

## **Form ADV Part 2A Brochure**

### **Item 1 – Cover Page**

## **Collegiate Capital Management, Inc.**

### Corporate Office

214 New Bern Place  
Raleigh, North Carolina 27601

### Georgia Branch Office

160 Clairemont Avenue, Ste 200  
Decatur, Georgia 30030

### Virginia Branch Office

106 W. South Street  
Charlottesville, Virginia 22902

### Texas Branch Office

501 Congress Avenue, Ste 150  
Austin, Texas 78701

Toll Free: 800-333-1701  
Website: [collegiatecapital.com](http://collegiatecapital.com)  
Email: [ecapps@collegiatecapital.com](mailto:ecapps@collegiatecapital.com)

**March 30, 2020**

This Brochure provides information about the qualifications and business practices of Collegiate Capital Management, Inc. (CCM). If you have any questions about the contents of this Brochure, please contact us using one of the methods provided above.

CCM is a Registered Investment Adviser. Our Firm provides investment advisory services to our clients subject to regulation by the United States Securities and Exchange Commission (SEC). A firm's registration as an Investment Adviser does not imply any specific level of skill or training. We are fiduciary to our clients, and as such must always act in the best interest of our clients-resolving all conflicts in the best interest of our clients. Our firm strives to anticipate potential conflicts and develops procedures to follow that will result in the most advantageous resolution for our clients.

The oral and written communications of an Adviser provide you with information to determine whether to hire or retain an Adviser. The information in this Brochure, while required by the SEC to be included in this document, has not been approved or verified by the SEC or any state securities authority.

Additional information about CCM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

**March 30, 2020**

The purpose of this section is to inform individuals that have seen our most recent Brochure of any material changes since the completion of the previous version. There have been no material changes since the annual update to our brochure dated March 29, 2019.

### Item 3 -Table of Contents

Form ADV Part 2A Brochure .....	i
Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Clients and Their Accounts.....	1
Asset Management.....	2
A. Customized Asset Management and Investment Advice.....	2
B. Cash Management Portfolios .....	4
C. CCM PRISM Model Portfolios.....	4
Additional Disclosures .....	4
Item 5 – Fees and Compensation .....	5
Fees - Customized Investment Advice.....	5
Advisory Fees - Cash Management Portfolios .....	6
Advisory Fees - Prism Model Portfolios.....	6
General Fee Disclosures .....	6
Item 6 – Performance-Based Fees and Side-By-Side Management .....	8
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9 – Disciplinary Information .....	10
Item 10 – Other Financial Industry Activities and Affiliations .....	10
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12 – Brokerage Practices .....	11
Employer-Sponsored Accounts.....	12
Other Accounts .....	13
Non-employer Sponsored Accounts Held at a Product Sponsor.....	13
Our Access to your Accounts.....	13
Aggregation and Allocation of Transactions .....	13
Item 13 – Review of Accounts.....	14
Item 14 – Client Referrals and Other Compensation.....	15
Item 15 – Custody.....	15
Item 16 – Investment Discretion.....	15
Item 17 – Voting Client Securities.....	16
Item 18 – Financial Information .....	16

#### **Item 4 – Advisory Business**

Collegiate Capital Management, Inc. (“CCM,” “Firm,” “we,” “our,” or “us”) was incorporated in July of 1994 and is currently registered as an investment adviser with the SEC. Dr. Tony W. Sigmon, the original founder of the Firm, owns CCM. The Firm’s headquarters is located in Raleigh, North Carolina, and the Firm has branch office locations in Decatur, Georgia; Charlottesville, Virginia; and Austin, Texas. Dr. Sigmon and Mr. D. Grant Walker have been colleagues at the Firm since 1999. Immediate members of Dr. Sigmon’s family work at the Firm in various positions. We believe this staffing structure offers our clients dedicated individuals that have a strong team bias and will provide our clients with long-term continuity. The following describes the responsibility of the Firm’s key employees:

Dr. Tony W. Sigmon – Corporate President, Chief Compliance Officer, Investment Adviser Representative (“IAR”) of CCM

Mrs. Erin R. Capps – Chief Operating Officer and Director of Compliance

Mr. D. Grant Walker – Chief Investment Officer, Corporate Vice President, IAR of CCM

Mr. Cory B. Capps – Vice President of Investment Management, IAR of CCM

Mr. Daniel Sigmon – Vice President of Financial Planning, IAR of CCM

Mrs. Jennifer Blanton – Director of Operations

T. Sigmon, G. Walker, C. Capps, and D. Sigmon, acting as IARs, work with the Firm’s clients daily and are responsible for the management of each of their client’s portfolios and for maintaining communications with their clients.

#### **Clients and Their Accounts**

Our Firm is sensitive and attentive to the various conflicts that arise during the operation of our business. We have developed and periodically review and update a Conflicts of Interest Matrix that identifies these conflicts and describes how we address each. This review consists of a testing process that identifies procedures to be tested, method of testing, results, and follow-up actions required. CCM also conducts an annual review of our procedures to identify weaknesses and corrective actions. We will provide a summary of these conflicts if requested by the client.

Many of our clients have at least one employer-sponsored retirement (ER) account and one or more brokerage accounts held primarily at Schwab. Schwab is a FINRA registered broker-dealer and member of SIPC. CCM is independently owned and operated and not affiliated with Schwab. Most client accounts held at Schwab participate in the Collegiate Capital Management Wrap Fee Program which is described in the firm’s Wrap Fee Program Brochure.

Managed ER accounts are typically 401(a), 403(b) and 457(b) accounts. CCM markets our services to faculty and staff of universities and has a long history of managing these accounts. Employers typically allow the participants to choose from a small number of custodial options. One of our roles as advisors is to suggest to the client one or more firms to act as custodian of these account(s). In some cases, there is only one available custodian for an account. The most appropriate custodian for a client will depend upon many factors, including other household accounts held by the client, the specific investment options offered by each custodian and other characteristics of each custodian’s offering that would be impactful to a client. Neither CCM nor the firm’s employees receive a benefit of any type from these custodians. ER accounts are not eligible for the firm’s wrap fee program.

Most of the Firm's clients can rollover or transfer certain account balances to other accounts if age or employment status criteria have been satisfied. The firm may recommend such portfolio restructuring to achieve certain benefits to the client which may include:

1. Access to a wider range of asset types;
2. Increased number of investment options within certain asset types;
3. Reduced costs associated with administrative, transactional and asset-based charges;
4. Simplification of the portfolio by consolidating assets within the same account type; and
5. Attain advantageous tax treatment.

In most cases, more than one of these factors might apply. At times the IAR must make judgements between competing factors to arrive at a recommendation that we believe will result in the best outcome for our client.

### Asset Management

CCM's core function is to provide asset management services to clients pursuant to a properly executed Client Agreement. The Client-Relationship Addendum describes any restrictions imposed by the client, including instructions regarding investment in certain securities or types of securities, client personal information, accounts that are to be managed by CCM and the mechanism for paying advisory fees.

The Firm's IARs develop an investment strategy consistent with each individual client's investment objectives, financial and tax status, risk tolerance, and time horizon as documented in the Addendum and in client conversations. CCM offers customized investment advice, cash management, and model (PRISM) portfolios. After the client discovery process, the Firm's IAR will suggest which service is most appropriate to meet the client's needs.

Unless included as a restriction in the addendum, client assets will be managed on a discretionary basis. Discretionary management allows the firm's advisors to buy and sell securities without previous client consent.

#### A. Customized Asset Management and Investment Advice

The financial and other personal information the client provides to CCM provides a basis for all investment analyses, recommendations, and decisions. CCM expects that the client has provided all relevant information that might affect any investment decisions. It is the client's responsibility to advise CCM of any changes in circumstances (e.g., financial needs, objectives, goals and investments held with other firms) that might impact the client's financial condition and that therefore may affect our approach. Transactions in non-retirement accounts may trigger taxable consequences. The IAR will consider this factor along with others as investment decisions are made.

We believe that one of the best descriptors of our firm is that of financial concierge. While our primary function is to manage client accounts, we are a firm that provides guidance across a wide variety of life-long

financial related issues that impact our clients' and their heirs' quality of life. Our advisors work with the firms' clients and other professionals to provide the following services to our clients:

- Management of Client Portfolios
- Consolidated Portfolio Reporting
- CCM's Proprietary Client Portal (CCMconnect®)
- Assistance with Inter-Generational Asset Transfer
- Financial Planning
- Insurance Needs Analysis
- Retirement Income Planning
- Investment Risk Management
- Social Security Analysis
- Assistance with Implementing Charitable Gifts
- Complete Account Servicing
- Investment-Related General Tax Planning

A client's account(s) collectively form a household portfolio. A portfolio may consist of accounts owned by a single individual or entity, accounts jointly owned with others or multiple independently owned individual accounts for partners, or a husband and wife. The portfolio is managed to take advantage of the complementary characteristics offered by each custodian. For example, one custodian may offer a stable value option that offers compelling characteristics. Whereas another custodian may offer the largest overall selection of investment options. For this reason, our clients should not evaluate the performance of a single account without consideration of the collective portfolio.

As part of our work we:

- Analyze the client's financial circumstances in conjunction with the client's long-term financial goals.
- Recommend investment strategies suited to the client's financial needs and objectives.
- Carry out agreed upon strategies.
- Conduct periodic in-person or telephonic portfolio reviews.
- Provide the client with consolidated quarterly statements.
- Assist the client to set up electronic access to the custodians' website and to the firm's client portal, CCMconnect® to track activity in their accounts.

Clients may be invested in: (a) equity mutual funds; (b) bond mutual funds; (c) exchange-traded stocks (ETFs); (d) U.S. government securities; (e) stocks that trade over the counter; (f) U.S. corporate debt; (g) fixed accounts of annuity products; (h) structured products; (i) money market funds; (j) municipal securities; (k) certificates of deposit; (l) stocks issued by foreign corporations; and (m) variable annuity products. We suggest variable annuity products to our clients in rare cases when client circumstances would warrant such counsel. We also manage some legacy variable annuity assets and a small number of ER accounts for which a variable annuity product may be the only option allowed by the employer or is the best selection among a limited number of options.

Our clients' accounts are 529 accounts which are typically held at American Funds, ER accounts held at custodian(s) allowed by the employer or accounts held at Schwab. Schwab accounts typically participate in the firm's wrap fee program in which CCM is responsible for all transaction costs. Clients are responsible for all transaction and administrative costs imposed by the custodian or trustee of ER accounts and other accounts that do not participate in our wrap program. Clients should expect to see modest turnover rates in their portfolios.

Most of the ER accounts we manage utilize either Fidelity Investments or TIAA as custodian. These accounts do not participate in the firm's wrap fee program. Generally, investments in these accounts are limited to mutual funds, stable value and fixed annuity holdings. Some of these accounts allow participants to utilize a

relatively small number of investment options in the “core” component of the account. The client can greatly expand the number of available mutual funds by utilizing the custodians’ self-directed brokerage (SDB) trading platform. CCM makes a recommendation regarding the SDB to our clients with that option. Mutual funds offered in ER accounts are available without transaction fees in core, while SDB makes available both non-transaction fee funds (NTF) and transaction fee funds (TF).

Some funds are offered in both NTF and TF share classes. In this latter case, the least cost option for a client depends on the holding period for the fund, which is unknown at the time of purchase. Because of this uncertainty, and in an attempt for consistency, we have placed a maximum threshold of \$75,000 on the purchase of an NTF share class when a TF share class of the same fund with lower annual expenses is available. For purchases of at least \$75,000, we believe that there is a reasonable probability that it will be in the client’s best interest to purchase the TF share class and pay the transaction cost of buying and selling the fund.

#### B. Cash Management Portfolios

CCM offers Cash Management Portfolios. These portfolios are designed for clients seeking current income while maintaining high levels of liquidity. Portfolios are generally invested in securities with maturities less than three years. Cash Management Portfolios participate in the firm’s Wrap Fee Program.

#### C. CCM PRISM Model Portfolios

We believe that certain asset levels and personal circumstances justify a less comprehensive approach than others. PRISM portfolios are intended for clients with assets of less than \$250,000 who do not wish to incur the cost for a broader set of services offered in our customized portfolios. Interactions with clients are generally limited to electronic and telephonic exchanges.

CCM offers four risk-based model portfolios that can be selected by clients. Aggressive Growth, Growth, Growth and Income and Capital Preservation portfolios. These models are defined by the allocation in four asset classes: US equities, foreign equities, fixed income, and cash and cash equivalents. PRISM positions are invested in mutual funds that are NTF funds.

To participate, each portfolio must consist only of account(s) held at Schwab or in an ER account with Fidelity in which 100% of the assets can be held within the SDB. Each account will be assigned to its own risk-based model. Adjustments to allocation and holdings are made at least twice per year. Accounts in our PRISM portfolios do not participate in our firm’s Wrap Fee Program.

#### Additional Disclosures

The Firm does not make new investments in limited partnerships. On occasion, a new client may have such holding(s) that become part of the advisory assets. In these cases, the Firm strives to act in the best interest of the client regarding the hold or sell decisions.

On occasion clients have identified specific private placements or cryptocurrency in which they would like to invest and they come to us with questions. The Firm does not give investment advice and makes no recommendations for the investment in private placements or cryptocurrency in general or give advice or make recommendations with respect to any specific such investment. The Firm’s response to such questions is strictly limited to providing suggestions for custodians and exchanges through which such transactions can be placed. The information the Firm provides should not be taken as a recommendation or an endorsement of any custodian or vendor. The decision to invest in such securities, the selection of such securities, and the selection of the custodian or vendor rests solely with the client.

Discretionary portfolios are those for which the client has authorized the IAR to determine the holding, quantity and timing of trades at the IAR's discretion based on guidelines provided by the client. Non-discretionary accounts are those that require the IAR to receive the client's approval before initiating any trade. We believe that we can best serve our clients by acting on a discretionary basis.

D. Grant Walker and Daniel Sigmon are licensed insurance agents and may from time to time receive commissions for the sale of fixed annuities and life insurance products. None of the firms' IARs are licensed to receive commissions on securities products. *(See Item 10 for additional information)*

### Assets Under Management

As of December 31, 2019, the Firm managed \$325,160,977 in discretionary assets and \$38,550,184 in non-discretionary assets. These regulatory assets under management ("RAUM") are those for which the Firm provides ongoing management.

### **Item 5 – Fees and Compensation**

Advisory fees paid by the client compensate the Firm for its services. All fees paid to CCM for investment advisory services are separate from fees and expenses charged to owners of mutual fund shares or variable annuity contracts by the product sponsor or the account custodian. CCM does not impose start-up, closing or annual maintenance fees, redemption fees, or penalty fees in connection with the portfolio, although the custodian of the account may impose such fees.

Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, short-term redemption fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Fund prospectuses disclose any management fees for mutual funds and exchange traded funds. Such charges, fees and commissions are exclusive of and in addition to our fee. Neither CCM nor its employees receive any portion of these commissions, fees, and costs for assets held in advisory brokerage accounts. Item 12 discusses our Firm's use of brokerage accounts.

### Fees - Customized Investment Advice

The percentage fee each client is charged for advisory services is determined based upon the linear fee structure shown below. CCM's fee schedule is not negotiable.

Portfolio Value	Annual Fee Percentage
Up to \$99,999	2.25%
\$100,000 - \$249,999	1.75%
\$250,000 - \$499,999	1.50%
\$500,000 - \$999,999	1.25%
\$1,000,000 - \$2,999,999	1.00%
\$3,000,000 - \$4,999,999	0.90%
\$5,000,000 - \$9,999,999	0.80%
Greater than \$10,000,000	0.75%



As assets under management (AUM) increase above certain breakpoints, the percentage fee on all assets decreases and vice versa. When a client reaches a breakpoint, all AUM are charged at this new percentage rate. The fee percentage applied to each portfolio is determined based upon the value of the portfolio on the last day of the previous calendar billing quarter. With the prior consent from each party, CCM combines assets of spouses, children, parents, siblings, partners living at the same address and corporate or trust assets for which any of these individuals act as corporate officer or trustee when determining the fee percentage that will apply to all assets of these individuals and entities. Exceptions may include prior fee arrangements, a divorce of spouses who were both clients of the Firm, etc.

#### Advisory Fees - Cash Management Portfolios

Cash Management Portfolios are charged a quarterly advisory fee based on the following schedule:

Portfolio Value	Annual Fee Percentage
Up to \$2,999,999	0.50%
\$3,000,000 to \$4,999,999	0.45%
\$5,000,000 to \$9,999,999	0.40%
Greater than \$10,000,000	0.35%

#### Advisory Fees - Prism Model Portfolios

The advisory fee for the management of PRISM Model Portfolios is 0.90% per annum.

#### General Fee Disclosures

Some clients are under fee schedules that predate the current fee schedules, are not charged a fee, or are charged a lower fee at our discretion. Clients are billed consistent with the fee schedule in place at the time the advisory agreement was executed.

a. *Payment.* Fees are payable quarterly, in advance, upon deposit of funds or securities into the portfolio. An initial payment will be prorated to cover the period from the date the assets are first held by the agreed upon custodian through the end of the current calendar quarter. In cases where transaction costs borne by CCM to generate the funds for the payment of quarterly advisory fees exceed the fee itself, CCM may choose to bill the advisory fee for that account annually in arrears or not bill a client for partial fees that would result in a small payment. From time to time the firm may waive advisory fees for certain clients. Some ER plans impose an annual maximum percentage advisory fee that may be less than the client's annual fee percentage based upon assets under management at the firm.

b. *Calculation of Fee.* The Firm computes the fee for each full calendar quarter based upon the value of the assets at the close of the market on the last business day (valuation day) of the previous quarter and the applicable fee percentage. For example, a client whose annual fee percentage is 1.25% will be billed for the second quarter based on the value of the assets at the close of business on March 31st (or the last business day of March) according to the following algorithm:

$$\text{Fee} = \text{Value of Assets at the End of the Previous Quarter} \times (0.0125/4)$$

For new advisory assets, a partial fee will be billed based upon the fraction of the quarter for which the agreed upon custodian holds the assets. The Firm uses 91 billable days per calendar quarter for this calculation. As an example, if for this same client the assets fall under management on March 10th, the partial fee for that first quarter will be computed based upon the following algorithm:

$$\text{Fee} = \text{Value of the Assets on March 10th} \times (0.0125/4) \times (22/91)$$

c. *Computing Market Value.* In computing the market value of the portfolio, each equity security listed on a national securities exchange will be valued at the most recent market close. The custodian provides pricing for certain fixed income investments based upon information received from pricing matrix services. The price for any one fixed income instrument may not include such factors as liquidity, position sizes in any one account, or recent news concerning the issuer. The Firm includes accrued interest for fixed income holdings as a part of the market value on client portfolio statements and considers this also a component of the client's billable assets. We do not include accrued interest for structured products since interest actually paid is contingent upon certain market variables. While we make reasonable efforts to test the reliability of our sources, the Firm cannot guarantee the accuracy and completeness of the information provided to us. Discrepancies with custodial statements may arise due to different methodologies for calculating accrued interest for fixed income investments used by the custodian and the Firm's portfolio management software. CCM does make a reasonable attempt to verify both securities and fixed income pricing provided by the account custodian using independent sources. Stable value funds are generally priced at \$1.00 per unit.

d. *Additions and Withdrawals.* Clients may make additions and withdrawals to the portfolio at any time, subject to IRS and employer constraints and the usual and customary securities settlement procedures. Assets of at least \$100,000 deposited to or withdrawn from the portfolio, other than regular bimonthly and monthly contributions; will generally be charged a pro rata fee based upon the number of days remaining in the quarter in the same manner described in (b) Calculation of Fee. Exceptions to this policy may be made for known pending withdrawals and for clients under historically different agreements. The market value of the deposits used in the partial fee calculation will be the value of the deposit on the date of deposit into an advisory account. CCM does not make fee adjustments for partial withdrawals or for the portfolio's appreciation or depreciation within a billing period.

e. *Termination.* Both CCM and the client have the authority to terminate the advisory relationship at any time. A pro rata refund of fees will be paid to the client according to (b) Calculation of Fee, if either the client or CCM terminate the agreement within a given quarter after the fee for that quarter has been paid.

f. *Payment Method.* Authorization to bill specific accounts for fees is contained within the Client Agreement and Client-Relationship Addendum executed by the client and the Firm. The Firm receives advisory fees in one of the following two ways:

1. *Deducted from the client's portfolio, when due.* The IAR selects the specific investment within an account to liquidate if needed to generate funds for the payment of the fee. The client should not assume that the custodian determines or verifies the correct calculation of the fee. Authorization for the automatic deduction of fees from client accounts is contained in the Client Agreement. The client may instruct CCM to debit fees from one account for payment of the fee due for the management of one or more other advisory accounts. Fees for after-tax accounts are not debited from retirement accounts. Quarterly statements provided by the custodian of the account(s) will show the amount of the fee deducted. The client may terminate authorization for automatic fee deduction by notifying CCM or the custodian in writing.

2. *Paid by check.* Fees not directly debited from a client's portfolio are paid by check, consistent with an invoice provided by the Firm. Checks should be made payable to Collegiate Capital Management, Inc.

g. *Clients with Multiple Portfolio Structures.* We do not combine assets managed under different portfolio structures (e.g. Customized Investment Advice, Cash Management, or PRISM) for the same client in order to meet or exceed breakpoints.

h. *Nonbillable Accounts.* Some of the firm's clients own account(s) that do not allow for billing of investment advisory fees (nonbillable account). In this case, the client may elect to receive a taxable distribution from another retirement account to pay the advisory fee for assets held in the nonbillable account or pay by check. In these cases, the portion of fee received by CCM will be reduced as follows.

The fee for the nonbillable account will be distributed from the retirement account authorized by the client. The portion received by CCM will be reduced and that reduction in fee applied to the payment of U.S. and/or state taxes. For those individuals that are age 59 ½ or older, 15% of the taxable distribution will be forwarded for payment of income taxes. For those clients that have not yet attained age 59 ½, the fee that our firm receives will be reduced by 25%, with the reduction in fee received by CCM forwarded for payment of taxes. The allocation of taxes withheld and forwarded to the IRS and the state of residence by the custodian will be at the discretion of the client unless state or federal statutes prevail.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Some advisory firms receive a portion of the appreciation in a client portfolio as full or partial payment for services. CCM does not receive compensation in the form of these performance-based fees.

## **Item 7 – Types of Clients**

Our Firm provides portfolio management services to individuals, high net worth individuals, business entities, charitable organizations, trusts and estates, pension and profit-sharing plans, and corporations. The Firm does not require a minimum portfolio value for our clients. However, because of our fee structure, we do not believe it is necessarily in an individual's best interest to utilize our Firm's customized portfolio management services for assets under \$100,000 unless this threshold is expected to be exceeded in a reasonable period after entering the advisory relationship.

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

CCM follows an investment management approach that incorporates the strengths of our staff in the fields of finance, business, mathematics, physical sciences and behavioral economics. These perspectives and methods that result sustain a methodology that seeks to achieve a balanced approach in addressing the relationship between risk and return. CCM purchases research, data and analyses that supplement each IAR's readings and investigations. Only each client's IAR has authorization to make trading decisions. Trades may be entered by the IAR or by others in the Firm at the direction of the IAR.

The Firm's IARs are required to stay current with those matters that could affect investment decisions for their client. Each IAR evaluates and updates their preferred sources of news and analysis. Areas of investigation include world and national events, macroeconomic trends and forecasts, current market drivers and analyses

and projections of equity and fixed income market conditions. Additionally, the Firm purchases macroeconomic, equity and fixed income research from several sources.

The Investment Committee of the Firm meets to discuss market conditions, specific investment ideas, independent investigations completed by individual staff members, specific client related investment issues faced by IARs and ideas for future investigation. The results of all these efforts form the basis for investment decisions made by the Firm's IARs.

Since a large percentage of the accounts we manage are ER accounts and are restricted to investment in mutual funds, we focus most of our collaborative efforts on the analysis and evaluation of mutual funds. CCM has developed various analytical methods of evaluation that are key to the investment decisions made by our IARs. These analyses begin with a screening of mutual funds that do not satisfy certain criteria such as manager tenure, age of fund and relative ranking based upon a comparison of performance over different periods of time with other funds within the same asset class. CCM overlays the differences in asset class performance over time onto these data. The Firm applies these methods to investment options available within ER accounts and to a much broader population of funds that can be used in brokerage accounts.

Individual equities and exchange-traded funds (ETFs) may be a part of a client's brokerage account depending upon several factors including the client's risk tolerance. The Firm evaluates individual equities and ETFs using the purchased research sources mentioned previously, as well as publicly available resources including Big Charts, Yahoo Finance, Bloomberg and various other financial and general news sources.

IARs use mutual funds, individual bonds, certificates of deposit, money market accounts, fixed annuities and stable value funds as fixed income investments. The Firm evaluates fixed income investments using the same resources described above but also with input from Schwab's fixed income specialists and trading desks as well as third-party bond dealers.

Many of our clients have access to stable value funds or fixed annuities. IARs may select these fixed income investments on their merits when compared to other fixed income options available to a client. The IAR monitors these options as the fixed income environment changes and makes adjustments as needed.

IARs may also use structured products in the management of client accounts. The firm feels that investment in structured products can be a complementary risk to other holdings in many of our clients' portfolios. A structured product is an investment vehicle normally based on a basket of underlying securities, such as equities, debt issuance, commodities, indices, currencies, or any combination thereof. Since payoffs and components vary and contain no standards from product to product, the risks vary from one product to another. Structured products are subject to the risk of default by the issuer. Therefore, the financial condition and creditworthiness of the issuer are important considerations when assessing the ability of the issuer to meet its obligations according to the terms of the structured product. Structured products are intended to be held until maturity.

Due to a limited secondary market, it may not be possible to sell a structured product prior to maturity. Additionally, should a secondary market exist, investors who need to sell a structured product prior to maturity may be subject to a significant loss. The potential return on structured products is subject to market volatility and the risks associated with the linked index or basket. The issuers of structured products may choose to hedge their obligations by entering into derivatives and/or trading in one or more instruments, such as options, swaps, or futures. The costs associated with such hedging activity could affect the market value of a structured product. If the investment benchmark is linked to one or more commodities, the investment may be subject to market volatility and risks relating to commodities. If the investment benchmark is linked to a foreign currency or currency basket, the investment may be subject to foreign currency risks.

Investing in securities involves certain risks including the loss of capital and clients should be prepared to bear that risk. Investors should be diligent to understand the risks associated with each of their investments and should also understand their exposure to other risks including interest rate risk, credit risk and longevity risk. We encourage our clients to seek our counsel, and other sources that they may choose, to obtain the best possible understanding of these risks. Nondiscretionary clients may incur added risk since some investment approaches are time sensitive and can best be implemented in a timely fashion without a requirement to receive the client's authorization for trades.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Collegiate Capital Management, Inc. Our Firm has no such events to report.

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

Some of the Firm's IARs have licenses to offer life and health insurance products. IARs maintain these licenses primarily for engaging in general discussions regarding the suitability of life insurance products and, in limited cases, recommending the purchase of fixed annuity products. While CCM does not receive any commissions for insurance recommendations, these individuals receive commissions on the sale of insurance products. This presents a conflict of interest because these individuals may have an incentive to recommend insurance products because of the commission received, rather than on the client's needs. In all cases, CCM will fully disclose any insurance commissions to the client. Insurance commissions are separate from any fees that CCM receives for investment advisory services. Clients are not obligated to act upon any insurance recommendations. IARs allocate less than five percent of their time to this business activity.

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

The Firm's IARs and all staff adhere to a strict Code of Ethics (COE). Each employee of the Firm must certify, annually, that they have read, understand and will abide by the COE. The COE addresses (a) our general standard of business conduct, (b) prohibition against insider trading, (c) personal securities transactions, (d) gifts and entertainment, (e) protecting the confidentiality of client information, (f) employee service as a director or board member of any organization, (g) compliance procedures, (h) certification by employees of certain Firm dictates and procedures, (i) maintenance of records, and (j) reporting violations and sanctions. CCM will provide a copy of our COE to any client or prospect upon request.

CCM allows for the purchase of stocks, ETFs, and closed-end mutual funds by employees of the firm that we may also purchase or sell for our clients. Substantially, all these purchases are for holdings that do not present liquidity issues or are thinly traded. For this reason, we feel that there are no conflicts with respect to our fiduciary responsibility to our clients for these investments. In those cases where we feel like there is a liquidity or trading volume issue, transactions must be approved by Mr. Walker, the firm's Chief Investment Officer. The firm's policy for trading in fixed income securities and structured products is to first ensure that accommodation is made for the firm's clients before the firm's employees may participate in an order.

CCM may aggregate trades among client accounts as well as with accounts of CCM and our employees. Such aggregation presents a conflict of interest as we may have an incentive to allocate more favorable executions to our own accounts or the accounts of our employees. Our policies to address this conflict are as follows: (a) We will disclose our aggregation policies in this brochure; (b) We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best

price) for our clients. The trade also needs to be consistent with the terms of our investment advisory agreement with each client that has an account included in the aggregation; (c) We will not favor any account over any other account. This includes accounts of CCM or of any of our employees. Each account in the aggregated order will participate at the average share price for all of our transactions in a given security on a given business day. All accounts will pay their individual transaction costs; (d) Before entering an aggregated order, we will prepare a written statement (the "Allocation Statement") specifying the participating accounts and how we intend to allocate the order among those accounts; (e) If the aggregated order is filled entirely, we will allocate shares among the clients according to the Allocation Statement; if the order is partially filled, we will allocate it pro-rata according to the Allocation Statement; (f) However, we may allocate the order differently than specified in the Allocation Statement if all client accounts receive fair and equitable treatment (see also Item 12 - Aggregation and Allocation of Transactions below). In this case, we will explain the reasons for the different allocation in writing, which the CCO must approve no later than one hour after the opening of the markets on the trading day following the day the order was executed; (g) If an aggregated order is partially filled and we allocate it differently than the Allocation Statement specifies, no participating account may purchase or sell the security for a reasonable period following the execution of the block trade. This only applies when the participating account sells or receives more shares than it would have if the aggregated order been completely filled; (h) Our books and records will separately reflect each aggregated order and the securities held by, bought, and sold for each client account; (i) Funds and securities of clients participating in an aggregated order will be deposited with one or more qualified custodians. Client's cash and securities will not be held collectively any longer than is necessary to settle the trade on a delivery versus payment basis. Following settlement, cash or securities held collectively for clients will be delivered out to the qualified custodians as soon as practical; (j) We do not receive additional compensation or remuneration of any kind as a result of aggregating orders; and (k) We will provide individual investment advice and treatment to each client's account.

## **Item 12 – Brokerage Practices**

### The Custodians and Brokers We Use

CCM does not maintain custody of the assets on which we advise. Although, under certain circumstances, we are deemed to have custody of your assets if you give us authority to withdraw management fees from your account or establish certain letters of authorization for us to move money between accounts you have designated (*see Item 15 - Custody, below*). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank.

Our clients are free to select any custodian for their accounts as long as the custodian does not restrict our firm's ability to monitor or trade in the account. Schwab must be the custodian of any brokerage account that is part of the Collegiate Capital Management, Inc. Wrap Fee program. We are independently owned and operated and not affiliated with Schwab. Schwab will hold assets in a brokerage account and buy and sell securities as we instruct. While we require that you use Schwab as custodian/broker to participate in our wrap fee program, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. We do provide the completed forms needed for client signature to cause account(s) to be opened.

### How We Advise on the Selection of Custodians

CCM offers advice to our clients in the selection of account custodian for their ER accounts. We suggest custodians that we believe will hold your assets and execute transactions on terms that are most advantageous to our clients when compared to other available providers. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- their prior service to us and our other clients

For accounts that have no employer affiliation, clients may choose to participate in the Collegiate Capital Management, Inc. Wrap Fee Program which uses Schwab as custodian or select another custodian of their choosing. However, CCM will have no mechanism to pay transaction costs for those accounts that do not participate in our wrap fee program.

### Employer-Sponsored Accounts

Clients who have employer sponsored accounts generally are required to select a qualified custodian from the list of custodians that their employer has selected. As a participant, the client must choose the qualified custodian; however, CCM may review the list of options and recommend a broker-dealer/qualified custodian. Based on the options available, CCM primarily considers the range of securities offered by each custodian in recommending a custodian. Secondly, CCM may also consider the following criteria: 1) the availability and accessibility of electronic account information 2) the costs borne by the client and 3) our experience of the custodian's ability and willingness to correct trade errors. We may also have other factors that are considered in addition to the factors listed here. The final choice of broker-dealer/qualified custodian rests with the client. Under these arrangements, clients direct CCM to use a broker-dealer that the client has selected for all trading, and the client may pay higher commission charges. Under these circumstances, CCM may not have authority to negotiate commissions or obtain volume discounts and best execution may not be achieved. Clients should further understand that when they direct CCM to use a specific broker, disparity in transaction charges might exist with the transaction costs charged to other clients. Generally, CCM is not able to aggregate orders to reduce transaction costs for clients who direct CCM to use a particular broker-dealer, and such clients may receive less favorable prices.

Many university-sponsored retirement plans offer a self-directed brokerage (SDB) component. Using SDB makes available thousands of mutual funds, many more than would be available if SDB were not utilized. The majority of our clients have their university-sponsored accounts held at either TIAA or Fidelity Brokerage Services. CCM generally recommends the SDB platform at Fidelity over TIAA due to various qualitative factors the firm uses to evaluate best execution.

### Other Accounts

Certain clients may have pre-existing variable annuity accounts for which CCM acts as advisor. The client's IAR may suggest that a 1035 tax-free transfer take place if a different custodian's product provides attributes that would be more advantageous to the client. Under these arrangements, clients direct CCM to use a broker-dealer/custodian that the client has selected for all trading, and the client may pay higher commission charges. Under these circumstances, CCM may not have authority to negotiate commissions or obtain volume discounts and best execution may not be achieved. Clients should further understand that when they direct CCM to use a specific broker, disparity in transaction charges might exist with the transaction costs charged to other clients. Generally, CCM is not able to aggregate orders to reduce transaction costs for clients who direct CCM to use a particular broker-dealer, and such clients may receive less favorable prices.

### Non-employer Sponsored Accounts Held at a Product Sponsor

We consider these accounts to be custodial accounts as well. Generally, these are 529 educational accounts. The Firm recommends opening these accounts when it anticipates that the asset level will stay at a modest level for some time, simplicity of managing the account, other custody options available for a certain type of account or at the client's instruction.

### Our Access to your Accounts

Most of our client accounts are non-ER accounts held at Schwab, or ER accounts held at Fidelity or TIAA. We have corporate-level access to these client accounts that allows our IARs to access and trade in these accounts through the custodians' platforms.

The Firm does not have this corporate level access to all the custodians that our clients use. For this reason, certain advisory accounts require that the Firm's access persons use the client's personal login credentials to view account information. In these cases, CCM restricts our actions only to those necessary to carry out the Firm's services as set forth in the executed Client Agreement. Our firm uses a third-party provider that uses an "account aggregation system" that securely logs into various custodian accounts using our client's credentials. The system scrapes pricing, transaction and holding based information from these websites and converts it into a standardized data output that can be used by our portfolio management system. These logins do not allow a level of access that provides both the ability to initiate the withdraw of funds or securities and transfer them to an account not in the client's name or to an address that is not the client's address of record.

### Structured Products

As discussed in Item 8 above, IARs may use structured products in the management of client accounts. Structured products are generally only available within our wrap fee program. We can purchase structured products through Schwab or through other broker-dealers through a prime broker arrangement. Only accounts of at least \$100,000 in cash and/or securities are eligible to purchase structured products through a prime broker arrangement. CCM bears all transaction costs in our wrap fee program.

### Aggregation and Allocation of Transactions

The Firm carries out each client trade individually, unless CCM decides to purchase or sell the same security for more than one client at the same time. In this case, CCM combines trades of the same security into "batch" orders to obtain best execution, obtain better pricing, or negotiate more favorable transaction costs. Under this procedure, the Firm sells or purchases the security or securities at an average price. We then allocate these proceeds among CCM's clients pro rata.



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

### **Item 13 – Review of Accounts**

CCM uses a portfolio management software tool that utilizes electronic interfaces with the custodians of our client accounts and market pricing sources to provide daily transaction and price data. The Firm and its IARs use this information to update the quantity and value of client holdings. These data are then used to generate internal management reports, update CCMconnect®, and provide reporting to clients. CCM also uses a portfolio dashboard developed internally that provides various client analytics designed to assist in the management of client portfolios.

CCM has a four-tiered approach to the review of client portfolios. Our goal is to ensure that we manage assets according to our client's wishes, that we do this with as few errors as possible and that we communicate with our clients in a manner that facilitates their understanding of our approach, actions and results.

**IAR Review** – As a result of the investigations described in Item 8, the Firm's IARs are aware of the short-term and long-term performance of various holdings in client accounts as well as the performance of similar alternative investments. Each IAR makes changes based upon the desired asset allocation, performance of individual holdings, as the client's investment objectives change or based upon factors that are judged by the IAR to be in the best interest of the client based upon any number of market and economic issues.

**Compliance Review** –The purpose of this review is to confirm that the management of accounts is consistent with the Firm's policies and procedures, the client's investment instructions and certain criteria established by the investment committee of the Firm. The latter criteria identify certain parameters that might expose the client to added portfolio risk and to set ranges of generally acceptable values for these parameters. It is the responsibility of the IAR assigned to the specific account to address and/or monitor any issues that arise from this review.

**Company Review** – Each quarter all client portfolios undergo further review during billing and statement generation. Tests are conducted to confirm that the Firm accounts for and assigns each client account to the correct portfolio, individual asset values are reviewed for accuracy, definition of proper asset class descriptions is correct and advisory fees are correctly calculated. The Firm provides each client with a quarterly portfolio statement. These statements provide account and portfolio level detail.

**Client Review** - The Firm's IARs communicate with their clients through personal meetings, phone conversations or email at least annually during which various aspects of the client's accounts are reviewed. This review may evaluate current holdings, allocations and performance, events that have or will impact their financial plans and any changes needed in our management approach. IARs use these interactions as a chance

to share information that will assist the client in understanding the recent nature of the markets and other factors that have influenced our management decisions.

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

CCM does not provide investment advisory services to individuals and other entities unless they are clients of the Firm. The Firm also does not compensate any person or entity for client referrals. Employees of CCM do not accept gifts from or provide gifts to clients or members of the financial industry unless they are of minimal value.

We receive an economic benefit from Schwab in the form of the support products and services Schwab makes available to us and other independent investment advisors that have their client accounts held at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described in our Wrap Fee Program Brochure). The availability to us of Schwab's products and services is not based on us giving investment advice, such as buying securities for our clients, but based on our commitment to maintain \$10 million of our client's assets statement equity in accounts at Schwab (*see our Wrap Fee Program Brochure, Item 9*).

#### **Item 15 – Custody**

CCM has limited custody of some of our clients' funds or securities resulting from the authorization that allows us to deduct our management fees directly from the client's account. CCM is also deemed to have custody of clients' funds or securities when clients have standing letters of authorization with their custodian to move money from a client's account to a third-party ("SLOA") and under that SLOA authorize 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. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' funds and securities. Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client's investment assets. CCM urges its clients to carefully review statements provided by their custodian(s) and compare those records to the account statements that are provided by our Firm. Statements provided by our Firm may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Should there be a discrepancy between the custodian's records and the statement provided by CCM, the records of the custodian shall prevail for tax reporting purposes.

We periodically request that our clients confirm that they are receiving custodial records, including statements and transaction confirmations directly from the custodian of each account and that the client is also receiving quarterly portfolio summaries from CCM as part of the Firm's compliance testing program.

#### **Item 16 – Investment Discretion**

CCM normally receives discretionary authority from the client at the outset of an advisory relationship. Unless a client notes an exception in the Client-Relationship Addendum to the Client Agreement, each client grants the IAR discretionary authority to determine the specific security, the quantity, and the timing of the purchase or sale of each security. In all cases, however, the Firm exercises discretion in a manner consistent with the stated investment objectives of the client and any other restrictions invoked by the client in the Client-Relationship Addendum. For assets that the Firm manages on a non-discretionary basis, the IAR executes trades only after receiving verbal or written authorization from the client. In no case are the Firm's IARs empowered to open or close accounts or transfer assets between accounts without the client's consent and the client's signature on appropriate documents.

**Item 17 – Voting Client Securities**

As a matter of Firm policy and practice, CCM does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for all securities maintained in client portfolios. CCM will not provide advice to clients regarding the clients' voting of proxies. In this same way, CCM will not advise a specific course of action regarding participation in investment-related class action suits. We will, however, provide to the client all information that the Firm possesses to allow the client to make an informed decision regarding their participation. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

**Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CCM's financial condition. CCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy or other adverse financial proceedings.