

Part 2A of Form ADV: Firm Brochure

Item 1      Cover Page



# Capital Ideas



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This brochure provides information about the qualifications and business practices of Capital Ideas It is prepared pursuant to regulatory requirements. If you have any questions about the contents of this brochure, please contact us at the phone number or website listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about Capital Ideas is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Dated: March 12, 2020**

## Item 2 - Material Changes

This brochure is a new document prepared in response to the 2010 amendments to SEC form ADV. It is materially different from previous Capital Ideas filings and includes certain new information that our previous filings did not require.

In the future, Item 2 will be used to provide clients with a summary of material changes that are made to this brochure since the last annual update.

### Summary Of Material Changes:

Please note that there were no “material changes” made to this Brochure since our last delivery or posting of the Brochure on the SEC’s public disclosure website; however, this Brochure does include a number of minor editorial changes and the updated information on our assets under management.



## Item 3 Table of Contents

<b>Part 2A of Form ADV: Firm Brochure</b> .....	1
Item 1    Cover Page .....	1
Item 2    Material Changes .....	2
Item 3    Table of Contents .....	3
Item 4    Advisory Business .....	4
Item 5    Fees and Compensation .....	6
Item 6    Performance-Based Fees and Side-By-Side Management.....	7
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.....	11
Item 11    Code of Ethics, Participation or Interest in Client Transactions & Personal Trading 11	
Item 12    Brokerage Practices .....	12
Item 13    Review of Accounts .....	13
Item 14    Client Referrals and Other Compensation .....	13
Item 15    Custody .....	14
Item 16    Investment Discretion .....	14
Item 17    Voting Client Securities.....	14
Item 18    Financial Information .....	14
Item 19    Requirements for State Registered Advisers .....	14



## Item 4 Advisory Business

### Introduction

Capital Ideas, Inc. (herein referred to as "Capital Ideas", "Firm," "we," "our," "us") is a Registered Investment Advisory firm registered with the U.S. Securities and Exchange Commission ("SEC") since May 25, 2006. We are noticed filed in our home state of Texas which means we are registered to do business in this state. We conduct business in other states by claiming an exemption from registration. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide you, including this Brochure, is information you can use to evaluate us and other advisers, which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship. This Brochure provides information about our qualifications and business practices.

### OWNERSHIP

Capital Ideas is a privately owned corporation headquartered in Dallas, Texas. Clifford J. Brott, Jr. founded Capital Ideas on March 27, 1984. Clifford J. Brott, Jr. and Karen R. Burns are the sole shareholders.

### ADVISORY SERVICES OFFERED

Capital Ideas is an investment advisory firm providing:

- Portfolio Management Services
- Commission Based Discretionary Trading
- Third Party Manager Selection

Portfolios can consist of individual stocks and bonds, options, ETF's, mutual funds, or a combination of any investment vehicles. On an occasional basis, we do provide opinions on interests in partnerships, private placements, hedge funds or other alternative investments without compensation.

Our service constitutes an ongoing process by which:

- a) Your investment objectives, constraints and preferences are identified and specified;
- b) Investment strategies are developed and implemented through a combination of financial assets;
- c) Capital market conditions and your circumstances are monitored; and
- d) Portfolio adjustments are made as appropriate to reflect significant changes to any or all of the above relevant variables.

### PORTFOLIO MANAGEMENT SERVICES:

We are a professional investment advisory firm committed to managing the assets of individuals, families, trusts, estates, charitable organizations, endowments, foundations, and retirement plans on a discretionary basis. On a discretionary basis, we design, revise and reallocate custom portfolios for you.

The investments are determined based upon your investment objectives, risk tolerance, net worth, net income, age, investment time horizon, tax situation and other various suitability factors.

Our portfolio management program is designed to provide you with the appropriate asset allocation, diversification and risk characteristics consistent with prudent portfolio management. We manage equity, fixed income, and balanced portfolios using clearly defined investment objectives and guidelines established in private consultation with each of our clients. We also provide customized reports to implement prudent estate and tax planning strategies.



We construct, manage, execute, and monitor portfolios that meet each client's unique set of needs. In addition, we will provide you with performance reports and optional face-to-face meetings at least on a quarterly basis.

We provide customized reports designed to greatly ease the accounting burden and employ a Certified Financial Planner™ who will work closely with your attorneys and accountants to assist with the design and implementation of prudent estate and tax planning strategies.

#### Commission Based Discretionary Services:

Some clients grant us discretionary trading authority on commission based accounts. No management fees are assessed. No performance reporting is supplied. The dually registered representatives on the accounts will receive fully disclosed commissions only. No principal trades will be allowed. We recognize that a fiduciary relationship exists with these clients and will adhere to all applicable rules and regulations.

Custody of the majority of client accounts for both securities and funds are maintained at Wells Fargo Clearing Services, LLC, designated custodian and clearing firm for Alliance Financial Group, Inc. However, you can select a custodian and/or a broker dealer of your choice but you must negotiate your own custodian and broker fees under these circumstances.

#### THIRD PARTY MANAGEMENT SERVICES:

In addition to in house Portfolio Management services - We offer access to outside Money Managers (TPM's) including but not limited to Luther King Capital Management, Smith Asset Management, and St James Investment Companies, LLP. CI advisers provide continuous due diligence on the TPM's they recommend. TPM's are selected by the clients based on the information provided by our agents and discretion remains with the adviser on the account as to price and number of shares implemented from the outside managers recommendations.

Due diligence will include such items as a review of current management to look for replacements or new additions to the team; performance comparisons to other similar management philosophies; and comparison to a comparable indexes, and most importantly review for appropriateness for client objectives and risk tolerances.

Clients who are referred to TPM's will receive full disclosure, including services rendered and fee schedules at the time of the referral by delivery of a copy of the relevant TPM's brochure or equivalent disclosure document and privacy policy, prior to placing the assets with the Manager.

The TPM may impose a minimum dollar amount for initial client assets for the investment advisory services as disclosed in the management agreement. These minimums may be waived at the TPM's discretion

#### ASSETS UNDER MANAGEMENT:

As of December 31, 2019, Capital Ideas had approximately \$168,053 in discretionary assets under management.



## Item 5 Fees and Compensation

### PORTFOLIO MANAGEMENT PROGRAM FEE SCHEDULE:

<u>Account Balances</u>	<u>Annual Charge</u>
\$0 - \$500,000	Up to 2.0%
\$500,000 - \$1,000,000	Up to 1.5%
Over \$1,000,000	Up to 1.0%

There is no minimum annual fee per account. The fee schedule includes all funds eligible for equity investment, including funds that may be temporarily invested in money market funds. Our account minimums and fees charged are negotiable in situations where your portfolio size begins outside our published fee brackets or in other situations deemed appropriate by us in our sole discretion.

One fourth of the annual fee is payable at the end of each calendar quarter, based on the Portfolio value at the end of that quarter. Fees are calculated on the value of all assets under management on the last business day of the quarter by multiplying the assets under management market value by the relevant percent and dividing such product by four (4). New clients will be pro-rata billed to the next valuation date based on assets placed with us.

Portfolio Management fees will be billed in one of two ways:

(1) Fees will be directly deducted from your account at the custodian quarterly in arrears from your accounts within thirty (30) days following the end of the quarter. We will send the qualified custodian written notice of the amount of the fee to be deducted from your account.

We and/or the custodian shall provide written notice/invoice documentation reasonably supporting the determination of the investment advisor fees. The Custodian will send to you a monthly Account statement that shows the amount of our advisory fee. We will provide an invoice with the value of your assets upon which the fee was based, and the specific manner in which the fee was calculated. We will verify that the Custodian sends Account statements on a quarterly basis.

You should compare invoices for advisory fees to the corresponding custodian statement. Statements should be received from the custodian no less than quarterly. If statements are not received, contact us immediately.

(2) Fees will be directly invoiced on a quarterly basis within (30) days following the end of the quarter and payable within five days of the due date.

#### Termination:

You can request us to cease management supervision at anytime for any reason with a 30-day prior written notice. A pro-rata fee will be charged for services rendered up to the date of termination. If fees were charged in advance, any unearned fees will be refunded after the expiration of the notice period. You will be responsible for any fees or charges incurred by you from third parties as a result of maintaining the account or for any securities transactions executed. In the case that we receive written notice of the termination of the Agreement, we to the best of our ability will fulfill any specific instructions in the written notice. If no specific instructions are given we shall honor our basic fiduciary responsibility to preserve capital.

#### Third Party Investment Adviser Selection Services Fee Schedule:

The fees payable to us for these referral services depend upon the fee arrangement between us and the TPM to whom you are referred to. The basic fee schedule for these services will vary based on the TPM



chosen to provide this service. Administrative fees vary by the program chosen but in general, client's who choose TPM's in consultation with us pay 0.5%-2% of assets under management in addition to brokerage commissions and are negotiable.

The Administrative Fee shall be computed based on the account value at of the close of trading on the last business day of March, June, September and December of the quarter to which such fee relates (each such date, and the date of termination of the Agreement, are herein called an "Administrative Fee Valuation Date"). The Administrative Fee will be charged in arrears, and will be due and payable promptly after the applicable Administrative Fee Valuation Date. In this instance, we will pay the TPM its portion of the fees. In some instances, Clients are invoiced by the TPM who in turn shares a portion of those fees with us. We will receive a portion of the total fees charged to you and in most cases, may receive brokerage commissions. Our share of the fees will usually be 40- 60% of the total fee charged to you.

Complete disclosure of the amount of the fee received by us will be available in the management agreement given to you under "Solicitor Disclosure".

You can terminate the management agreement according to the terms disclosed in the management agreement. If fees are paid prior to service being rendered, and you terminate services, the prorated fees for the portion not used will be returned.

#### ERISA and the Pension Protection Act of 2006 (PPA)

We also have IRA accounts or other retirement accounts which are subject to the Pension Protection Act of 2006 (PPA). In all cases an "eligible investment advice arrangement" or advisory agreement will be executed with the Client. We will be considered a "fiduciary advisor" and will charge fees to the retirement account based on a Level Fees basis which means the fees will not vary depending on the basis of the investment option selected.

#### Additional Types of Fees or Expenses:

In addition, you will pay fees for custodial services, account maintenance, transaction fees and other fees associated with maintaining an account. We share in a portion of such fees. You will also pay commissions on advisory account trades. This is an additional payment to the adviser, over and above the fee based on assets under management.

#### Other Compensation Received:

Many of our client accounts for both securities and funds are maintained at Wells Fargo Clearing Services, LLC (Member FINRA/SIPC), the designated custodian and clearing firm for Alliance Financial Group, Inc. (Member FINRA/SIPC). Most of our advisory agents are registered representatives, principals and owners of Alliance Financial Group, Inc. In this capacity, our advisory agents sell securities through Alliance Financial Group, Inc. and receive discounted commissions and/or 12b1-fees as a result of such purchases and sales. This presents a conflict of interest to the extent that the advisory agent recommends that you invest in a security which results in a commission being paid to the advisory agent. Neither our Firm nor its advisory agents are affiliates of Wells Fargo Clearing Services, LLC.

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

We do not charge performance based fees, nor do we provide side by side management services



## Item 7 Types of Clients

### Client Base:

Our client base consists of individuals; high net worth individuals; pension and profit sharing plans, trusts, estates, charitable organizations, family limited partnerships, corporations and other business entities. These are the types of clients that we service, but we may not have all these types as current clients.

### Conditions for Account Management:

We have imposed a minimum account size of \$500,000 in assets to be managed by us. We will aggregate related accounts in the same household to meet account minimums. We do make exception to this minimum from time to time based on individual factors.

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

### Methods of Analysis & Investment Strategies:

Our analysis is focused on the selection of specific securities for our clients based on the client's investment objectives. We use fundamental and technical analysis along with charting and proprietary trading models. Sources of information include but are not limited to recognized financial publications, advisory letters, filings with the SEC, and historical market data. We also use information provided by outside sources, including websites and other investment advisers, to select and monitor the activities of TPM's.

### Investment Strategy:

We work with you to devise an investment strategy to meet your financial objectives. This includes:

- interviews about long term and short term objectives
- review of existing holdings
- ongoing analysis of invested assets
- advice on best direction for new investments
- updates of specific changes within the market or to particular funds
- regular monitoring of recommended investments and yearly review

The flexibility of our strategies gives us the ability to manage investment risks in all investment markets. Our investment strategy may utilize no load mutual funds and individual stocks bonds, ETF's etc. to diversify across asset classes or uncommon strategies utilizing private equity, hedge funds, real estate, structured notes and other alternative categories. Portfolios are rebalanced on a periodic basis.

### Risk of Loss:

**Investing in securities involves risk of loss that you should be prepared to bear.** The advice offered by our Firm to clients is determined by the areas of expertise of the agent providing the service and the client's stated objective. You are advised to notify us promptly if there are ever any changes in your financial situation or investment objective or if you wish to impose any reasonable restrictions upon our management services. If you wish to impose any reasonable restrictions upon our management services the request must be in writing.





We do not represent, warrant, or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. All securities trading, whether in stocks, options, or other investment vehicles, is speculative in nature and involves substantial risk of loss that you should be prepared to bear. Past performance is not necessarily indicative of future results. You should make every effort to understand the risks involved.

The Principal Risks of Investing include, but are not limited to:

**General Risks:** Investments with us are not a deposit of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Accordingly, you may lose money by investing with us. When investments are sold, they may be worth less than initial amount paid because the value of investments will fluctuate reflecting day-to-day changes in market conditions, interest rates and a number of other factors.

**Allocation Risk:** Our allocation of investments among different asset classes, such as equity or fixed-income assets classes, may have a more significant effect on returns when one of these classes is performing more poorly than others.

**Market Risk:** Stock and bond markets often trade in random price patterns, and prices can fall over

sustained periods of time. The value of the investments will fluctuate as the financial markets fluctuate. This could result in your account value(s) declining over short or long term periods of time.

**Focused and Concentrated Portfolio Risks:** We will often invest your assets in a smaller number of securities than other broadly diversified investment strategies. Our approach is often referred to as "focused, concentrated, or non-diversified". Accordingly, the money we manage may have more volatility and is often considered to have more risk than a strategy that invests in a greater number of securities because changes in the value of a single security may have a more significant effect, either negative or positive, on your overall portfolio value. To the extent we invest assets in fewer securities, or we invest in non-diversified funds that take a focused or concentrated approach, these assets are subject to greater risk of loss if any of those securities become permanently impaired. You may place a restriction on this type of portfolio construction at anytime during your relationship with us.

**Equity Risk:** Investments will be subjected to the risk that stock prices may fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of equity securities in any portfolio may fluctuate drastically from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors will contribute to the volatility and risk of your assets.

**Special Situation Risk:** We may invest your assets in special situations. Investments that may involve greater risks when compared to other strategies due to a variety of factors.

Expected changes may not occur, or transactions may take longer than originally anticipated, resulting in lower returns than contemplated at the time of investment. Additionally, failure to anticipate changes in the circumstances affecting these types of investments may result in permanent loss of capital, where we may be unable to recoup some or all of its investment.

**Foreign Securities Risk:** We have the ability to invest in foreign securities, and, from time to time, a significant percentage of your assets may be composed of foreign investments. Foreign investments involve greater risk in comparison to domestic investments because foreign companies/securities: may have different auditing, accounting, and financial reporting standards; may not be subject to the same degree of regulation as U.S. companies, and may have less publicly available information than U.S. companies; and are often denominated in a currency other than the U.S. dollar. As with any type of security you may place limits on the % of foreign assets you wish to hold or may restrict this asset class altogether, however you must be aware that under investing in these assets may add additional risks your portfolio.



**Currency Risk:** Investments may be subject to currency risk. Currency fluctuations and changes in the exchange rates between foreign currencies and the U.S. dollar could negatively affect the value of your investments in foreign securities.

**Interest Rate Risk:** Investments are subject to interest rate risk. Interest rate risk is the risk that the value of a security will decline because of a change in general interest rates. Investments subject to interest rate risk will usually decrease in value when interest rates rise. For example, fixed-income securities with long maturities typically experience a more pronounced change in value when interest rates change, specifically when rates rise losses are greater.

**Credit Risk:** Your investments are subject to credit risk. An investments credit quality depends on its ability to pay interest on and repay its debt and other obligations.

**Small- to Medium-Capitalization Risk:** We may invest assets in small to medium sized companies. Shares of small to medium sized companies may have more volatile share prices. Furthermore, the securities of small to medium companies often have less market liquidity and their share prices can react with more volatility to changes in the general marketplace.

**Junk Bond/High-Yield Security Risk:** We may invest assets in Junk Bonds or High-Yield, lower rated securities. Investments in fixed-income securities that are rated below Investment grade can be subject to greater risk of loss of principal and interest than investments in higher-rated fixed-income securities. The market for high yield securities may be less liquid than the market for higher-rated securities. High yield securities are also generally considered to be subject to greater market risk than higher-rated securities. The capacity of issuers of high yield securities to pay interest and repay principal is more likely to weaken than is that of issuers of higher-rated securities in times of deteriorating economic conditions or rising interest rates.

**Prepayment Risk:** Investments may be subject to prepayment risk. Prepayment risk occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a security can be difficult to predict and result in greater volatility.

**Inflation Risk:** This is the risk that the value of assets or income will be worth less in the future because inflation decreases the value of your money. As inflation increases, the value (purchasing power) of your assets can decline. This risk increases as we invest a greater portion of your assets in fixed-income securities with longer maturities.

**Liquidity Risk:** Liquidity risk exists when particular investments have light trading volume and can be difficult to trade, possibly preventing us from selling out of these illiquid securities at an advantageous price.

## **Item 9 Disciplinary Information**

Our Firm does not have any material facts about legal or disciplinary events that are material to your evaluation of the Firm or the integrity of our management or its advisory agents to disclose. Your confidence and trust placed in our Firm and its advisory agents is something we value and endeavor to protect



## Item 10 Other Financial Industry Activities and Affiliations

### Relationship with Alliance Financial Group, Inc.:

Custody for the majority of our client accounts for both securities and funds are maintained at Wells Fargo Clearing Services, LLC (Member FINRA/SIPC), the designated custodian and clearing firm for Alliance Financial Group, Inc. (Member FINRA/SIPC). Some of our advisory agents are principals, owners and registered representatives of Alliance Financial Group, Inc. In this capacity, our advisory agents sell securities through Alliance Financial Group, Inc. and receive discounted commissions and/or 12b1-fees as a result of such purchases

and sales. This presents a conflict of interest to the extent that the advisory agent recommends that you invest in a security which results in a commission being paid to the advisory agent and it is fully disclosed on every trade. Neither our Firm nor its advisory agents are affiliates of Wells Fargo Clearing Services, LLC.

### Third Party Advisor Relationships:

We have third party advisory relationships with Wells Fargo Clearing Services Corp, Luther Capital Management and Smith Group Asset Management, and St. James Investments, LLP. We may develop other third party advisory arrangements with other unaffiliated RIA's at our discretion.

A Solicitor's Disclosure Statement is provided to you prior to choosing a TPM, pursuant to SEC Rule 206(4)-3. The Solicitor's Disclosure Statement provides, among other things, disclosure regarding the affiliation, if any, between our Firm and the third-party adviser: the terms of the solicitation agreement between our Firm and the third-party adviser, including the amount of compensation to be paid to our Firm for the solicitation; and the additional cost to you if any, as a result of the solicitation agreement.

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

### Code of Ethics:

We have adopted a Code of Ethics Policy to prohibit conflicts of interest from personal trading by our advisory personnel and have established standards of conduct expected of our advisory personnel. We have set forth in the Code of Ethics Policy statements of general principals, required course of conduct, reporting obligations, and review and enforcement of the Code of Ethics Policy. We will provide a copy of the Code of Ethics Policy to our clients or prospective client's upon written request and it is available on our website [www.cap-ideas.com](http://www.cap-ideas.com)

### Participation or Interest in Client Transactions / Personal Trading:

Most of our advisory agents are also registered securities representatives and principal owners of Alliance Financial Group, Inc. (Member FINRA/SIPC), an affiliated registered broker-dealer. The dually registered advisory agents will receive compensation from Alliance Financial Group, Inc. in connection with security transactions effected for the accounts the advisory agents manage for our firm. Therefore there is a financial incentive to use Alliance Financial Group, Inc. to effect security transactions for the client accounts.

Our Advisory Agents may buy or sell for themselves securities that they also recommend to you. These investment vehicles are bought and sold on the same basis as our clients. We frequently use block trading and allocate trades to our agents at the same price as our clients. All personal trading is monitored and affected with commitment to our fiduciary relationship to our clients. We do everything possible to mitigate any conflicts. Our agents act in the best interest of our clients.



## Item 12 Brokerage Practices

### Brokerage Selection:

We generally recommend Alliance Financial Group, Inc. (AFGI), (Member FINRA/SIPC), to handle securities transactions. Custody of your accounts for both securities and funds will be maintained at Wells Fargo Clearing Services, LLC (Member FINRA/SIPC) the designated custodian and clearing firm for Alliance Financial Group, Inc., if you choose AFGI as the broker dealer.

We believe the synergies of expense sharing, the ability to negotiate low commissions, and the ability to eliminate another layer of trading cost results in an added benefit to you our client. Factors which we consider when recommending Alliance Financial Group, Inc. include their reputation, execution, pricing, and service. We understand and acknowledge that at all times we owe a fiduciary duty to you to obtain best execution for transactions. We believe that our relationship with Alliance Financial Group, Inc. helps us to execute securities transactions in such a manner that total cost in each transaction is competitive under prevailing market conditions.

However, accounts with Alliance Financial Group, Inc., as a full service broker/dealer, may not obtain best execution at all times. The commissions and/or transactional fees charged by Alliance Financial Group, Inc. may be higher or lower than those charged by another broker-dealer. We conduct regular assessments of Alliance Financial Group, Inc.'s ability to offer a competitive brokerage services to our clients.

It is our policy to allow you to select a broker on the basis of the best combination of cost and execution capability. Subject to its best execution obligations, we intend to use AFGI to effect all or substantially all client securities transactions.

You are not obligated to transact business through Alliance Financial Group, Inc. TPM's may utilize other qualified custodians such as Charles Schwab and TD Ameritrade or others. However, if another broker dealer is chosen by the TPM or you CI will not be responsible for negotiating custody and transaction fees.

### Additional Services Received by our Firm:

We receive from AFGI access to product research, services, technology and other educational information to help us operate efficiently, grow our business and deliver exceptional service to you. Wells Fargo Clearing Services, LLC and other financial service companies provides some or all of these services. You are not charged for these services and the information received is used to benefit all clients of our Firm. Due to the relationship of the dually registered advisory agents and principals of CI and Alliance Financial Group, Inc. most trades are directed to Alliance Financial Group, Inc. However, CI fully compensates Alliance Financial Group, Inc. for all services, products and the research it uses in addition to but not limited to rent, quote systems, personnel, office supplies, etc. Although commission costs may be lower through other broker-dealers we believe that by directing trades to Alliance Financial Group, Inc. overall costs to the clients are lower by minimizing the bid/ask spreads and decreasing the risk of slippage. We have no soft dollar arrangements.

### Directed Brokerage:

If a client wants to direct trades to a particular broker dealer to handle security transactions then the client is responsible for the custodian fee arrangement. Clients should understand that this might prevent us from effectively negotiating brokerage compensation or obtaining the most favorable net price and execution.



When directing brokerage business away from Alliance Financial Group, clients should consider whether the commission expenses, execution, clearance and settlement capabilities obtained through another broker dealer are favorable in comparison to those that Alliance Financial Group, Inc provides. We do evaluate periodically the execution performance of the broker-dealers including Alliance Financial Group, Inc. We encourage you to discuss available alternatives with our advisory agents.

#### Brokerage for Client Referrals:

Neither our Firm nor our Advisory Agents receive client referrals from a broker dealer or other third party that ties them to a specific broker dealer.

#### Trade Allocation:

We provide investment management services to various clients. Frequently trades in specific securities are executed in large blocks, execution prices are averaged and trade allocations are put into the accounts at the average price. On occasion, some accounts may be evaluated separately and the decision to buy or sell a security will be determined at a different time and the price may differ from the average price allocated to other clients. This is especially true with the recommendations from our TPM's. TPM recommendations are evaluated by the advisor when received and at the advisors discretion the timing and size of the trades are executed for the client based on their individual objectives.

### Item 13 Review of Accounts

Account reviews are provided at least quarterly, but at a minimum shall be reviewed annually or by your request. Reviews may be warranted more frequently due to tax law changes, market changes, market conditions or changes in individual circumstances. Clients may request a review at any time for any reason. The review will be conducted by the advisor on the account.

Statements and confirmations are furnished by the custodian of the account such as Wells Fargo Clearing Services, LLC or Bank of America through your selected Broker Dealer such as Alliance Financial Group or Merrill Lynch. Clients receive from us at least quarterly performance reports that detail the current value of each position, asset allocation, rate of return, aggregate account value, and other pertinent information. Client's are encouraged to compare the independent valuations of the custodian with the valuations provided by our reporting system and to notify us if there are any material discrepancies.

### Item 14 Client Referrals and Other Compensation

#### Client Referrals:

We may enter into arrangements with individuals or entities (the "Solicitor") under which the Solicitor will refer potential clients to us for investment advisory services. In return, we will agree to pay to such Solicitor a referral fee, which may be a fixed amount or a percentage of the advisory fee collected. Remuneration to the Solicitor is predicated on the prospect entering into an advisory agreement with our Firm. This sharing of fees will not result in you paying a higher fee than our published fee schedule.

The Solicitor will be properly registered (where applicable) and the arrangement will be disclosed in writing to all clients referred by the Solicitor. A copy of such disclosure will be signed by you and will be maintained in our files.



#### Other Compensation:

No other compensation is received other than what is already disclosed.

#### Item 15 Custody

Your funds and securities will be maintained with a “qualified custodian” as required under Rule 206(4)-2 under the Advisers Act and we will not take physical possession of any client funds or securities. Custody for a majority of our client accounts for both securities and funds are maintained at Wells Fargo Clearing Services, LLC, the designated custodian and clearing firm for Alliance Financial Group, Inc. We are deemed to have custody of the funds as a consequence of its authority to make withdrawals from your account to pay our advisory fee. However, a surprise examination is not required because we have written authorization from each client to deduct advisory fees from the account held with the qualified custodian and each time a fee is directly deducted from a client account, (i) we concurrently: send the qualified custodian an invoice or statement of the amount of the fee to be deducted from your account; and (ii) the custodian sends you a statement itemizing the fee

Account statements are sent at least quarterly from the custodian and you should be carefully reviewed by you.

#### Item 16 Investment Discretion

Unless otherwise negotiated, clients have granted our Firm sole and absolute discretion in the management of your portfolio and periodic re-balancing as determined by the adviser through in depth discussions with each client regarding, objectives, and risk tolerances including each individual's ability and willingness to take investment risks. In the exercise of its authority, we are fully authorized and empowered to place orders to brokers, dealers, mutual funds, or other persons with respect to the purchase, sale, exchange, disposition or liquidation of any assets held in your portfolio. We have limited authority to sell or redeem securities holdings in sufficient amounts to pay advisory fees

Clients may pay fees directly from the account or they may send in payment from outside the managed portfolios.

#### Item 17 Voting Client Securities

We do not have any authority to and do not vote proxies on behalf of advisory clients. Client's retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. To this end, we will instruct the custodian to forward all proxy material directly to you. We shall forward any proxy materials we receive that pertain to the Assets in client accounts to the respective clients, or to the Advisor(s) for an employee benefit plan covered by ERISA, unless the plan's trust agreement provides otherwise. You can contact our office at 214-750-4400 for any questions about a particular solicitation.

#### Item 18 Financial Information

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. We do not have any financial condition that is reasonably likely to impair the ability to meet contractual commitments to you.

#### Item 19 Requirements for State Registered Advisers

Not applicable, we are an SEC registered investment adviser.

