

# Garnet Group, LLC

## **ADV Part 2A, Firm Brochure Dated: March 22, 2020**

Contact: Annette F. Simon, Chief Compliance Officer  
6701 Democracy Boulevard, Suite 300  
Bethesda, Maryland 20817  
[www.garnetgroup.com](http://www.garnetgroup.com)

**This Brochure provides information about the qualifications and business practices of Garnet Group, LLC (“Garnet Group”). If you have any questions about the contents of this Brochure, please contact us at (301) 564-3000 or [annette@garnetgroup.com](mailto:annette@garnetgroup.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Garnet Group, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Garnet Group, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Although there have been no material changes made to Garnet Group’s Disclosure Statement since its last Annual Amendment filing made on March 25, 2019, there have been enhancements to certain disclosures throughout this Form ADV Disclosure Brochure.

**ANY QUESTIONS: Garnet Group’s Chief Compliance Officer, Annette Simon, remains available to address any questions regarding this Part 2A, including any additions and enhancements to its disclosures.**

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#### Item 4            **Advisory Business**

- A. Garnet Group is a limited liability company formed in 2006 in the state of Nevada. Garnet Group became registered as an Investment Adviser Firm in August 2006. Garnet Group is principally owned by Veena Kutler and Annette F. Simon.

B.

##### **COMBINED FINANCIAL PLANNING AND INVESTMENT ADVISORY SERVICES**

Garnet Group provides combined comprehensive Financial Planning and discretionary Investment Advisory Services on an annual *fee-only* basis.

Garnet Group's annual investment advisory fee shall include investment advisory services as well as financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Garnet Group), Garnet Group may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written agreement with the client.

##### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

Garnet Group may provide a client with a one-time financial plan without ongoing investment management services on a stand-alone separate fee basis. Prior to engaging Garnet Group to provide planning or consulting services, clients are required to enter into a *Financial Planning and Consulting Agreement* with Garnet Group setting forth the terms and conditions of the engagement which describe the scope of the services to be provided, and the portion of the fee that is due from the client prior to Garnet Group commencing services. If requested by the client, Garnet Group may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Garnet Group. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** Garnet Group, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify Garnet Group if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Garnet Group's previous recommendations and/or services.

##### **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, Garnet Group may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Garnet Group **does not** serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance services. Accordingly, Garnet Group **does not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Garnet Group may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys,

accountants, insurance agents, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Garnet Group or its representatives. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** Garnet Group, shall be responsible for the quality and competency of the services provided. If a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Retirement Rollovers - No Obligation / Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Garnet Group recommends that a client roll over their retirement plan assets into an account to be managed by Garnet Group, such a recommendation creates a conflict of interest if Garnet Group will earn a new (or increase its current) advisory fee as a result of the rollover. **No client is under any obligation to rollover retirement plan assets to an account managed by Garnet Group. Garnet Group's Chief Compliance Officer, Annette F. Simon, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any conflict of interest presented by such a rollover recommendation.**

**Use of Mutual Funds.** While Garnet may allocate investment assets to mutual funds that are not available directly to the public, Adviser may also allocate investment assets to publicly-available mutual funds that the client could purchase without engaging Garnet as an investment adviser. However, if a client or prospective client determines to purchase publicly-available mutual funds without engaging Garnet as an investment adviser, the client or prospective client would not receive the benefit of Garnet's initial and ongoing investment advisory services with respect to management of the asset. **Garnet Group's Chief Compliance Officer, Annette F. Simon, remains available to address any questions that a client or prospective client may have regarding the above.**

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, and/or a change in the client's investment objectives. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**Cash Positions.** Adviser may maintain cash and cash equivalent positions (such as money market funds or certificates of deposit) for defensive and liquidity purposes. Unless otherwise agreed in writing, all cash and cash equivalent positions are included as part of assets under management for purposes of calculating Garnet's investment advisory fee.

**eMoney Advisor Platform.** Garnet Group may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view their complete asset allocation, including those assets that Garnet Group does not manage (the "Excluded Assets"). Garnet Group does not provide investment management or implementation services for the Excluded Assets. Therefore, Garnet Group shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not Garnet Group, shall be exclusively responsible for such investment performance. The client may choose to engage Garnet Group to manage some or all of the Excluded Assets pursuant to the terms and conditions of an *Investment Advisory Agreement* between Garnet Group and the client.

**Other Services.** Garnet Group also may render investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, Garnet Group either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

**Client Obligations.** In performing its services, Garnet Group shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Garnet Group if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Garnet Group's previous recommendations and/or services.

**Disclosure Statement.** A copy of Garnet Group's written Brochure as set forth on Parts 2A and 2B of Form ADV shall be provided to each client or prospective client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*. Any client who has not received a copy of Garnet's written Brochure at least 48 hours prior to executing such agreement shall have five business days subsequent to executing the agreement to terminate the Garnet's services without penalty.

- C. Garnet Group shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Garnet Group shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client at any time may impose reasonable restrictions, in writing, on Garnet Group's services.
- D. Garnet Group does not participate in a wrap fee program.

- E. As of December 31, 2019, Garnet Group had approximately \$114,639,707 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

A.

### **COMBINED FINANCIAL PLANNING AND INVESTMENT ADVISORY SERVICES**

The client can determine to engage Garnet Group to provide combined Financial Planning and discretionary investment management services on an annual *fee-only* basis determined as follows:

First \$2,000,000 of Net Worth	0.70%
Next \$3,000,000 of Net Worth	0.50%
Next \$5,000,000 of Net Worth	0.30%
Over \$10,000,000 of Net Worth	0.20%

While Garnet Group's annual fee is generally set forth above, Garnet Group's actual fee shall be based upon the client's net worth, income and financial complexity. An approximate fee range is quoted by Garnet Group at the initial consultation. An exact fee (the client's "Annual Fee") will be determined once Garnet Group is provided with all of the client's information. For each new client, the Garnet Group will calculate an initial deposit which shall be due to the Garnet Group prior to the commencement of Financial Planning services. The Garnet Group will calculate each new client's initial deposit based upon the level and complexity of Financial Planning that particular client requires. At no time will the Garnet Group require an initial deposit in excess of 50% of the total cost of a client's Financial Planning services. The fee is reset annually at each contract anniversary using the same computation method.

Clients who terminate the relationship prior to completion of the initial financial planning recommendations will receive a refund of the initial deposit, minus the cost of services provided. Typically, the Garnet Group shall calculate the cost of services already provided to a new client using an hourly rate of \$300. It should be noted that Garnet Group's fees may be negotiable in certain circumstances.

Garnet Group's annual investment advisory fee shall include investment advisory services and financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Garnet Group), Garnet Group may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written agreement to the client prior to the commencement of services.

\*Please note: Garnet Group's Investment Advisory Services fee structure differs from most other investment adviser firms. As a result, Garnet Group's clients could pay diverse fees based upon the value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. As a result, clients may be able to obtain similar investment advisory services at a lower cost from other registered investment advisers.

**\*\*Alternate Fee Structure**

Garnet Group may offer to provide its combined financial planning and discretionary investment managements services on a *fee-only* basis based upon a percentage (%) of the market value of the assets placed under Garnet Group's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Up to \$3,000,000	1.00%
\$3,000,001-5,000,000	0.75%
Over \$5,000,000	Negotiable

**FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

Garnet Group may provide a client with a one-time financial plan without ongoing investment management services on a stand-alone separate fee basis. Garnet Group's fees for the first year of service are negotiable, but generally range from \$5,000 to \$60,000 on a fixed fee basis. On occasion, Garnet Group may provide services based on an hourly rate, which is generally from \$200 to \$350 per hour, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). As with Garnet Group's Investment Management clients, new Financial Planning and Consulting clients shall be required to pay an initial deposit for Financial Planning services. The Garnet Group will calculate an initial deposit which shall be due to the Garnet Group prior to the commencement of Financial Planning services. The Garnet Group will calculate each new client's initial deposit based upon the level and complexity of Financial Planning that particular client requires. At no time will the Garnet Group require an initial deposit in excess of 50% of the total cost of a client's Financial Planning services. The remaining balance of the Garnet Group's Financial Planning fee shall be due immediately upon the delivery of a completed financial plan.

- B. Clients may elect to have Garnet Group's advisory fees deducted from their custodial account or pay by check. Both Garnet Group's *Investment Advisory Agreement* between Garnet and the Client and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Garnet Group's investment advisory fee and to directly remit that management fee to Garnet Group in compliance with regulatory procedures. In the limited event that Garnet Group bills the client directly, payment is due upon receipt of Garnet Group's invoice. Garnet Group shall deduct fees and/or bill clients quarterly in advance or arrears. As discussed above, the Garnet Group's investment advisory fee is determined annually, based upon the client's net worth, income and financial complexity. However, for certain historic accounts using the fee schedule listed above, Garnet Group's quarterly advisor fee shall be based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Garnet Group shall generally recommend that TD Ameritrade ("*Ameritrade*") serves as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Ameritrade* charge brokerage commissions and/or 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 fixed income securities transactions). In addition to Garnet Group's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the

fund level (e.g. management fees and other fund expenses). The fees charged by the applicable broker-dealer/custodian, and the charges imposed at the fund level, are in addition to Adviser's investment advisory fees referenced in this Item 5. (For additional information please see Item 12 below).

- D. Garnet Group's annual investment advisory fee shall be prorated and paid quarterly, in advance or arrears, based upon either the client's Annual Fee, as is determined by Garnet Group each year; or, for certain historic accounts using the fee schedule listed above, based upon the market value of the assets on the last business day of the previous quarter. Garnet Group generally requires an annual minimum fee of \$10,000 for investment and/or financial planning advisory services. Garnet Group, in its sole discretion, may charge a lesser investment management and/or financial planning fee and/or waive or reduce its minimum fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Garnet Group utilizes Orion Advisor Services ("Orion") to calculate quarterly fees. Orion's method for determining account values differs from the method used by *Ameritrade*. As a result, for those clients who have engaged Garnet Group on its Alternate Fee Structure (See above), the fees charged to those accounts maintained at *Ameritrade* may deviate slightly (higher or lower) than if Garnet Group relied on *Ameritrade*'s method for determining account values.

**Any Questions: Garnet Group's, Chief Compliance Officer, Annette F. Simon, remains available to discuss any questions that a client or prospective client may have regarding fees for its investment management services or financial planning and consulting services.**

The *Investment Advisory Agreement* between Garnet Group and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Garnet Group shall refund the pro-rated portion of any advanced advisory fee paid based upon the number of days remaining in the billing quarter.

The *Financial Planning and Consulting Agreement* between the Garnet Group and the client will continue in effect until the completion and delivery of the Financial Plan or the termination, by either party, in accordance with the terms of the *Financial Planning and Consulting Agreement*. Upon termination, Garnet Group shall refund any unearned portion of the initial deposit paid by the client. In the case of a fixed fee engagement, unless the *Financial Planning and Consulting Agreement* specifies a different hourly rate, the Garnet Group shall assume a \$300 hourly rate for services provided. If upon termination, the Garnet Group has provided services in excess of the value of the initial deposit collected from the client, the Garnet Group shall be due, and the client shall pay for the excess value of services provided by the Garnet Group.

- E. Neither Garnet Group, nor its representatives accept compensation from the sale of securities or other investment products.

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



Neither Garnet Group nor any supervised person of Garnet Group accepts performance-based fees.

## **Item 7           Types of Clients**

Garnet Group's clients shall generally include individuals, business entities, pensions and profit sharing plans, trusts, estates and charitable organizations.

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

A. Garnet Group may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Garnet Group may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Investing in securities involves the risk of loss that clients must be prepared to bear including the complete loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Garnet Group) will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

B. Garnet Group's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Garnet Group must have access to current/new market information. Garnet Group has no control over the dissemination rate of market information; therefore, unbeknownst to Garnet Group, certain analyses may be compiled with outdated market information, severely limiting the value of Garnet Group's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Garnet Group's primary investment strategies - Long Term Purchases and/or Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, Garnet Group primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds on a discretionary basis in accordance with the client's designated investment objective(s). Each type of security has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with investing in these types of securities:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

## **Item 9           Disciplinary Information**

Garnet Group has not been the subject of any disciplinary actions.

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

- A. Neither Garnet Group, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Garnet Group, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Garnet Group has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Garnet Group does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Garnet Group maintains an investment policy relative to personal securities transactions. This investment policy is part of Garnet Group's overall Code of Ethics, which serves to establish a standard of business conduct for all of Garnet Group's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940 and similar state laws, Garnet Group also maintains and enforces policies reasonably designed to prevent the misuse of material non-public information by Garnet Group or any person associated with Garnet Group.

- B. Neither Garnet Group nor any related person of Garnet Group recommends, buys, or sells for client accounts, securities in which Garnet Group or any related person of Garnet Group has a material financial interest.
- C. Garnet Group and/or representatives of Garnet Group *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Garnet Group and/or representatives of Garnet Group are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Garnet Group did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Garnet Group's clients) and other potentially abusive practices.

Garnet Group has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Garnet Group's "Access

Persons”. Garnet Group’s securities transaction policy requires that an Access Person of Garnet Group must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Garnet Group selects; provided, however that at any time that Garnet Group has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Garnet Group and/or representatives of Garnet Group *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Garnet Group and/or representatives of Garnet Group are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, Garnet Group has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Garnet Group’s Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Garnet Group recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Garnet Group to use a specific broker-dealer/custodian), Garnet Group generally recommends that investment management accounts be maintained at *Ameritrade*. Prior to engaging Garnet Group to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Garnet Group setting forth the terms and conditions under which Garnet Group shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Garnet Group considers in recommending *Ameritrade* (or any other broker-dealer/custodian to clients) include historical relationship with Garnet Group, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Garnet Group's clients shall comply with Garnet Group's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Garnet Group determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Garnet Group will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Garnet Group's investment management fee. Garnet Group’s best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Non-Soft Dollar Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Garnet Group receives from *Ameritrade* (another broker-dealer/custodian, investment platform, unaffiliated investment manager, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Garnet Group to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Garnet Group may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Garnet Group in furtherance of its investment advisory business operations. In these situations, the Garnet Group receives a benefit because the Garnet Group does not have to produce or pay for research, products or services.

As indicated above, certain of the support services and/or products received may assist Garnet Group in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Garnet Group to manage and further develop its business enterprise. The Garnet Group *may* have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on our client's interest in receiving the most favorable execution.

There is no corresponding commitment made by Garnet Group to *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Garnet Group's Chief Compliance Officer, Annette F. Simon, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any conflict of interests in connection to such arrangement.**

#### TD Ameritrade Institutional Advisor Program

Garnet Group participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Garnet Group receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Garnet Group participates in TD Ameritrade's institutional customer program and Garnet Group may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Garnet Group's participation in the program and the investment advice it gives to its Clients, although Garnet Group receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools;

consulting services; access to a trading desk serving Garnet Group participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Garnet Group by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Garnet Group's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Garnet Group but may not benefit its client accounts. These products or services may assist Garnet Group in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Garnet Group manage and further develop its business enterprise. The benefits received by Garnet Group or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Garnet Group endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Garnet Group or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Garnet Group's choice of TD Ameritrade for custody and brokerage services.

Garnet Group has received from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment Advisors participating in the program.

TD Ameritrade provided the Additional Services to Garnet Group in its sole discretion and at its own expense, and Garnet Group did not pay any fees to TD Ameritrade for the Additional Services. Garnet Group and TD Ameritrade entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Garnet Group's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Garnet Group, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Garnet Group's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Garnet Group, in its sole discretion, provided certain conditions are met. Consequently, in order to obtain Additional Services from TD Ameritrade again in the future, Garnet Group may have an incentive to recommend to its clients that the assets under management by Garnet Group be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Garnet Group's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

2. Garnet Group does not receive referrals from broker-dealers.
3. Garnet Group does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements

for their account with that broker-dealer, and Garnet Group will not seek better execution services or prices from other broker-dealers or be able to “batch” the client's transactions for execution through other broker-dealers with orders for other accounts managed by Garnet Group. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Garnet Group to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Garnet Group. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Garnet Group’s Chief Compliance Officer, Annette F. Simon, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest presented.**

- B. To the extent that Garnet Group provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Garnet Group decides to purchase or sell the same securities for several clients at approximately the same time. Garnet Group may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Garnet Group’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Garnet Group shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. For those clients to whom Garnet Group provides investment supervisory services, account reviews are conducted on an ongoing basis by Garnet Group's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Garnet Group of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Garnet Group on an annual basis.
- B. Garnet Group *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian



and/or program sponsor for the client accounts. Garnet Group may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Garnet Group receives an economic benefit from *Ameritrade*. Garnet Group, without cost (and/or at a discount), receives support services and/or products from *SIMC*.

There is no corresponding commitment made by Garnet Group to *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Garnet Group's Chief Compliance Officer, Annette F. Simon, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any conflicts of interest in connection to such arrangement.**

- B. Garnet Group does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

#### **Item 15      Custody**

Garnet Group shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Garnet Group may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that Garnet Group provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Garnet Group with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Garnet Group's advisory fee calculation. Clients should carefully review statements received from their custodian.

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

The client can determine to engage Garnet Group to provide investment advisory services on a discretionary basis. Prior to Garnet Group assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Garnet Group as the client's attorney and agent in fact, granting Garnet Group full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Garnet Group on a discretionary basis may, at any time, impose restrictions, **in writing**, on Garnet Group's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to

purchase securities with an inverse relationship to the market, limit or proscribe Garnet Group's use of margin, etc.).

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

- A. Garnet Group does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities 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.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Garnet Group to discuss any questions they may have with a particular solicitation.

#### **Item 18      Financial Information**

- A. Garnet Group does not solicit fees of more than \$1,200 per client, six months or more in advance.
- B. Garnet Group is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Garnet Group has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Garnet Group's Chief Compliance Officer, Annette F. Simon, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**