian G. Herbst, Michael A. Peroni, and Don G. Capelin.

As of September 29, 2020, The Herbst Group managed approximately \$115,390,987 in assets on a discretionary basis for approximately 158 accounts. Approximately \$115,866,471 in assets are managed in a Wrap Fee program.

While this brochure generally describes the business of the Firm, 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 the Firm's behalf and is subject to the Firm's supervision or control.

Advisory Services Offered

The Firm offers discretionary investment management and investment advisory services. Prior to the Firm rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with the Firm setting forth the relevant terms and conditions of the advisory relationship (the "Advisory Agreement").

Investment Management Services

The Herbst Group offers continuous and regular investment supervisory services on a discretionary basis. We work with clients and have the ongoing responsibility to select and/or make recommendations based upon the objectives of the client, as to specific securities or other investments that he/she recommends or purchases/sells in clients' accounts. We utilize a variety of investment types when making investment recommendations/purchases in client accounts that include, but are not limited to: equity securities, fixed income securities, alternatives and mutual funds. The investments recommended/purchased are based off of the clients' individual needs, goals and objectives. The Firm offers investment advice on any investment held by the client at the start of the advisory relationship. We describe the material investment risks under *Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss*. Financial Planning may be provided to clients as a part of the Investment Management Services. When being provided as a separate service it is described in this section under *Financial Consulting Services* below.

We discuss our discretionary authority below under *Item 16 – Investment Discretion*. For more information about the restrictions clients can put on their accounts, see *Tailored Services and Client Imposed Restrictions* in this item below. We describe the fees charged for investment management services below under *Item 5 – Fees and Compensation*.

ITEM 5 - FEES AND COMPENSATION

Fee Schedule & Billing Method

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

Investment Management Services

The annual management fee for our Investment Management Services is based on the total dollar asset value of the assets maintained in your account. The fee assessed and/or charged is based on what is stipulated in the Investment Advisory Agreement signed by each client. This may include a minimum quarterly fee. The Firm offers services on a fee basis, which may include fixed fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, may offer securities brokerage services under a separate commission-based arrangement.

Our annual fee ranges up to 2% annually, and is assessed and/or charged quarterly or monthly in arrears, based on prior period-end value. Inflows and outflows of cash are considered on a prorated basis in this calculation. Margin debits in accounts will decrease the fee calculated. Fees can be structured in one of the following ways: a fixed flat percentage fee on total assets in the account, a tiered fee schedule whereby the fee is calculated by applying different rates to different levels of assets or a linear fee schedule where a breakpoint percentage fee is assessed to total assets in the account.

We discuss our discretionary authority below under *Item 16 – Investment Discretion*.

Other Fees and Expenses

In addition to the advisory fees paid to The Herbst Group, clients may incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, platform service providers, banks and other financial institutions (collectively "Financial Institutions"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, reporting charges, 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

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

to the Firm.

Account Additions and Withdrawals

As stated above, clients may make additions to and withdrawals from their account at any time, subject to The Herbst 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 the Firm, 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. The Firm may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

Commissions and Sales Charges for Recommendations of Securities

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

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

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

Termination

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing The Herbst Group at our office.

The Firm will refund any prepaid, unearned advisory fees.

Terminations will not affect liabilities or obligations from transactions initiated in client accounts prior to

termination. In the event the client terminates the investment advisory agreement. The Firm will not liquidate any securities in the account unless instructed by the client to do so. In the event of client's death or disability, the Firm will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Herbst Group does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

ITEM 7 - TYPES OF CLIENTS

The Herbst Group provides asset management, financial consulting, ERISA plan advisory & consulting, investment advisory consultation, and selection of third party money managers. Our services are provided on a discretionary and non-discretionary basis to a variety of clients, such as institutional investors, individuals, high net worth individuals, trusts and estates, qualified purchasers and individual participants of retirement plans. In addition, we may also provide advisory services to entities such as pension and profit sharing plans, businesses, and other investment advisers.

Account Requirements

The Herbst Group does not have a specific account minimum.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

We will typically use fundamental, cyclical, charting, and/or technical analysis in the selection of individual securities. The Herbst Group selects categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. We seek to select individual securities with characteristics that are most consistent with the client's objectives. Since the Firm treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different securities. Tax factors will not influence the Firm's investment decisions.

General Investment Strategies

The Herbst Group generally uses diversification in an effort to minimize risk and optimize the potential return of a portfolio. More specifically, we utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification. Each portfolio composition is determined in accordance with the clients' investment objectives, risk tolerance, and time horizon. We utilize both passive and active investment management strategies in an effort to optimize portfolios.

Our general investment strategy is to seek real capital growth proportionate with the level of risk the

client is willing to take. We develop a Client Profile to help identify the client's investment objectives, time horizon, risk tolerance, tax considerations, target asset allocation, and any special considerations and/or restrictions the client chooses to place on the management of the account. The Firm will then recommend investments that we feel are consistent with the Client Profile.

After defining client needs, The Herbst Group develops and implements plans for the client's account. Then, we monitor the results and make adjustments as needed. As the initial assumptions change, the plans themselves may need to be adapted. Continuous portfolio management is important in an effort to keep the client's portfolio consistent with the client's objectives.

Methods of Analysis for Selecting Securities

The Herbst Group IARs may use, among others, technical, fundamental, and/or charting analysis in the selection of individual equity securities. Additionally, our IARs may use specific strategies or resources in the method of analysis and selection of mutual funds.

Technical Analysis

The effectiveness of technical analysis depends upon the accurate forecasting of major price moves or trends in the securities traded by the IAR. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernable trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.

The calculations that underline our system, methods, and strategies involve many variables, including determinants from information generated by computers and/or charts. The use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing trade information.

Accordingly, no assurance is given that the decisions based on computer-generated information will produce profits for a client's account.

Relative Strength Analysis

Relative strength measures one stock versus another or a group of stocks versus an index, such as the S&P 500. Through relative strength analysis, we can rank areas of the market that are outperforming or underperforming the broad market, whether the Russell 3000 or S&P 500. For our purposes, we use the S&P 500. We then add the highest relative strength sectors and macro areas (i.e. small cap vs. large cap) to our investment model, using primarily ETFs. The general premise is that those areas of the market with highest relative strength outperform over the long term. Additionally, as a risk override, we run moving

average analysis to identify when markets are most vulnerable, and from time to time lighten market exposure.

Fundamental Analysis

Fundamental analysis assesses the financial health and management effectiveness of a business by analyzing a company's financial reports, key financial ratios, industry developments, economic data, competitive landscape, and management. The objective of fundamental analysis is to use historical and current financial data to assess the stock valuation of a company, evaluate company profitability, credit risk, and forecast future performance of the company and its share price. Fundamental analysis assumptions and calculations are based on historical data and forecasts; therefore the quality of information and assumptions used are critical. Differences can exist between market fundamentals and how you analyze them.

Charting Analysis

Charting analysis involves the use of patterns in performance charts. Our IARs use this charting technique to search for patterns in an effort to predict favorable conditions for buying and/or selling a security.

Mutual Funds

In analyzing mutual funds, our IARs use various sources of information, including data provided by Morningstar. We review key characteristics such as historical performance, consistency of returns, risk level, and size of fund. Expense ratio and other costs are also significant factors in fund selection. We also subscribe to/access additional information from other sources that inform our general macro-economic view.

Options

IARs may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. The two types of options are calls and puts. A call gives the holder the right to buy an asset at a certain price within a specific period of time. A call may be purchased if the expectation is that the stock will increase substantially in value before the option expires. It may also be sold as a hedge to protect gains or principal of an existing holding (covered calls). A put gives the holder the right to sell an asset at a certain price within a specific period of time. A put may be purchased if the expectation is that the stock will decrease substantially in value before the option expires. They are typically purchased as a hedge to protect gains or principal of a portfolio. There are various options strategies that our IARs may deploy in a strategy, as appropriate for a client's needs. These include, but may not be limited to: covered options (selling a call or put for a premium payment while retaining the cash or securities required to facilitate the underlying purchase or sale of securities if an option is exercised) or spreads/straddles (buying or selling call or put options on the same or opposite side of the market to benefit from the bid/ask "spread" or to straddle the market based on value or time variances).

Alternative Investments

IARs may use Alternative Investments as a way to diversify a portfolio. Alternative Investments are considered to be “non-correlated” assets, meaning that they do not tend to run up or down (track) with the market like standard securities typically do. The main goal of alternatives is to provide access to other return sources, with the potential benefit of reducing risk of a client’s portfolio, improving returns, or both.

Specific Investment Strategies for Managing Portfolios

IARs may use Modern Portfolio Theory tactical asset allocation, cash as a strategic asset, long-term holding, trend, dollar-cost-averaging, defensive portfolio strategies in the construction and management of client portfolios. There is no guarantee that any of the following strategies will be successful and we make no promises or warranties as to the accuracy of our market analysis.

Modern Portfolio Theory (MPT)

IARs use the Modern Portfolio Theory, which has a basic concept of using diversification in an effort to help minimize risk and optimize the potential return of a portfolio.

Tactical Asset Allocation

IARs may use a tactical asset allocation strategy in the shorter term to deviate from a client’s long-term strategic asset allocation target in an effort to take advantage of what we perceive as market pricing anomalies or strong market sectors or to avoid perceived weak sectors. Once they achieve the desired short-term opportunities or perceives that opportunities have passed, we generally return a client’s portfolio to the original strategic asset mix.

Cash as a Strategic Asset

IARs may use cash as a strategic asset and at times move or keep client’s assets in cash or cash equivalents. While high cash levels can help protect a client’s assets during periods of market decline, there is a risk that our timing in moving to cash is less than optimal upon either exit or reentry into the market, potentially resulting in missed opportunities during positive market moves.

Long-term Holding

IARs do not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase, as we do not generally use short-term trading as an investment strategy. However, there may be times when we will sell a security for a client when the client has held the position for less than 30 days.

IARs do not attempt to time short-term market swings. Short term buying and selling of securities is typically limited to those cases where a purchase has resulted in an unanticipated gain or loss in which we believe that a subsequent sale is in the best interest of the client.

Trend

IARs may manage client assets using a trend following methodology based on the 200-day average and

grounded in a strong sell discipline for all positions within the portfolio.

Dollar-Cost-Averaging

Dollar cost averaging involves investing money in multiple installments over time to take advantage of price fluctuations in the attempt to get a lower average cost per share.

Defensive Strategies

If our IAR anticipates poor near-term prospects for equity markets, we may adopt a defensive strategy for clients' accounts by investing substantially in fixed income securities and/or money market instruments. We may also utilize low, non or negative correlated investments through mutual funds and EFT's. There can be no guarantee that the use of defensive techniques would be successful in avoiding losses.

Margin

Some clients of [FIRM] maintain margin accounts to facilitate short-term borrowing needs, which are unrelated to our investment strategy (ies). For some high-net worth (HNW) clients that are seeking a more aggressive strategy for their portfolio, our IARs may work with those clients on an individual basis to develop a leveraged strategy utilizing margin to increase market participation portfolio as part of a customized investment strategy. Clients are responsible for any brokerage or margin charges in addition to advisory fees. Risks of using margin include "margin calls" (also called "fed calls" or "maintenance calls.") Margin calls occur when account values decrease below minimum maintenance margin levels established by the broker-dealer that holds the securities in the client's account, requiring the investor to deposit additional money or securities into their margin account.

While the use of margin borrowing can increase returns, it can also magnify losses. Clients must specifically request to establish a margin account.

Additional Strategies

Clients interested in learning more about any of the above strategies should contact us for more information and/or refer to the prospectus of any mutual fund. We may also consider additional strategies by specific client request.

Investing Involves Risk

General Risks of Owning Securities

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy again, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

Risk of Loss

Diversification does not guarantee a profit or guarantee to protect you against loss, and there is no

guarantee that your investment objectives will be achieved. The Firm strategies and recommendations may lose value. All investments have certain risks involved including, but not limited to the following:

- **Stock Market Risk:** The value of securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.
- **Managed Portfolio Risk:** The manager's investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.
- **Industry Risk:** The portfolio's investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact your portfolio. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- **Non-U.S. Securities Risk:** Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political economic instability.
- **Emerging Markets Risk:** To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- **Currency Risk:** The value of your portfolio's investments may fall as a result of changes in exchange rates.
- **Credit Risk:** Most fixed income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.
- **Inflation Risk:** Most fixed income instruments will sustain losses if inflation increases or the market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed income securities could go down.
- **Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate.
- **Margin Risk:** The use of margin is not suitable for all investors, since it increases leverage in your Account and therefore risk.
- **ETF and Mutual Fund Risk:** When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operation expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund greatly reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.
- **Derivative Risk:** Derivatives are securities, such as futures contracts or options, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will achieve the desired results. Utilizing derivatives can cause greater than ordinary investment risk, which could result in losses.
- **Alternative Investment Risk:** Alternative Investments involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment

loss, can be highly illiquid, are not always required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager. Alternative investment performance can be volatile. An investor could lose all or a substantial amount of his or her investment.

- **Management Risk:** Your investment with us varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment may decrease.

ITEM 9 - DISCIPLINARY INFORMATION

The Herbst Group and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our business or the integrity of our management. We do not have any required disclosures to this Item.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The sole business of The Herbst Group is to provide investment advisory services to its Clients. Neither The Herbst Group nor its Advisory Persons are involved in other business endeavors. The Herbst Group does not maintain any affiliations with other firms, other than contracted service providers to assist with the servicing of its Client's accounts.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

The Herbst Group believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. We have adopted a Code of Ethics that emphasizes the high standards of conduct that the Firm seeks to observe. Our personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

The Herbst Group's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. The Firm's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, prohibitions of insider trading, and adherence to applicable federal securities laws. Additionally, individuals who formulate investment advice for clients, or who have access to nonpublic information regarding any clients'

purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

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

Personal Trading Practices

The Herbst Group and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for a client's account. The Herbst Group and our personnel may purchase or sell securities for themselves that we also recommend/utilize for clients. This includes related securities (e.g., warrants, options, or other derivatives). This presents a potential conflict of interest, as we have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment decisions/recommendations prior to and in preference to accounts of you're the Herbst Group's investment advisor representative ("IAR").
2. The Firm prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If your IAR wishes to purchase or sell the same security as he/she recommends or takes action to purchase or sell for a client, he/she will not do so until the custodian fills the client's order, if the order cannot be aggregated with the client order. As a result of this policy, it is possible that clients may receive a better or worse price than IAR for transactions in the same security on the same day as a client.
4. The Firm requires our IARs to report personal securities transactions on at least a quarterly basis.
5. Conflicts of interest also may arise when Firm IARs become aware of limited offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, limited offerings and IPOs demand extreme care. IARs are required to obtain pre-approval from the Chief Compliance Officer before trading in limited offerings and are prohibited from transacting in IPOs for personal accounts.
6. Under certain limited circumstances, we make exceptions to the policies stated above. The Firm will maintain records of these trades, including the reasons for any exceptions.

ITEM 12 - BROKERAGE PRACTICES

The Herbst Group requires accounts that are not managed by third-party investment managers to be established with one of the following custodians: Fidelity Investments, member FINRA/SIPC. The Herbst Group engages the custodians to clear transactions and custody assets. The custodians provide The Firm with services that assist us in managing and administering clients' accounts which include software and

other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with certain back-office functions, recordkeeping and client reporting.

As part of the arrangement described above, the custodians also make certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by the custodians directly from independent research companies, as selected by our Firm (within specific parameters). Research products and services provided by the custodians to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by the custodians to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving the services discussed above, we have an incentive to continue to use or expand the use of the custodians' services. Our firm examined this conflict of interest when we chose to enter into the relationship with the custodians and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

The custodians charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions).

The custodians generally do not charge clients separately for custody services but are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodians or that settle into accounts at the custodians. The custodians charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). The custodians enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The custodians' commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by the custodians may be higher or lower than those charged by other custodians and broker-dealers.

We may aggregate (combine) trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully disclosed separately to our existing clients (if any) and the broker-dealer(s) through which such transactions will be placed;

2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our investment advisory agreement with you for which trades are being aggregated.
3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;
4. We will prepare a procedure specifying how to allocate the order among those clients;
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, it will be allocated pro-rata based on the allocation statement;
6. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
7. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and,
8. Individual advice and treatment will be accorded to each advisory client.

As a matter of policy and practice, we do not utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis other than what is described above.

Factors Considered in Recommending Custodians

We consider several factors in recommending custodians to a client. Factors that we consider when recommending custodians may include financial strength, reputation, execution, pricing, reporting, research, and service. We will also take into consideration the availability of the products and services received or offered (detailed above) by the custodians.

Directed Brokerage Transactions

The Herbst Group does not allow clients to direct brokerage to a specific broker-dealer. For an individual Third party money manager's policy on directed brokerage transactions, you must refer to **Item 12 – Brokerage Practices** of that manager's ADV 2A brochure.

Special Considerations for ERISA Clients

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the Firm. If the error is caused by the Custodian, the Custodian will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

ITEM 13 - REVIEW OF ACCOUNTS

Account Reviews & Reporting

Managed Accounts Reviews

The Herbst Group manages portfolios on a continuous basis and generally review all positions in client accounts on a regular basis, but no less than annually. We generally offer account reviews to clients annually. Clients may choose to receive reviews in person, by telephone, or via e-mail. Firm IARs conduct reviews based on a variety of factors. These factors include, but are not limited to, stated investment objectives, economic environment, outlook for the securities markets, and the merits of the securities in the accounts.

In addition, we may conduct a special review of an account based on, but not limited to, the following:

1. A change in the client's investment objectives, guidelines and/or financial situation;
2. Changes in diversification;
3. Tax considerations; or
4. Material cash deposits or withdrawals.

Third Party Accounts

Investment Adviser Representatives periodically review third party money managers' reports provided to the client, but no less often than on a semi-annual basis. Our Investment Adviser Representatives contact clients from time to time, as agreed to with the client, in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third party money manager. The client is expected to notify us of any changes in his/her financial situation, investment objectives, or account restrictions that could affect their account. The client may also directly contact the third party money manager managing the account or sponsoring the program. Clients who utilize third party money managers should review the third party money manager's Form ADV Part 2 **Item 13 – Review of Accounts** regarding account reviews, types of written reports provided and frequency of such reports.

Financial Consultation Service

Financial consultation clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us or separately contract with us for a post-financial plan meeting or update to their initial written financial plan. The type of reporting is agreed upon by [FIRM] and the client on a case-by-case basis. We do not provide ongoing services to financial consultation clients but are willing to meet with such clients upon their request to discuss updates to their plans or changes in their circumstances. The client's IAR provides the financial consultation services to the client. In cases when we have been contracted to conduct ongoing financial consultation services, the Investment Adviser Representatives will conduct reviews as agreed upon with the client.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Brokerage Support Products and Services

We receive an economic benefit from the brokers used for transactions in client accounts in the form of the support products and services they make available to us and other independent firms whose clients maintain their accounts at the broker. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of the brokers' products and services to us.

Outside Compensation

The Herbst Group does not pay referral fees (non-commission based) to independent solicitors for the referral of their clients to our firm.

Firm IARs may refer clients to unaffiliated professionals for specific needs, such as mortgage brokerage, real estate sales, estate planning, legal, and/or tax/accounting. In turn, these professionals may refer clients to our IARs for investment management needs. We do not have any arrangements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals.

However, it could be concluded that our IARs are receiving an indirect economic benefit from this practice, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend services of firms who refer clients to the Firm.

Our IARs only refer clients to professionals we believe are competent and qualified in their field, but it is ultimately the client's responsibility to evaluate the provider, and it is solely the client's decision whether to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and our IARs have no control over the services provided by another firm. Clients who chose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by the Firm.

If the client desires, our IARs will work with these professionals or the client's other advisers (such as an accountant, attorney, or other investment adviser) to help ensure that the provider understands the

client's investments and to coordinate services for the client. We do not share information with an unaffiliated professional unless first authorized by the client.

Third Party Money Manager

Our IARs may work with third party money managers or advisors to service client accounts. They may receive ongoing compensation in relation to these arrangements, of which details are fully disclosed to the clients at the time of account opening. See also **Item 5 - Third Party Accounts** and **Item 10 – Third Party Managers**. Other Financial Institutions

The Herbst Group has established agreements to provide consulting services to other financial institutions regarding business development or investment advisory services provided to clients. If the consultation being provided is specific to services provided to the client account, the specifics of this arrangement, including the compensation paid to the Firm will be fully disclosed to clients in their signed agreements.

ITEM 15 - CUSTODY

The Herbst Group has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' funds and securities. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our fee.

Clients should carefully review the account statements they receive from the qualified custodian. When clients receive statements from The Herbst Group as well as from the qualified custodian, they should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive a statement from their qualified custodian at least quarterly should also notify us.

Third-Party Standing Letters of Authorization ("SLOA")

Our firm is deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and, under that SLOA, it authorizes us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow. We do not have a beneficial interest on any of the accounts we are deemed to have Custody where SLOAs are on file. In addition, account statements reflecting all activity on the account(s), are delivered directly from the qualified custodian to each client or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from us. When you have questions about your account statements, you should contact us, your Advisor or the qualified custodian preparing the statement.

ITEM 16 - INVESTMENT DISCRETION

The Herbst Group accepts discretionary authority over client accounts. As the IAR is acting in a discretionary capacity, the IAR may place trades within a client account without pre-approval from the client. If the IAR is working in a non-discretionary capacity, then the IAR will make recommendations to clients on investment selections and the client must approve the transactions prior to the trade being placed.

When working with third party managers, we may recommend certain third party money managers to clients and then it is up to the client to approve our recommendations. The third party investment adviser chosen by the client is responsible for all investment decisions made in the client's account(s). Generally, clients who utilize a third party money manager will sign agreements directly with the third party manager. It is important to note that we do not offer advice on any specific securities or other investments in connection with this service. Clients can find more information about the discretionary authority granted to third party managers in **Item 16 – Investment Discretion** of each manager's Form ADV disclosure brochure.

ITEM 17 - VOTING CLIENT SECURITIES

Proxy Voting

We do not accept or have the authority to vote client securities. However, clients may call us if they have questions about a particular solicitation. We will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

However, third party money managers recommended by our firm may vote proxies for clients. Therefore, except in the event a third party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

Class Actions

The Herbst Group does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. The Herbst Group does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, does not have or foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.