

## I. Cover Page

### Part 2A of Form ADV

03/15/2021

#### **Sterneck Capital Management, LLC**

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This brochure outlines the qualifications and business practices of Sterneck Capital Management, LLC. For questions, please contact us: 816-531-2254, or [info@sterneckcapital.com](mailto:info@sterneckcapital.com). You may also contact Brandie Giffin, Chief Compliance Officer at 816-268-2243, or [bgiffin@sterneckcapital.com](mailto:bgiffin@sterneckcapital.com).

The information in this brochure has not been approved or certified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Sterneck Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Sterneck Capital is a SEC Registered Investment Advisor (RIA). The RIA status does not imply a certain level of skill or training. The CRD number for Sterneck Capital is 111463.

## II. Material Changes

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Our Firm has had the following material changes since our last amendment filed on March 23, 2020:

### Item IV: Advisory Business

- Our Firm reorganized our ownership and control structure. As of January 1, 2021, Frank Sterneck and Robin Sterneck became equal owners.

### Item XIV: Compensation for Client Lead Generation

- Our Firm pays a flat fee to participate in an online matching program that seeks to match prospective advisory clients with investment advisers. The program provides information about investment advisory firms to persons who have expressed an interest in such firms. The program also provides the name and contact information of such persons to the advisory firms as potential leads.

### Item IV: Offered Services

- Sterneck Capital also provides executive coaching to interested clients in an effort to support their professional advancement and success. Our interactive coaching model is based upon best practices, organizational research, behavioral science, executive experience and live case studies.

### Item VXIII: PPP Loan

- Financial Information. Item 18 was updated to reflect a Paycheck Protection Plan Loan was received and forgiven in conjunction with the relief afforded from the CARES Act.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above, or you may contact **Brandie Giffin, Chief Compliance Officer at 816-268-2243, or [bgiffin@sterneckcapital.com](mailto:bgiffin@sterneckcapital.com)**. A copy of this Brochure is also posted on the firm’s website: [www.sterneckcapital.com](http://www.sterneckcapital.com).

We encourage you to read this document in its entirety.

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## IV. Advisory Business

### The Firm

Sterneck Capital Management, LLC (hereinafter “SCM” the “Investment Manager” or “Advisor”) has been in business since 1989 and is owned by Frank Sterneck and Robin Sterneck. SCM offers wealth management services and investment advice relative to the purchase and sale of securities in the management of investment portfolios.

SCM provides advisory services for individual and joint accounts, trusts, IRAs, 401Ks, 529s, foundations and GRATs. SCM also provides fiduciary advisory services to retirement plan sponsors. In addition to investment advisory services, SCM may provide financial planning services and executive coaching to clients.

### Investment Management Services

We manage advisory accounts on a discretionary basis. For discretionary accounts, once we have determined a profile and investment plan with a client, we will execute the day to day transactions without seeking prior client consent. Account supervision is guided by the written profile and investment plan of the client. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various equities, Exchanged Traded Funds (“ETFs”), mutual funds, debt securities and private investments in accordance with their stated investment objectives.

During personal discussions with clients, we determine the client’s objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also review a client’s prior investment history, as well as family composition and background. Based on client needs, we develop a client’s personal profile and investment plan. We then create and manage the client’s investments based on that policy and plan. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

Once we have determined the types of investments to be included in your portfolio and allocated them, we will provide ongoing investment review and management services. This approach requires us to periodically review your portfolio.

With our discretionary relationship, we will make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We trade these portfolios based on the combination of our market views and your objectives, using our investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

We do have limited authority to direct the Custodian to deduct our investment advisory fees from your accounts, but only with the appropriate written authorization from you. Where appropriate, we provide advice on any type of legacy position held in client portfolios. Typically, these are assets that are ineligible to be custodied at our primary custodian. Clients will engage us to advise on certain investment products that are not maintained at their primary custodian, such as annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans).

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account's performance. This could result in capital losses in your account.

### **Financial Planning**

Financial planning is a service that may be offered to clients. An incremental financial planning fee may be charged for clients with assets under management and households that do not have assets under management. The fee is negotiable based on scope of service. (See Item V. Fees and Compensation.)

Financial advisory services provided by SCM may include the analysis of a client's situation and assistance in identifying and implementing appropriate financial planning and investment management techniques to help clients meet their specific financial objectives. Such services may include a written financial analysis and specific or general investment and/or planning recommendations.

When preparing a financial plan, SCM may address any or all six areas of financial planning established by the National Endowment for Financial Education and endorsed by the Certified Financial Planner Board of Standards, depending on a client's specific needs. These include: financial position, protection planning, investment planning, income tax planning, retirement planning, and estate planning.

SCM specific services in preparing a plan may include:

- Determining appropriate income planning strategies for both pre- and post-retirement;
- Reviewing existing and proposed investment asset mixes to help a client meet their financial objectives. This would include reviewing risk/return issues and a suggested plan of action consistent with a client's risk tolerance and overall financial objectives.
- Calculating a client's pre-retirement savings and investing needs;
- Assessing a client's overall financial position including net worth, cash flow, and debt;
- Providing a comprehensive analysis of IRA-related issues including rollover, distribution, and inheritance planning options;
- Evaluating strategies designed to maximize the utilization and protection of IRA assets;
- Estimating federal estate taxes and suggesting a plan of action to help meet estate planning objectives. This is not to be a substitute for professional tax advice from a qualified tax professional;
- Reviewing and determining life and disability insurance needs;
- Providing suggestions for minimizing federal and state income tax obligations; and
- Developing investment strategies consistent with business ownership secession and transition planning, if applicable.

### **Retirement Plan Advisory**

The Retirement Plan Advisory Service is offered to retirement plan sponsors and is generally charged an asset-based management fee which is negotiable based on the scope of service.

The Retirement Plan Advisory Services offered by SCM consists of assuming fiduciary responsibility from the employer plan sponsors as SCM establishes, monitors and reviews a company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising can include: third-party administrator and record keeper selection, plan structure, investment options, and participant education.

SCM will establish a plan sponsor's needs and objectives through an initial meeting to collect data, review plan information, and assist in developing or updating the plan's provisions. Ongoing services may include selection and review of unaffiliated mutual funds that, in SCM's judgment, are suitable for plan assets to be invested. SCM periodically reviews the investment options to determine whether to keep or replace plan investment options as appropriate. SCM performs a comprehensive review of potential service providers or vendors and will assist with converting the plan from the incumbent service provider to a new administrator and record keeper, as applicable.

Services available under an Investment Advisory Agreement permit SCM to provide financial education to the plan participants. The scope of education provided to participants and delivery method is agreed upon but will not constitute "investment advice" within the meaning of ERISA. Participant education will relate to general principles for investing and information about the investment options currently in the plan. SCM may also participate in initial enrollment meetings and periodic workshops and enrollment meetings for new participants, as agreed upon.

### **Tailored Service**

Prior to initiating an investment program, Sterneck Capital Management, LLC attempts to learn each client's total net worth, liquid net worth, marital status, current income, income needs, investment experience, investment time horizon, financial goals and objectives and willingness and ability to tolerate risk (generally regarded as price volatility and probabilities of negative outcomes). Clients specify securities or asset classes they do not want to own.

Within this strategic framework, a target asset allocation will be established. Once agreed upon, Sterneck Capital will begin the tactical implementation of this strategy utilizing individual securities, ETF's, mutual funds, closed end funds, interval funds and other available investment vehicles in an effort to satisfy client risk and return goals.

With proper agreements in place between SCM and a client, and the brokerage firm and a client, SCM has full authority in its discretion to purchase, sell, tender, exchange, convert or exercise and otherwise acquire or dispose of, and trade and deal in or with, securities.

### **Executive Coaching**

Sterneck Capital also provides executive coaching services to interested Investment Management clients in an effort to support their professional advancement and success. Our interactive coaching model is based upon best practices, organizational research, behavioral science, executive experience and live case studies.

### **Assets Under Management**

Our Regulatory Assets Under Management as of 12/31/2020:

|                   |                       |
|-------------------|-----------------------|
| Discretionary     | <b>\$ 212,134,521</b> |
| Non-Discretionary | <b>\$ 20,960,543</b>  |
| Total             | <b>\$ 233,095,065</b> |

## **V. Fees and Compensation**

### **Description**

SCM is compensated for advisory services through asset-based management fees and flat-fee rates. Annual asset-based fees range from 0.40% to 1.50%, with a 1.0% management fee being most typical.

Management fees are subject to negotiation. The management fee outlined in each client's Management Agreement is largely a factor of the value of household's assets under management, investment mandate, and continuity of former fee arrangements. In cases where a purchase agreement with another Investment Advisor resulted in the transition of client relationships to Sterneck Capital Management, the clients' management fee did not change. In some cases, this results in clients paying fees at the high end of the management fee scale, but not greater than 1.50%.

Certain consulting arrangements are performed on a flat-fee basis, with fees commensurate to the agreed upon scope of service. The negotiated initial rate for creating a financial plan for a non-managed client (person without assets under management), or client with assets under management, could range between \$250 and \$3,500. Fees are charged in arrears upon completion and can be paid by check, or ACH. Clients with assets under management can choose to have the initial financial plan fee deducted along with their standard management fee. The final negotiated rate depends upon a number of factors including the type and value of assets being addressed in the plan and under management, the number of different individuals being considered (e.g., multiple family members), the plan's complexity, the amount of time it takes to prepare and refine the plan, and any deadlines or time sensitive components for the plan's completion.

Sterneck Capital may charge a negotiated recurring annual fee to review and update a client's financial plan after the initial plan creation. Negotiated fees are based on a number of factors impacting the complexity of the financial plans' review and revisions. Fees are charged in arrears upon completion of the annual review and can be paid by check, or ACH. Clients with assets under management can choose to have the annual financial plan review fee deducted along with their standard management fee.

Fees charged to clients may be higher or lower than the aforementioned fees depending on the nature of any preexisting relationship, the complexity of the accounts, or terms and conditions of any outstanding or pre-existing verbal or written agreement to which SCM is a party.

### **Billing Method**

Each client has a choice whether to pay their management fees via check or have it deducted directly from the account. Clients are billed quarterly a percentage of the gross assets of the account at the end of each fiscal quarter, adjusted for contributions and withdrawals made during the quarter. Fees may be assessed on all assets under management, including securities, cash and money market balances. Regarding the application of management fees, margin debit balances do not reduce the value of assets under management. Such fees are payable following the end of each fiscal quarter and shall be prorated for periods less than a full calendar quarter.

### **Other Fees**

Clients may experience other indirect fees such as:

*Mutual fund management fees* – SCM may invest client portfolio assets in mutual funds or exchange traded funds (“ETFs”). Mutual funds and ETFs have certain underlying expenses, detailed in the prospectuses provided to clients, borne indirectly by their owners. To the extent that SCM charges a direct fee to the portfolio (or its owner), such a fee is in addition to the indirect cost of owning a mutual fund and/or ETF.

*Executing Broker commission (equity)*—For equity transactions effected through Executing Brokers, client accounts may pay up to .05 per share. *Executing broker commission (bonds)*—For bond transactions effected through Executing Brokers, the security price offered by the Executing Broker includes a commission payable to the broker.

Sterneck Capital may include mutual funds and exchange traded funds, (“ETFs”) in our investment strategies. Sterneck Capital policy is to purchase institutional share classes of those mutual funds selected for the client’s portfolio. The institutional share class generally has the lowest expense ratio. The expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for funds expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Some fund families offer different classes of the same fund and one share class may have a lower expense ratio than another share class. These expenses come from client assets which could impact the client’s account performance. Mutual fund expense ratios are in addition to our fee, and we do not receive any portion of these charges. If an institutional share class is not available for the mutual fund selected, the adviser will purchase the least expensive share class available for the mutual fund. As share classes with lower expense ratios become available, Sterneck Capital may use them in the client’s portfolio, and/or convert the existing mutual fund position to the lower cost share class. Clients who transfer mutual funds into their accounts with Sterneck Capital would bear the expense of any contingent or deferred sales loads incurred upon selling the product. If a mutual fund has a frequent trading policy, the policy can limit a client’s transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting). All mutual fund expenses and fees are disclosed in the respective mutual fund prospectus.

When selecting investments for our clients’ portfolios we might choose mutual funds on your account custodian’s Non-Transaction Fee (NTF) list. This means that your account custodian will not charge a transaction fee or commission associated with the purchase or sale of the mutual fund.



The mutual fund companies that choose to participate in your custodian's NTF fund program pay a fee to be included in the NTF program. The fee that a mutual fund company pays to participate in the program is ultimately borne by the owners of the mutual fund including clients of our Firm. When we decide whether to choose a fund from your custodian's NTF list or not, we consider our expected holding period of the fund, the position size and the expense ratio of the fund versus alternative funds. Depending on our analysis and future events, NTF funds might not always be in your best interest.

SCM receives no form of compensation other than the management fee outlined in each client's management agreement and when applicable, a negotiated incremental fee for financial planning services. SCM has no vested interest in any of these other fees, other than taking advantage of research and access to securities for the benefit of client portfolios. All fees outlined above have adverse impacts on performance, thus SCM's interest is to ensure a fee is commensurate with the value being provided. All broker-dealers selected by SCM to act as an Executing Broker for its clients' accounts are unaffiliated third parties.

#### **Fees Paid In Advance**

Individually managed accounts pay their management fee in arrears, based on the value of the assets at the end of the quarter.

#### **Sales Commission**

SCM receives no form of compensation resembling a sales commission.

## **VI. Performance Based Fees and Side-By-Side Management**

SCM does not receive performance-based fees.

## **VII. Types of Clients**

The types of clients SCM generally provides advice to are individuals, trustees, charitable organizations, corporations and plan sponsors. The recommended minimum portfolio size is \$500,000 but is negotiable based on considerations such as client or advisor relationships, objectives, net worth and earning potential.

## **VIII. Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Account Management**

SCM defines itself as a multi-cap, value manager with a broad expertise in the equity, fixed – income, options and alternative markets. The firm relies on fundamental analysis and to a lesser extent quantitative analysis, believing fundamentally sound companies are good to own, but should be purchased at the right price. Generally, SCM operates with a long-term focus and often buys on weakness and sells on strength.

Sterneck Capital has defined a security selection process managed by the SCM Investment Committee. The output of the selection process is specific buy/sell/hold decisions. The inputs for the process are the varying sources of information and tools used by the Investment Committee

in making their buy/sell/hold decisions. These sources of information are equity screens, industry journals/periodicals, SCM independent research, sales brokers, watch lists, and technical analysis.

Investing in securities carries an inherent risk of loss investors must be prepared to bear. The committee recognizes *diversification* and *discipline* are two keys to successful portfolio design that can dampen risk to the portfolio. Diversification is a tool rooted in humility, knowing future market events are unpredictable, SCM prudently diversifies across and within asset classes, so no single security selection or holding determines success or failure. Diversification is also achieved thru low or non-correlated alternatives, which typically perform independent of traditional asset classes. Discipline prompts the committee's continuous and dispassionate reexamination of prior investment decisions in the light of additional information.

Sterneck Capital may use margin in client accounts, as a tool to help cover short-term cash needs. Generally, use of significant or long-term margin is done at the specific request of the client.

### **Security Types**

Within the broad equity and fixed income asset classes, SCM has many tools from which to choose. Each security type listed below has associated risk and return characteristics. Each is weighed by Sterneck Capital when constructing and managing a diversified portfolio designed to realize a client's articulated goals while reducing portfolio risk across and within traditional and non-traditional asset classes.

The types of securities frequently considered by Sterneck Capital:

| Equity Oriented  | Fixed Income Oriented   |
|--|---|
| <ul style="list-style-type: none"><li>• Common Stock</li><li>• Preferred Stock</li><li>• Master Limited Partnerships (MLPs)</li><li>• Real Estate Investment Trusts (REITs)</li><li>• Open-Ended Mutual Funds</li><li>• Closed-Ended Mutual Funds</li><li>• Interval Based Mutual Funds</li><li>• Exchange Traded Funds (ETFs)</li><li>• Call/Put Options</li><li>• Private Placements</li></ul> | <ul style="list-style-type: none"><li>• Corporate Bonds</li><li>• Municipal Bonds</li><li>• Agency Bonds</li><li>• Mortgage-Backed Notes</li><li>• Index-Linked Notes</li></ul> |

\*Securities listed may not be appropriate for all clients

### **Material Risks**

Sterneck Capital Management believes diversification is a key to dampening risk (volatility) within a portfolio. Portfolios are created based on the individual needs and circumstances of the client and will hold a broad array of individual securities and/or mutual funds, at the discretion of the portfolio manager, to satisfy those needs.

Past performance is not indicative of future results. Therefore, a client should never assume future performance of any specific investment or investment strategy will be profitable.

Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the diverse types of investments there may be varying degrees of risk. Clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systematic risk.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Equity (stock) market risk:** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk:** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- **Fixed Income Risk:** When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

- **Options Risk:** Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options on positions held (covered options) are highly specialized activities and entail greater than ordinary investment risks. The types of options strategies (buy-writes and covered calls) most commonly used by SCM represent strategies designed to dampen risk, though this activity does not result in hedged positions.
- **Uncovered Option Risk:** Uncovered writing of put and call options reflect unlimited liability as the potential for loss can exceed the premiums collected. Because options are inherently leveraged, modest price moves in the underlying security are magnified as a percentage impact on the option price. Significant loss potential exists.
- **ETF and Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if there is a high interest in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** The possibility that shareholders will lose money when they invest in a company that has debt if the company's cash flow proves inadequate to meet its financial obligations.
- **Actuarial Risk:** Actuarial tables reflect the probabilistic outcome in the future, based on analysis of what has occurred over a large sample size in the past. Actuarial tables can be used to set the price (or premiums) for certain investments.
- **Underwriting Risk:** Certain investments rely on the subjective and objective review of factors that comprise the risk associated with a specific investment decision. The underwriting analysis contributes to the purchase price or interest rate one is willing to offer when considering the investment.
- **Cybersecurity Risk:** In addition to the Material Risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at SCM or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm's ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because SCM does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

- Digital Currency Risk:** Our Firm's use of digital currency in a client portfolio is limited only to publicly traded securities that passively or actively invest in digital currency assets. The shares of certain Products are also publicly quoted on OTC Markets and shares that have become unrestricted in accordance with the rules and regulations of the SEC may be bought and sold throughout the day through any brokerage account. Cryptocurrency (notably, bitcoin), often referred to as "virtual currency", "digital currency," or "digital assets," operates as a decentralized, peer-to-peer financial exchange and value storage that is used like money. If deemed appropriate, Clients may have exposure to bitcoin, a cryptocurrency. Cryptocurrency operates without central authority or banks and is not backed by any government. Cryptocurrencies (i.e., bitcoin) may experience very high volatility. Cryptocurrency is also not legal tender. Federal, state, or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in the U.S. is still developing. The SEC has issued a public report stating U.S. federal securities laws require treating some digital assets as securities. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers, or malware. Due to its relatively recent launch, bitcoin has a limited trading history, making it difficult for investors to evaluate investments in this cryptocurrency. It is possible that another entity could manipulate the blockchain in a manner that is detrimental to the bitcoin network. Bitcoin transactions are irreversible such that an improper transfer can only be undone by the receiver of the bitcoin agreeing to return the bitcoin to the original sender. Digital assets are highly dependent on their developers and there is no guarantee that development will continue or that developers will not abandon a project with little or no notice. Third parties may assert intellectual property claims relating to the holding and transfer of digital assets, including cryptocurrencies, and their source code. Any threatened action that reduces confidence in a network's long-term ability to hold and transfer cryptocurrency may affect investments in cryptocurrencies. Investments in the Products are speculative investments that involve high degrees of risk, including a partial or total loss of invested funds. The shares of each Product are intended to reflect the price of the digital asset(s) held by such Product (based on digital asset(s) per share), less such Product's expenses and other liabilities. Because each Product does not currently operate a redemption program, there can be no assurance that the value of such Product's shares will reflect the value of the assets held by such Product, less such Product's expenses and other liabilities, and the shares of such Product, if traded on any secondary market, may trade at a substantial premium over, or a substantial discount to, the value of the assets held by such Product, less such Product's expenses and other liabilities, and such Product may be unable to meet its investment objective.

### **Security Risks**

- Real Estate Industry and REIT Risks:** SCM may invest in companies in the real estate industry. Accordingly, SCM investments will be subject to the risks incident to ownership and development of real estate, including risks associated with changes in the general economic climate that create vacancies or put downward pressure on rental rates, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, accelerated construction activity, technological innovations that dramatically alter space requirements, the availability of debt and other financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks (including possible terrorist activity), and government regulations.

Further, certain real estate investment trusts (“REITs”) have relatively small market capitalizations, which may tend to increase the volatility of the market price of securities issued by such REITs. REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in operating and financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to investors.

- **Real Estate-Related Debt Securities:** SCM may invest a portion of their assets in real estate related debt securities. Investments in real estate-related debt securities will involve special risks relating to the particular issuer of the securities, including the financial condition, liquidity, results of operations, business and prospects of the issuer. Debt securities are often unsecured and may also be subordinated to other obligations of the issuer. These real estate-related debt securities may include instruments that are not rated or are rated non-investment grade by one or more rating agencies. Investments that are not rated or are rated non-investment grade have a higher risk of default than investment grade rated assets and therefore may result in losses. Investments in real estate-related debt securities will also involve risks relating to mortgage loans and mortgage-backed securities and similar risks, including: risks of delinquency and foreclosure, and risks of loss in the event thereof; the dependence upon the successful operation of, and net income from, real property; risks generally incident to interests in real property; and risks specific to the type and use of a particular property. Investments in real estate-related debt may also include subordinated loans. In the event a borrower defaults on a loan and lacks sufficient assets to satisfy such loan, the lender may lose all or a significant part of their investment, which would result in losses. In the event a borrower becomes subject to bankruptcy proceedings, the lender generally will not have any recourse to the assets of the borrower that are not pledged to secure the loan, if any, and the unpledged assets of the borrower may not be sufficient to satisfy their loan. If a borrower defaults on a loan or on its senior debt, or in the event of a borrower bankruptcy, the loan will be satisfied only after all senior debt is paid in full. Where senior debt exists, the presence of inter-creditor arrangements may limit the subordinated lender’s ability to amend the loan documents, assign the loan, accept prepayments, exercise remedies and control decisions made in bankruptcy proceedings relating to borrowers.
- **Hard Assets:** The production and marketing of hard assets may be affected by actions and changes in governments. In addition, the hard asset securities that SCM invests in may be cyclical in nature. During periods of economic or financial instability, hard asset securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset companies may also be subject to the risks generally associated with extraction of natural resources, such as the risks of mining and oil drilling, and the risks of the hazards associated with natural resources, such as fire, drought, increased regulatory and environmental costs, and others. Hard asset securities may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities may rise at a faster rate, and conversely, in time of falling hard asset prices, such securities may suffer a greater price decline.
- **Non-U.S. Securities:** Investing in securities of non-U.S. governments and non-U.S. companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and

opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

- **Private Alternatives Risks:** SCM will not provide discretionary investment management services regarding Private Alternative Investment but may pursue and recommend certain Private Alternative investments for suitable clients. Such investments are often non-correlated to the stock market which may add diversification to a portfolio to help mitigate volatility yet can be more complex and volatile than traditional investments. The majority of Alternative investments have specific lock-up periods where the investment is illiquid making them difficult to exit and price on a regular basis.
- **Valuation of Non-Public Pricing Entities:** To the extent non-public pricing entities are used, SCM carries the asset at cost unless or until there is a material event that prompts repricing, or there is a transaction that monetizes the investment. Liquidation prices may vary materially, positively or negatively, during the course of the investment. Pricing is trued up/down at the liquidation of the asset.

Sterneck Capital performs regular and frequent review of non-public pricing entities, but no less than quarterly. Factors considered may include but are not limited to updated financials, interviews, manager pricing assessments and periodic site visits, when applicable, are evaluated to identify material events that would prompt repricing an asset other than at cost prior to liquidation.

An Addendum to the advisory Management Agreement as acknowledgement of the risk and fair valuation of Private Alternatives will be signed by the client.

## **IX. Disciplinary Information**

SCM does not have any legal, financial or other “disciplinary” items to report

## **X. Other Financial Industry Activities and Affiliations**

### **Material Relationships – General Statement**

From time to time, Sterneck Capital Management clients express the need for certain professional services, and SCM can refer clients to trusted accountants, lawyers, estate planners, and insurance agents, etc. Occasionally these professionals will refer clients to Sterneck Capital. There is no formal arrangement, nor is there any form of remuneration for such referrals, thus there is no material conflict of interest.

### **Broker Dealers, Bond Dealers**

Standardly Sterneck Capital works only with our primary custodian/broker dealer to execute security transactions and custody client assets. The cost of these services is paid for by the client, based on the transaction costs. (See section V for more detail.) SCM does not work with equity sales brokers or bond dealers to execute security transactions.

### **Pooled Investment Vehicles**

Sterneck Capital routinely invests client assets in publicly traded mutual funds and closed-ended mutual funds, master limited partnerships, exchange traded funds, etc. These investments have their own underlying expense (see section V more detail). There is no material conflict of interest.

### **Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor**

From time to time Sterneck Capital Management may invest client assets in investment vehicles that may have exposure in the futures markets and commodity derivatives. These investments are not customary practice and typically are reserved for clients who have a sophisticated understanding of risk.

### **Sponsor or syndicator of Limited Partnerships**

Sterneck Capital will evaluate non-public investment opportunities in pursuit of diversifying unique risk premium alternatives. Such opportunities will have fee structures clearly defined for all potential investors, both the fees to the Manager of the non-public investment, and any management fee to be charged by Sterneck Capital Management. There is no material conflict

## **XI. Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

### **Code of Ethics Summary**

A copy of the Sterneck Capital Code of Ethics will be furnished to any client or prospective client upon request.

The Code of Ethics sets forth standards of conduct expected of Sterneck Capital Management, LLC ("the Firm") personnel and addresses conflicts that arise from personal trading by personnel. The Code of Ethics will address, among other things, personal trading, gifts, prohibition against the use of inside information and other situations where there is a possibility for conflicts of interest.

The ethical culture of the Firm is of critical importance and must be supported at the highest levels of our firm. The Code of Ethics is designed to:

- Protect the Firm's clients by deterring misconduct;
- Educate personnel regarding the Firm's expectations and the laws governing their conduct;
- Remind personnel that they are in a position of trust and must always act with complete propriety;
- Protect the reputation of the Firm;



- Guard against violation of the securities laws; and,
- Establish procedures for personnel to follow so that the Firm may determine whether its personnel are complying with the Firm's ethical principles.

Honesty, integrity and professionalism are hallmarks of the Firm. The Firm maintains the highest standards of ethics and conduct in all business relationships. The Code of Business Conduct and Ethics covers a wide range of business practices and procedures and applies to all personnel in their conduct of the business and affairs of the Firm.

The activities of any officer, director or personnel of the Firm will be governed by the following general principles: (1) honest and ethical conduct will be maintained in all personal securities transactions and such conduct will be in a manner that is consistent with the Code of Ethics thus avoiding or appropriately addressing any actual or potential conflict of interest or any abuse of a personnel's position of trust and responsibility, (2) personnel shall not take inappropriate advantage of their positions with the Firm, (3) personnel shall have a responsibility to maintain the confidentiality of the information concerning the identity of securities holdings and financial circumstances of all clients, and (4) independence in the investment decision-making process is paramount.

#### **Investing in Same Securities**

Sterneck Capital and Sterneck Capital personnel do invest in the same securities that it recommends to clients. To address potential conflicts and to ensure fair treatment of all clients, Sterneck Capital's Code of Ethics applies the following restrictions:

- Intraday trades (buys and sells) impacting multiple accounts must be performed in the average-price account, ensuring all clients and SCM personnel receive the same price.
- Firm personnel may not purchase nor sell a security within the seven (7) calendar days immediately on, before or after, including the same calendar day (thirteen days total), on which a security is purchased in a client account. Same day trades are allowable but when performed alongside clients, the trades must be executed in the average-price account. This black-out period applies only when transaction volume exceeds 5% of the market's average daily volume for the position. (See Code of Ethics for more detail).
- No participation in Initial Public Offerings in personal accounts.
- All limit or private offerings must receive pre-clearance from Sterneck Capital's Chief Compliance Officer.
- The firm maintains a list of restricted securities, which are prohibited from being purchased or sold in personnel accounts.
- Prohibition from participating in investment clubs.

Exceptions exist, and SCM personnel can also receive an exception through pre-clearance from the Chief Compliance Officer if the basis for the exception is deemed fair and reasonable.

Sterneck Capital will make its Code of Ethics available upon request.

## **XII. Brokerage Practices**

### **1. Brokerage for Client Referrals**

- a) SCM 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. SCM receives some benefits from TD Ameritrade through its participation in the Program. (See the disclosure under Item XIV below.)
- b) Sterneck Capital had participated in TD Ameritrade’s AdvisorDirect referral program. Active participation in the AdvisorDirect program ceased in 2017. In all cases, accounts for new clients were opened at TD Ameritrade. (See detail under Item XIV.)
- c) SCM receives no form of financial compensation from the custodian/broker use. Additionally, SCM receives no form of compensation from clients other than the management fee outlined in each client’s management agreement and any negotiated incremental fee for financial planning services.

### **2. Directed Brokerage**

- a) Not applicable – Sterneck Capital does not recommend or require that a client direct the use of a specific broker dealer.
- b) Generally, SCM does not permit a client to direct brokerage. There are unique and specific arrangements in which a particular brokerage firm is utilized for their capability to accommodate a specific investment mandate. In these unique cases, the fee charged by the brokerage firm is commensurate with the expertise and capability being delivered.

### **Aggregate Purchase and Sales**

When the opportunity allows, Sterneck Capital aggregates purchase and sales transactions which consolidates trading with a primary custodian ensuring all clients receive the price benefits associated with high volume.

### **Trading Allocation Procedures**

Accounts are placed into a portfolio model which aligns with the client’s goals and objectives and is suitable to their financial position and risk tolerance. Asset allocation is maintained through periodic and ad hoc rebalances at the manager’s discretion. Depending on underlying market conditions and other factors, accounts with the same asset allocation objective may utilize different securities to achieve the allocation target. New accounts, accounts changing models and accounts with large cash balances are placed on a focus list and may undergo more frequent rebalances until the accounts cash position and additional holdings are in-line with the model’s target allocation. These more frequent rebalances may result in those accounts having a different cost for that security than other accounts with a similar allocation.

Further, when the manager and client determine that a change in asset allocation is in a client’s best interest that client’s account may undergo more frequent, ad hoc, rebalancing until its allocation is

in line with the client's new objectives. This process may also result in these clients having a different cost for certain securities than other accounts with a similar allocation.

Sterneck Capital uses software, iRebal, to model and allocate securities to client accounts. iRebal is utilized in the process of determining position sizing and to allocate block trades to individual accounts. iRebal provides the dollars/shares of a given security to purchase based on the size of the account and the percent allocation of that security for the relevant model. The iRebal software ensures necessary cash is available and prevents accounts from being overbought. Members of the Sterneck Capital Portfolio Management team reviews iRebal orders before execution. Sterneck Capital uses block trading for instruments with variable inter day pricing to facilitate best execution and to ensure all clients receive identical pricing when being allocated the same security on the same day.

SCM strives to minimize the likelihood of trading a security that doesn't have liquidity to satisfy 100% of the target allocation needs in a given day. In certain instances, SCM may purchase or liquidate certain securities for clients in which there is limited daily liquidity. Sometimes when this occurs filling buy or sell demands may adversely affect the price of the security, negatively affecting the client's basis or gain. In such instances, Sterneck may buy or sell the same security on consecutive or multi consecutive days. There is no guarantee, in such instances, that clients will receive an identical price for the same security. The decision as to which clients will receive a stock on a given trading day is at the discretion of the manager. The manager may consider accounts on a focus list to prioritize allocation. Factors considered for allocation and placement on the focus include, but are not limited to, cash position, model change, previous position in the same security, the size of allocation needed, tax ramifications and client request. Sterneck engages in this activity in order to ensure the Firm is not limited to buying securities which may be beneficial to the client because there is not enough single day liquidity in that instrument.

#### **Trade Errors**

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

### **XIII. Review of Accounts**

#### **Reviews**

The investment committee determines target asset class weightings for investment models used to pursue risk/reward objectives with considerations including client goals, risk tolerance, time horizon, investment experience and investment expertise. Investments are reviewed for suitability principally at the model level. Changes are made to models and individual accounts as deemed

necessary to meet financial objectives. Certain factors, including but not limited to client preference, liquidation needs, tax consequences, and use of private placements may prompt variability to core model asset class weightings.

Household performance is reviewed by Portfolio Management and advisory staff periodically, but no less than quarterly, to identify potential household performance outliers compared to model performance. Outliers would prompt further account review to confirm impacts are appropriate. Household and account performance variances compared to model performance may be due, but not limited to, factors such as unique client goals or requests, timing of buys or sells, high liquidity needs, etc.

Accounts are reviewed at the individual account level by Portfolio Management and advisory staff on a periodic basis. Client account reviews and individual account changes may be prompted due to specific client requests, contribution or withdrawals of cash or securities into or out of an account, tax consequences, scheduled client stewardship meetings and financial planning initiatives.

#### **Frequency of Reporting**

*Monthly* - Managed account clients receive a monthly brokerage statement, as well as individual confirmations whenever a trade is executed. These are provided by a qualified, third party custodian.

*Quarterly* - Individually managed accounts receive billing statements including a written offer to furnish SCM's Form ADV Part II. Form ADV Part II is also publicly available on SCM's website at [www.sterneckcapital.com](http://www.sterneckcapital.com).

*Annually* – Taxable managed account clients receive an annual Form 1099 from their qualified, third party custodian. All clients receive annual performance reports. Additionally, upon request SCM can furnish taxable accounts with realized gains and loss statements, income reports, and expense reports. Such reports are considered supplemental.

## **XIV. Client Referrals and Other Compensation**

#### **Economic Benefits to SCM**

As disclosed under Item XII above, SCM participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between SCM's participation in the program and the investment advice it gives to its clients, although SCM 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 SCM 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 SCM by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by SCM's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit SCM but may not benefit its

client accounts. These products or services may assist SCM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to 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, SCM always endeavors to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence SCM's choice of TD Ameritrade for custody and brokerage services.

SCM receives travel, hotel and meal accommodations to attend educational, due diligence, and consulting meetings and events hosted by other investment companies and service providers. Events attended by SCM are to further the knowledge base and decision making and product availability that forms the service offering delivered to SCM clients. The benefits received by SCM do not depend on the amount of purchases or transactions directed to host companies, and under no circumstance is SCM obligated to make future purchases or transactions. However, clients should be aware by receiving such economic benefits, SCM creates a potential conflict of interest which may indirectly influence SMC's decisions.

#### **Flat Rock Global**

Sterneck Capital may recommend investments in Flat Rock Global funds in which Sterneck Capital employees have an ownership interest in the funds or fund company. Therefore, a conflict of interest exists in that Sterneck Capital personnel benefit when directing client capital into Flat Rock Global funds. This ownership interest stems from being an early investor in each Flat Rock Global fund. These opportunities and benefits were available to both clients and employees of Sterneck Capital, and the ownership interest was derived from personal capital being invested pari-passu clients and other investors. Sterneck Capital continues to utilize Flat Rock funds because of their unique strategies and favorable risk/return profiles. We estimate that every \$100,000 of client capital invested, SCM may receive a benefit up to \$2 annually, an amount we regard as lacking materiality. As noted, at Sterneck Capital we uphold a fiduciary standard in which a client's interest is always placed ahead of our own. All investment allocations are based on the merits of the investment and their applicability to helping achieve the objectives of the client. Flat Rock funds are not an exception to our fiduciary commitment. We are available to answer any questions regarding the fund strategies or specific details related to the conflict.

#### **Compensation from SCM**

SCM is willing to enter into written solicitor agreements with other investment advisors and or financial planning firms appropriately registered with either the US SEC or the State(s) in which they operate. Pursuant to such an agreement, SCM will remunerate the solicitor for directing clients to the investment manager. As a matter of policy, any client acquired by the investment manager through such an arrangement will pay the same fees as the investment manager's other clients of comparable size receiving similar services and no additional charges or costs will be incurred by any client by virtue of them having been introduced by a third party.

#### **TD AdvisorDirect Program**

SCM had previously received client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with SCM and there is no employee or agency relationship between them. TD Ameritrade had established AdvisorDirect as a means of referring its brokerage customers and

other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade had not and does not supervise SCM and has had no responsibility for SCM's management of client portfolios or SCM's other advice or services. Active participation in the AdvisorDirect program ended in 2017 and no new referrals are facilitated from the TD Ameritrade AdvisorDirect program.

SCM still pays TD Ameritrade an on-going fee for each successful client referral that led to an active client relationship. This fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to SCM ("Solicitation Fee"). SCM has and will pay TD Ameritrade the Solicitation Fee on any advisory fees received by SCM from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired SCM on the recommendation of such referred client. SCM does not and will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

SCM's participation in AdvisorDirect could have raised potential conflicts of interest. TD Ameritrade could have most likely referred clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, to obtain client referrals from TD Ameritrade, SCM may have had an incentive to recommend to clients that the assets under management by SCM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. SCM has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. SCM's prior active participation in AdvisorDirect and ongoing fee payment of referred clients does not diminish its duty to seek best execution of trades for client accounts.

#### **Compensation for Client Lead Generation**

SCM pays a flat fee to participate in an online matching program that seeks to match prospective advisory clients with investment advisers. The program provides information about investment advisory firms to persons who have expressed an interest in such firms. The program also provides the name and contact information of such persons to the advisory firms as potential leads. The flat fee we pay for being provided with potential leads varies based on certain factors, including the size of the person's portfolio, and the fee is payable regardless of whether the prospect becomes our advisory client. We do not pay fees calculated as a percentage of our advisory fees.

## **XV. Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

SCM is deemed to have custody of client funds and securities whenever SCM is given the authority to have fees deducted directly from client accounts. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which SCM has been given authority to have fees deducted directly from client accounts, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from SCM. When clients have questions about their account statements, they should contact SCM or the qualified custodian preparing the statement.

When fees are deducted from an account, SCM is responsible for calculating the fee and delivering instructions to the custodian. At the same time SCM instructs the custodian to deduct fees from the client's account, SCM will send the client an invoice itemizing the fee. Itemization shall include the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee. Further, these fees will be disclosed on your quarterly statements.

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

When clients request movement of money to a like-titled account, SCM takes certain precautions. The sending custodian must receive from an end client a signed authorization that will include both the sending and receiving account names and numbers (including ABA number if applicable). SCM obtains this additional authorization from end clients and provides it to the custodian in order to move funds from clients' accounts to their like-titled accounts at another financial institution.

While SCM no longer initiates investments in direct private placements that are not custodied with TD Ameritrade or a like qualified custodian, we have a small number of legacy direct private placements. Future private placements will be considered only if they can be held at a third-party custodian. SCM maintains records showing that current direct private placements are not a direct party of the investment advisor nor does SCM have discretionary authority.

Sterneck Capital does not participate in investment opportunities that prompt custody of client assets as a general partner of a limited partnership or managing member of a pooled investment company.

<http://www.sec.gov/rules/final/ia-2176.htm#IID2>

## **XVI. Investment Discretion**

Sterneck Capital manages accounts on a discretionary basis. This means SCM has the authority, as set forth in the Management Agreement signed by each client, and/or the Limited Power of

Attorney required by the Custodian, to make buy and sell decisions for the client's investment account without first getting client approval for each transaction.

Any investment discretion SCM exercises is subject to the provisions of the client's account documents, and in the Investment Policy Statement. The Investment Policy Statement addresses specific trade restrictions and preferences disclosed by the client, as well as investment objectives and agreed upon target asset allocations.

## **XVII. Voting Client Securities**

Sterneck Capital does not have the authority to vote proxy statements on behalf of individually managed client accounts. Proxy statements should be sent by the issuer directly to each account owner.

A class action is a procedural device used in litigation to determine the rights of and remedies, if any, for large numbers of people whose cases involve common questions of law and/or fact. Class action suits frequently arise against companies that publicly issue securities, including securities recommended by investment advisors to clients. With respect to class action suits and claims, you (or your agent) will have the responsibility for class actions or bankruptcies, involving securities purchased for or held in your account. We do not provide such services and are not obligated to forward copies of class action notices we may receive to you or your agents. Sterneck offers clients the ability to access the services provided by Chicago Clearing Corporation ("CCC") to provide class action litigation monitoring and securities claim filing services on behalf of the Client.

## **XVIII. Financial Information**

Sterneck Capital does not require or solicit prepayment of management fees, has never declared bankruptcy, and in no way does its financial condition reasonably impair its ability to meet its contractual commitments to clients.

The firm received a Paycheck Protection Plan Loan through the SBA in conjunction with the relief afforded from the CARES Act. The PPP loan has been forgiven as of March 2021.





*Registered Investment Advisor*

## **Item 1: Form ADV, Part 2B – Brochure Supplement**

For:

Frank M. Sterneck

Alec J. Bethurum

Robin P. Sterneck

Austin L. Drake, CFP®

Brandie M. Giffin

**Updated 03/15/2021**

**Sterneck Capital Management, LLC**

**4510 Belleview, Suite 204 Kansas City, MO 64111**

**816-531-2254 phone**

**816-268-2239 fax**

**[www.sterneckcapital.com](http://www.sterneckcapital.com)**

This brochure supplement provides information about firm members that supplements the Sterneck Capital Management, LLC brochure. You should have received a copy of that brochure. Please contact [info@sterneckcapital.com](mailto:info@sterneckcapital.com) if you wish to receive Sterneck Capital Management's brochure, or if you have any questions about the contents of this supplement.

**Item 2: Frank M. Sterneck – Business Experience & Educational Background**

Frank M. Sterneck (DOB 1/21/1960), Chief Investment Officer, founded Sterneck Capital Management in 1989. Prior to establishing SCM, Frank was a Vice- President at Salomon Brothers, Inc. As Chief Investment Officer, Frank oversees client relationships and leads the portfolio management team in the construction and implementation of client portfolios. Mr. Sterneck received a B.A. in Economics and an M.B.A. in Finance from Tulane University in 1982.

**Item 3: Frank M. Sterneck – Disciplinary Action**

Frank M. Sterneck has had no legal or disciplinary events material to a client's or prospective client's evaluation of him. SCM has no material facts to disclose.

**Item 4: Frank M. Sterneck – Other Business Activities**

Mr. Sterneck is not involved in any other business activities.

**Item 5: Frank M. Sterneck – Additional Compensation**

Mr. Sterneck receives no other compensation than what he receives from Sterneck Capital Management, LLC.

**Item 6: Frank M. Sterneck – Supervision**

Brandie M. Giffin, Chief Compliance Officer, is the person responsible for supervising Mr. Sterneck. Ms. Giffin's direct contact info is 816-268-2243, [bgiffin@sterneckcapital.com](mailto:bgiffin@sterneckcapital.com). Mr. Sterneck meets with the investment selection committee and onboarding committee as a member and participant. Additionally, Mr. Sterneck meets with the team at SCM prior to delivering investment advice to clients.

**Item 2: Robin P. Sterneck - Business Experience & Educational Background**

Robin P. Sterneck (DOB 9/15/57), President, joined Sterneck Capital Management in an official role in 2014. Robin was formerly an Investment Banker at Lehman Brothers in New York, and an executive leader with G.E. As President Robin provides strategic leadership. Robin also facilitates client leads and relationships.

Ms. Sterneck received a B.S. in Biology from Trinity College in 1979 and an M.B.A. from Tulane University in 1982.

**Item 3: Robin P. Sterneck - Disciplinary Action**

Robin P. Sterneck has had no legal or disciplinary events material to a client's or prospective client's evaluation of her. SCM has no material facts to disclose.

**Item 4: Robin P. Sterneck - Other Business Activities**

Ms. Sterneck currently serves on the EPR Properties Board, which is a public company. She also is a member of the Board for the KC Chapter of Women Corporate Directors. She previously served on Heartland Chapter of National Association of Corporate Directors (NACD), the Greater Kansas City Community Foundation, WIN for KC/KC Sports Commission, Pembroke Hill School, and Alterra Bank/First Business Boards. There are no material conflicts to disclose.

**Item 5: Robin P. Sterneck - Additional Compensation**

Ms. Sterneck receives additional compensation as an external director for EPR Properties as well as periodic leadership consulting and speaking fees via single practitioner firm Highland Birch Group, LLC. There are no material conflicts to disclose.

**Item 6: Robin P. Sterneck – Supervision**

Frank M. Sterneck, Chief Investment Officer, is the person responsible for supervising Ms. Sterneck. Mr. Sterneck's direct contact info is 816-268-2230, [fsterneck@sterneckcapital.com](mailto:fsterneck@sterneckcapital.com). Ms. Sterneck meets with the team at SCM prior to delivering investment advice to clients.

**Item 2: Brandie M. Giffin - Business Experience & Educational Background**

Brandie M. Giffin (DOB 08/22/1966), Chief Compliance Officer and Chief Operating Officer, joined Sterneck Capital Management in 2014. Formerly in leadership and operational roles at Principal Financial Group, Blue Cross and Blue Shield of Nebraska and Coventry Health Care/Aetna, Brandie ensures the firm is compliant with all local and federal regulations and makes certain the firm's fiduciary responsibility is supported by a strong culture of compliance. In addition, Ms. Giffin is responsible for strategic leadership, has responsibility for the day-to-day operations of the firm and has oversight of the firm's servicing activities, systems and processes.

Ms. Giffin received a B.S. in Business Administration, Marketing with an emphasis in Psychology from the University of Nebraska, Lincoln in 1988.

**Item 3: Brandie M. Giffin - Disciplinary Action**

Brandie M. Giffin has had no legal or disciplinary events material to a client's or prospective client's evaluation of her. SCM has no material facts to disclose.

**Item 4: Brandie M. Giffin – Other Business Activities**

Ms. Giffin previously served on the Hartland United Way Board of Directors and was the board treasurer for Grief's Journey in Omaha Nebraska, where she also facilitated program curriculum as a volunteer. There are no material facts to disclose.

**Item 5: Brandie M. Giffin – Additional Compensation**

Ms. Giffin receives additional compensation by renting property via Airbnb. There are no material facts to disclose.

**Item 6: Brandie M. Giffin – Supervision**

Frank M. Sterneck, Chief Investment Officer, is the person responsible for supervising. Mr. Sterneck's direct contact info is 816-268-2230, [fsterneck@sterneckcapital.com](mailto:fsterneck@sterneckcapital.com). Ms. Giffin meets with the investment selection committee and onboarding committee as a member and participant.

**Item 2: Alec J. Bethurum - Business Experience & Educational Background**

Alec J. Bethurum (DOB 8/16/1976), Sr. Portfolio Manager, joined Sterneck Capital Management in 2013. Mr. Bethurum's primary responsibilities are to research and implement investment decisions for Sterneck Capital clients. Mr. Bethurum has prior Wall Street experience as a proprietary trader at Worldco LLC and Ocean View Capital as well as in institutional equity sales at Bear Stearns and Roth Capital Partners.

Mr. Bethurum received a B.A. in History from Colgate University in 1998.

**Item 3: Alec J. Bethurum - Disciplinary Action**

Alec Bethurum has had no legal or disciplinary events material to a client's or prospective client's evaluation of him. SCM has no material facts to disclose.

**Item 4: Alec J. Bethurum - Other Business Activities**

Mr. Bethurum has no other business activities to report.

**Item 5: Alec J. Bethurum - Additional Compensation**

Mr. Bethurum receives no other compensation than what he receives from Sterneck Capital Management, LLC.

**Item 6: Alec J. Bethurum - Supervision**

Frank M. Sterneck, Chief Investment Officer, is the person responsible for supervising Mr. Bethurum. Mr. Sterneck's direct contact info is 816-268-2230, [fsterneck@sterneckcapital.com](mailto:fsterneck@sterneckcapital.com). Mr. Bethurum meets with the team at SCM prior to delivering investment advice to clients.

**Item 2: Austin L. Drake, CFP® - Business Experience & Educational Background**

Austin Drake (DOB 02/02/92), Senior Wealth Advisor, joined Sterneck Capital Management in 2018. Mr. Drake's primary responsibilities are financial planning and to advise and service clients regarding their portfolio. He also assists with research and implementation of investment decisions. Mr. Drake previously served institutional clients as an Equity Research Analyst at an Investment Bank in Los Angeles, B Riley FBR.

Mr. Drake received a B.S. in Finance and Accounting at the University of Kansas in 2014 and an Executive Certificate in Personal Financial Planning from University of Missouri in 2020.

**Item 3: Austin L. Drake, CFP® - Disciplinary Action**

Mr. Drake has had no legal or disciplinary events material to a client's or prospective client's evaluation of him. SCM has no material facts to disclose.

**Item 4: Austin L. Drake, CFP® - Other Business Activities**

Mr. Drake has no other business activities to report.

**Item 5: Austin L. Drake, CFP® - Additional Compensation**

Mr. Drake receives no other compensation than what he receives from Sterneck Capital Management, LLC.

**Item 6: Austin L. Drake, CFP® – Supervision**

Brandie Giffin, Chief Operating Officer and Chief Compliance Officer is the person responsible for supervising Mr. Drake. Ms. Giffin's direct contact info is 816-268-2243, [bgiffin@sterneckcapital.com](mailto:bgiffin@sterneckcapital.com). Mr. Drake meets with the team at SCM prior to delivering investment advice to clients.