

INFORMATIONAL BROCHURE

THE ARANDA GROUP ADVISORS, LLC



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This brochure provides information about the qualifications and business practices of The Aranda Group Advisors, LLC (hereinafter “Advisor” or the “Firm”). If you have any questions about the contents of this brochure, please contact Advisor at 215-576-6666 or via [steven@arandagroup.com](mailto:steven@arandagroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration does not imply a certain level of skill or training. Additional information about Advisor (CRD#302100) is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**ITEM 2: STATEMENT OF MATERIAL CHANGES**

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In this Item, Advisor is required to discuss any material changes that have been made to the brochure. There are no material changes to report.

### ITEM 3: TABLE OF CONTENTS

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#### TABLE OF CONTENTS

Item 1: Cover Page.....	1
Item 2: Statement of 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.....	7
Item 7: Types of Clients .....	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9: Disciplinary Information.....	12
Item 10: Other Financial Industry Activities and Affiliations.....	13
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12: Brokerage Practices .....	14
Item 13: Review of Accounts.....	16
Item 14: Client Referrals and Other Compensation .....	16
Item 15: Custody .....	16
Item 16: Investment Discretion .....	17
Item 17: Voting Client Securities.....	17
Item 18: Financial Information .....	17

INFORMATIONAL BROCHURE  
The Aranda Group Advisors, LLC

**ITEM 4:      ADVISORY BUSINESS**

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The Aranda Group Advisors, LLC (“Advisor”, the “Firm”) has been in business since July of 2019. The firm is owned by its Managing Member, Steven Rosenberg.

Advisor serves as an independent and unbiased investment advisor to its clients. As a fiduciary, Advisor places client interests at the forefront of all of its efforts. No adviser can guarantee that a client will meet their goals or achieve a given performance target however, Advisor strives toward delivering to all clients the benefit of dedicated professionals serving with diligence, professionalism and integrity.

Asset Management

Generally, Clients will receive financial planning services at the onset of the relationship prior to beginning asset management services. Advisor believes that thoughtful financial planning can be an effective tool for protecting and accumulating wealth. It can also assist in the planning for special needs for clients, including their businesses and wealth transfer issues. In most cases, the client will supply to Advisor information including income, investments, savings, insurance, age and many other items that are helpful to the firm in assessing financial goals. The information is typically provided during personal interviews and supplemented with written information. Once the information is received, Advisor will discuss financial needs and goals with the client, and compare the client’s current financial situation with the goals stated. Once these are compared, Advisor will create a financial plan to help clients meet their goals. The financial plan addresses the six vital areas of financial planning: Cash Flow Management, Risk Management, Investment Planning, Tax Planning Strategies, Retirement Planning, and Estate Planning. The plan is intended to be a suggested blueprint of how to meet your goals. Not every plan will be the same for every client. Each one is specific to the client who requested it. Because the plan is based on information supplied by the client, it is very important that clients accurately and completely communicate to the firm the information it needs. Also, as circumstances and needs may change, it is very important that clients continually update the firm with any changes so that if the updates require changes to the financial plan, Advisor can make those changes. Otherwise, plans may no longer be accurate.

Advisor provides all financial planning services “in house”, meaning the services are provided by Advisor professionals and not by any sort of sub-advisor or contractor. During the planning process, it may be determined that a client would benefit from the expertise of another professional, such as an estate planning attorney or tax advisor. If clients request, Advisor may recommend the services of other professionals for implementation purposes. Clients are under no obligation to engage the services of any such recommended professional. Clients retain absolute discretion over all such implementation decisions and are free to accept or reject any recommendation from Advisor. If clients engage the services of any professional recommended by Advisor, and a dispute arises thereafter relative to such engagement, clients agree to seek recourse exclusively from and against the engaged professional. Advisor will not receive a fee from professionals recommended by Advisor. The financial plan is used for the creation of investment allocation guidelines which direct the asset management process.

When Advisor performs asset management services, Advisor will do so on a non-discretionary basis. Advisor will consult with the client prior to implementing any investment recommendation. Clients should be aware that some recommendations may be time-sensitive, in which case recommendations not implemented because Advisor is unable to reach a client may not perform the same as it would have had Advisor been able to reach the client for a consultation on the recommendation. Clients engaging the Firm will be asked to execute a Limited Power of Attorney (granting Advisor the non-discretionary authority to implement the investment recommendations within the client accounts) as well as an Investment Management Agreement that outlines the responsibilities of both the client and Advisor.

#### Unified Managed Accounts

Advisor may allocate some or all of client's assets to Unified Managed Accounts or "UMA", which are a single portfolio with a mix of asset classes and investment positions through the use of model portfolios, which may consist of third party managers, and to a lesser extent, other investment options such as mutual funds and exchange traded funds. This is accomplished with the use of an Overlay Manager. The Overlay Manager that Advisor has selected is Adhesion Wealth Advisors Solutions ("Adhesion"), who provides portfolio trading, re-balancing, reporting and other administrative services. Each UMA is designed meet a specific goal, while maintaining diversification for the purpose of mitigating short term risk, and at the same time positioned to appreciate and create income for the investor.

Advisor provides UMA services on a non-discretionary basis, meaning that clients will grant Advisor non-discretionary authority to manage the accounts through the selection of an Overlay Manager, third party managers, and other investment options. In addition, clients will authorize the account custodian to follow Advisor's instructions as well as instructions given by Adhesion to effect transactions, deliver securities, deduct fees and take other actions with respect to the account. Client's will not have a direct contractual relationship with Adhesion or any other third party manager.

When clients engage Advisor to provide UMA services, the client and Advisor will execute an Investment Management Agreement that describes the services to be provided, the fees for the service, other expenses related to the provision of the investment management services, and how to terminate the agreement. Depending on the service a client has selected, Advisor will separately provide each client with the applicable disclosure documents for any third party manager or service providers utilized, which includes information about their services, model portfolios, investment strategies at or before execution of our Investment Management Agreement.

#### Securities-Based Lending:

Advisor may offer clients access to a securities-based lending program in which advisory accounts are used as collateral for an extension of credit for a purpose other than to purchase, carry, or trade in securities; e.g. the purchase of a house. A variable interest rate is charged on the monthly debit balances which will be added to the opening debit balance for the next interest period if not paid. If the value of the securities held in the account declines below the maintenance level determined for the account, clients may be subject to maintenance calls to post additional collateral. If a client is unable to do so, securities in the account may be liquidated to satisfy the call.

These loans have a number of advantages and risks which should be considered before opening the account. Advantages include the flexibility of spending while at the same time receiving the benefits

of the holdings in the collateral account such as dividends, interest and the potential capital appreciation. Additional risks are discussed in Item 8 below. Advisor is not compensated directly for participation in securities-based lending programs however, because Advisor will continue to receive compensation for managing the assets in the account, there is a conflict of interest as the Advisor is incentivized to encourage clients to keep the securities invested and to borrow funds instead of liquidating securities to address the current capital needs. Advisor mitigates this conflict through disclosure of its existence and by giving clients the discretion to participate in such a program or to choose to borrow money or raise capital through traditional avenues.

#### Assets under Management

As of December 31, 2021, Advisor manages \$200,034,149 in client assets, including \$111,980,736 on a discretionary basis.

### **ITEM 5: FEES AND COMPENSATION**

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#### **A. Fees Charged**

##### Asset Management

Generally, Advisor charges 2% per annum of the net market value of a client's account managed by Advisor. Fees are negotiable, based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and any other unique factors that may exist. All clients, but especially those with smaller accounts, should be advised they may receive similar services from other professionals for higher or lower overall costs.

There may be special circumstances in which Advisor arranges a fixed fee for asset management with a client. This fixed fee is determined by Advisor and the client, factoring the nature and size of the account and complexity of asset structures.

##### Unified Managed Accounts

Generally, fees for Unified Managed Accounts are 2.00% per annum of the market value of a client's assets in the UMA. While the Overlay Manager and third party manager charge separate and additional fees with respect to client accounts, clients with UMAs pay one fee to Advisor, from which it pays the Overlay Manager (Adhesion), third party managers and any account administration fees. Fees are negotiable based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors.

#### **B. Fee Payment**

##### Asset Management

For clients whose assets are managed by the firm, investment advisory fees will be debited directly from each client's account. The advisory fee is paid quarterly, in advance, and the value used for the fee calculation is the net value as of the last market day of the previous quarter. For example, if the client's annual fee is 2.00%, each quarter Advisor will multiply the value of the client's account by 2.00%, then divide by the number of days in that calendar year and multiply that number by days in the quarter to calculate the fee. To the extent there is cash in the account, it will be included in the

value for the purpose of calculating fees only if the cash is part of an investment strategy. Once the calculation is made, Advisor will instruct the account custodian to deduct the fee from the account and remit it to Advisor. While almost all of Advisor's clients choose to have their fee debited from their account, Advisor will invoice clients upon request.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by the recommended custodian. Each month, the client will receive a statement from their account custodian showing all transactions in their account, including the fee.

C. Other Fees

There are a number of other fees that can be associated with holding and investing in securities. Clients will be responsible for fees including transaction fees for the purchase or sale of a mutual fund or exchange traded fund, or commissions for the purchase or sale of a stock. Expenses of a fund will not be included in management fees, as they are deducted from the value of the shares by the mutual fund manager.

Please make sure to read Item 12 of this informational brochure, where broker-dealer and custodial issues are discussed.

D. *Pro-rata* Fees

If client becomes a client during a quarter, they will pay a management fee for the number of days left in that quarter. If clients terminate the relationship during a quarter, they will be entitled to a refund of any management fees for the remainder of the quarter. Once the notice of termination is received, Advisor will assess pro-rated fees for the number of days between the end of the prior billing period and the date of termination to be paid in whatever way clients direct (check, wire). Advisor will cease to perform services, including processing trades and distributions, upon termination. Assets not transferred from terminated accounts within 30 (thirty) days of termination may be "de-linked", meaning they will no longer be visible to Advisor and will become a retail account with the custodian.

E. Compensation for the Sale of Securities.

This item is not applicable.

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## **ITEM 6: PERFORMANCE-BASED FEES**

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Advisor will not charge performance based fees.

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## **ITEM 7: TYPES OF CLIENTS**

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Clients advised may include individuals, families, trusts, non-profit organizations, pensions and businesses. Advisor does not impose a stated minimum fee or minimum portfolio value for starting or maintaining an investment advisory relationship.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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It is important for clients to know and remember that all investments carry risks. **Investing in securities involves risk of loss that clients should be prepared to bear.**

### *Investment Allocations & Investment Programs*

Each client's portfolio will be invested according to that client's investment objectives, which for clients who have a financial plan, are ascertained through the financial planning process or through a review of the existing plan. For clients without a plan in place, Advisor will review with the client their circumstances, needs and goals to determine investment objectives for each account. Once Advisor ascertains a client's objectives, Advisor will develop a set of asset allocation guidelines that will aid in executing the proper allocation strategy. While the asset allocation of a client's portfolio may adjust from time to time with changing market fundamentals, and the addition of new asset classes, these portfolios are invested for the long-term with a focus on broad diversification, mitigating cost, creating tax efficiency and ultimately put clients in a position to reap the benefits of appropriate long-term market exposure.

The investment programs are not investment products. Clients may have different needs than others within the same investment program. Accordingly, not all clients in each investment program will have the same percentages of each underlying investment.

The investment programs that Advisor recommends are based on the needs of the client as compared with the typical behavior of that security type or manager, current market conditions, the client's current financial situation (including assets that may be managed by another advisor), financial goals, and the timeline to meet those goals. Because Advisor develops an investment strategy based on a client's personal situation and financial goals, client asset allocation guidelines may be similar to or different from another client.

Advisor may periodically recommend changes to the investment programs and client portfolios to meet the guidelines of the asset allocation for the program or an individual client's objectives. It is important to remember that because market conditions can vary greatly, client asset allocation guidelines are not necessarily strict rules. Rather, Advisor reviews accounts individually and may deviate from the guidelines as deemed necessary.

When Advisor makes changes to an investment program, these changes may not be made simultaneously to the accounts under the program, rather, some accounts may be modified before others. This may result in accounts being traded earlier inadvertently having an advantage over accounts traded later.

Additionally, as assets are transitioned from a client's prior advisors to Advisor, clients may hold legacy securities. Legacy securities are those that a client owned prior to or separate from its Advisor portfolio. If a client transitions mutual fund shares to Advisor that are not the lowest-cost share class, and Advisor is not recommending disposing of the security altogether, Advisor will attempt to convert such mutual fund share classes into the lowest-cost share classes the client is eligible for, taking into account any adverse tax consequences associated with such conversion.

Depending on a client's given circumstances, Advisor may recommend that a client rollover retirement plan assets to an Individual Retirement Account (IRA) managed by us. As a result, Advisor may earn fees on those accounts. This presents a conflict of interest, as Advisor has a



financial incentive to recommend that a client roll over retirement assets into an IRA Advisor will manage. This conflict is disclosed to clients verbally and in this brochure. Clients are also advised that they are under no obligation to implement the recommendation to roll over retirement plan assets. Advisor attempts to mitigate this conflict by requiring that all investment recommendations have a sound basis for the recommendation, and by requiring representatives of Advisor to acknowledge their fiduciary responsibility toward each client.

Additionally, part of the Advisor process includes, where appropriate, involving multiple generations in order to facilitate family financial planning. This can increase the financial education of the later generations and manage expectations. However, potential for conflicts of interest exist with the exchange of intergenerational information. Advisor attempts to minimize these conflicts by treating each household as its own fiduciary relationship. Information can only be shared across generations with each household's consent.

### Third Party Managers

We may recommend that certain portions of a client's portfolio be managed by independent third-party managers or recommend direct investment with independent third-party managers, typically when those managers demonstrate knowledge and expertise in a particular investment strategy.

These managers are selected by Advisor after a process whereby Advisor evaluates each manager's investment performance, operations, and offerings to determine if the manager would be a fit for Advisor clients. This process continues on an ongoing basis, throughout the time the client works with the third party manager. It is important to note that these managers may charge a separate, and additional fee, for their services. Advisor will consider these fees in its decision to recommend the use of a third party manager.

### Unified Managed Accounts

For the UMA programs, Advisor uses model portfolios, which consist of third party managers, and to a lesser extent, other investment options such as mutual funds and exchange traded funds. Each model portfolio is separately managed, and invested according to that model's investment objective.

Advisor recommends and monitors individual asset managers and investment vehicles that correspond to the proposed asset classes and investment objective referenced above. These third party managers are known as "Sub-Managers," and they make investment decisions for the clients. Advisor evaluates these sub-managers specializing in each of the asset categories listed, including Equities (Large Cap Growth, Large Cap Value, International, Mid and Small Cap) and Fixed Income. Advisor will recommend an asset allocation (and managers within an asset category) based upon the Client's needs and objectives. In some cases, managers will supply Advisor with a model portfolio, and Advisor will invest Client assets accordingly.

After a Sub-Manager has been selected to participate in the UMA program, Advisor enters into a sub-advisory agreement with the Sub-Manager to provide discretionary investment management services upon their selection by a client. Advisor conducts a continuous, detailed analysis of the Sub-Manager's portfolio(s). This analysis includes performance calculations, peer comparisons, and examination of portfolio characteristics and holdings. Advisor is to ensure the Sub-Manager maintains adherence to their investment discipline while providing clients with quality investment decisions. The Sub-Manager must annually complete an in-depth questionnaire which provides detailed information about their organization and the products that they offer. Additionally,

conference calls are periodically conducted between onsite visits. These calls are held with the key investment professionals of the firm and emphasize the Sub-Managers' perspectives on current events, issues, and market conditions.

### Risk of Loss

There are always risks to investing. **Clients should be aware that all investments carry various types of risk including the potential loss of principal that clients should be prepared to bear.** It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason, and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** When investing in another country using another currency, the changes in the value of the currency can change the value of the security in a client's portfolio.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short-Term Trading.** Clients should note that Advisor may engage in short-term trading transactions. These transactions may result in short-term gains or losses for federal and state tax purposes, which gains may be taxed at a higher rate than long-term strategies. Advisor endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.
- **Purchasing Power Risk.** Purchasing power risk is the risk that a client's investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** This can be thought of as certainty or uncertainty of income. Management comes under business risk. Cyclical companies (like automobile companies) have more business risk because of the less steady income stream. On the other hand, fast food chains tend to have steadier income streams and therefore, less business risk.
- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Securities Based Lending.** When using advisory accounts as collateral for a loan, there is a risk that account maintenance amounts and call times may be changed without notice or the value of the securities in the account may decrease resulting in an immediate need to add additional collateral to the account. If this need is not met, securities may be liquidated to cover the deficiency. The client has no control over the timing of the liquidation or the particular securities that are sold which could result in a significant loss in the collateral account. Further, the interest rate charged may be changed without notice to you which may negatively impact the Client's ability to repay the loan as the increased cost accrued to the account.
- **Risks specific to private placements, sub-advisors, and other managers.** If Advisor invests some of a client's assets with another advisor, including a private placement, there are additional

risks. These include risks that the other manager is not as qualified as Advisor believes them to be, that the investments they use are not as liquid as Advisor would normally use in a client's portfolio, or that their risk management guidelines are more liberal than Advisor would normally employ.

- **Information Risk.** All investment professionals rely on research in order to make conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Even an adviser who says they rely solely on proprietary research must still collect data from third parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or research will be completely accurate. Failure in data accuracy or research will translate to a compromised ability by the adviser to reach satisfactory investment conclusions.

- **Small Companies.** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up, or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company's future. For example, a company's management may lack experience, or the company's capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited as compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short-term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.

- **Concentration Risk.** While Advisor may recommend individual securities, including mutual funds, for client portfolios based on an individualized assessment of each security, this evaluation comes without an overlay of general economic or sector-specific issue analysis. This means that a client's equity portfolio may be concentrated in a specific sector, geography, or sub-sector (among other types of potential concentrations), so that if an unexpected event occurs that affects that specific sector or geography, for example, the client's equity portfolio may be affected negatively, including significant losses.

- **Transition Risk.** As assets are transitioned from a client's prior advisers to Advisor there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments will need to be sold in order to reposition the portfolio into the asset allocation strategy selected by Advisor. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, or market-related liquidity concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of Advisor may or may not adversely affect the client's account values, as Advisor's recommendations may not be able to be fully implemented.

- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If a client requires Advisor to liquidate a portfolio during one of these periods, the client will not realize as much value as they would have had the investment had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.

- **Mutual Funds.** The performance of mutual funds is subject to market risk, including the possible loss of principal. The price of the mutual funds will fluctuate with the value of the underlying securities that make up the funds. The price of a mutual fund is typically set daily therefore a mutual fund purchased at one point in the day will typically have the same price as a mutual fund purchased later that same day.

- **ETFs.** The performance of ETFs is subject to market risk, including the possible loss of

principal. The price of the ETFs will fluctuate with the price of the underlying securities that make up the funds. In addition, ETFs have a trading risk based on the loss of cost efficiency if the ETFs are traded actively and a liquidity risk if the ETFs have a large bid-ask spread and low trading volume. The price of an ETF fluctuates based upon the market movements and may dissociate from the index being tracked by the ETF or the price of the underlying investments. An ETF purchased or sold at one point in the day may have a different price than the same ETF purchased or sold a short time later.

- **Equity Securities.** Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund or ETF can be more volatile than the market as a whole. This volatility affects the value of the client's overall portfolio. Small and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.

- **Fixed Income.** The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities held by the Fund is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.

- **REITs.** In some limited circumstances, Advisor may recommend that portions of client portfolios be allocated to public or private real estate investment trusts, otherwise known as "REITs." While there are some benefits to owning REITs, which include potential tax benefits, income, and the relatively low barrier to invest in real estate as compared to directly investing in real estate, REITs also have some increased risks as compared to more traditional investments such as stocks, bonds, and mutual funds. Real estate investing can be highly volatile. The specific REIT chosen may have a focus such as commercial real estate or real estate in a given location. Such investment focus can be beneficial if the properties are successful, but lose significant principal if the properties are not successful. REITs may also employ significant leverage for the purpose of purchasing more investments with fewer investment dollars, which can enhance returns but also enhances the risk of loss. The success of a REIT is highly dependent upon the manager of the REIT. Clients should ensure they understand the role of the REIT in their portfolio.

- **Options.** The use of options transactions as an investment strategy involves a high level of inherent risk. A client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, clients may direct Advisor, in writing, not to employ any or all such strategies for his/her/their/its accounts. Clients participating in the Options Strategy should *carefully* consider all information regarding the strategy and its risks prior to participating. Options Strategies within client accounts shall be limited to covered-call writing only.

## ITEM 9: DISCIPLINARY INFORMATION

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There are no disciplinary items to report.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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### A. Broker-dealer

Neither the principal of Advisor, nor any related persons are registered, or have an application pending to register, as a broker dealer or as an associated person of a broker dealer.

### B. Futures Commission Merchant/Commodity Trading Advisor

Neither the principal of Advisor, nor any related persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### C. Relationship with Related Persons

*The Aranda Group Inc.*

The Aranda Group Inc. is an affiliate of Advisor through common ownership and serves as a provider of family office style services to clients of Advisor including bill pay services. If a client engages The Aranda Group Inc. to provide bill pay services, the client will be required to sign an authorization allowing Advisor to distribute funds from the account held by the qualified custodian to the Clients unaffiliated bank account. The account from which the funds will be drawn will be chosen at the discretion of Advisor. This may create a conflict of interest, as Advisor may have an incentive to recommend The Aranda Group Inc.'s services based on compensation received rather than the client's needs. We attempt to mitigate this conflict by requiring that all recommendations have a sound basis for the recommendation, and by requiring employees to acknowledge their fiduciary responsibility toward each client.

### D. Recommendations of Other Advisers

While not a separate service, we may recommend that certain portions of a client's portfolio be managed by independent third-party managers or recommend direct investment with independent third-party managers, typically when those managers demonstrate knowledge and expertise in a particular investment strategy. In some instances, these managers may collect their fee, and remit a portion to Advisor, rather than Advisor deducting its fee separately. This arrangement, while intended to be an operational convenience and not a referral fee, makes Advisor a "solicitor" within the meaning of Rule 206(4)-3 of the Advisers Act. Accordingly, clients whose assets are placed with a third party manager may be required to execute a disclosure statement acknowledging that Advisor will be paid a portion of the fees collected by the third party manager. Prior to referring any client to another manager, Advisor will confirm that such manager is registered, or exempt from registration, as an investment adviser.

In addition, clients should be aware that this arrangement may present a conflict of interest for Advisor, in that Advisor will have an economic incentive to recommend managers who will have fee rates favorable to Advisor's share of fees, as opposed to fee rates most beneficial to the client. Advisor attempts to mitigate this risk through a thorough review of each manager, including the value for the fees to be paid, as well as requiring every Advisor associated person to acknowledge their fiduciary responsibility to clients.

Additionally, Advisor may also offer clients certain brokerage services through AAM Institutional, which gives Advisor the ability to execute certain trades of client assets held in custody at Fidelity. These entities are not affiliated with Advisor and Advisor has engaged each under an agreement to provide brokerage services and access to certain structured products.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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- A. A copy of the Advisor Code of Ethics is available upon request. The Code of Ethics includes discussions of the fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.
- B. Not applicable. Advisor does not recommend to clients that they invest in any security in which Advisor or any principal thereof has any financial interest.
- C. On occasion, an employee of Advisor may purchase for his or her own account securities which are also recommended for clients. The Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades are reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.
- D. On occasion, an employee of Advisor may purchase for his or her own account securities which are also recommended for clients at the same time the clients purchase the securities. The Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades are reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

## **ITEM 12: BROKERAGE PRACTICES**

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### **A. Recommendation of Broker-Dealer**

Advisor recommends that investment accounts be held in custody by Fidelity Institutional Brokerage Group ("Fidelity"). Fidelity offers enhanced services to independent investment advisors. These services include custody of securities, trade execution platforms, and access to research not available to the general public. Fidelity is wholly independent from Advisor. It is expected that most, if not all, transactions in a given client account will be cleared through the custodian of that account in its capacity as a broker-dealer.

Advisor recommends Fidelity to its clients based on a variety of factors. These include, but are not limited to, commission costs. Fidelity has what can be considered discounted commission rates. However, in choosing a broker-dealer or custodian to recommend, we are most concerned with the

value the client receives for the cost paid, not just the cost. Fidelity adds value beyond commission cost. Other factors that may be considered in determining overall value include speed and accuracy of execution, financial strength, knowledge and experience of staff, research and service. Fidelity also has arrangements with many mutual funds that enable us to purchase these mutual funds for client accounts at reduced transaction charges (as opposed to other broker-dealers). Fidelity has the highest market share of investment adviser business which makes them the most experienced in matters likely to arise for our clients. Advisor re-evaluates the use of Fidelity at least annually to determine if they are still the best value for our clients.

Fidelity provides Advisor with some non-cash benefits (not available to retail customers) in return for placing client assets with them or executing trades through them. Currently, these benefits come in the form of investment research and sponsored attendance at various investment seminars. We may also receive such items as investment software, books and research reports. These products, services, or educational seminars are items that will play a role in determining how to invest client accounts. If there is any item that has a multi-use aspect, mixed between investment and non-investment purposes, Advisor will determine a reasonable allocation of investment to non-investment use and non-cash benefits will be allocated only to the investment portion of the product (and we will pay the remaining cost). Advisor receives a benefit from these services, as otherwise we would be compiling the same research ourselves. This may cause a conflict of interest as we may want to place more client accounts with a broker-dealer/custodian such as Fidelity, solely because of these added benefits. As such, Advisor may have an incentive to select or recommend a broker-dealer based on interests in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. Advisor attempts to mitigate this potential conflict by performing regular reviews of execution services and value clients receive to ensure clients are receiving the best possible value for costs paid. However, the value to all of our clients of these benefits is included in our evaluation of custodians. Products and services received will generally be used for the benefit of all clients. However, it is possible that a given client's trades will generate non-cash benefits that acquire products and/or services that are not ultimately utilized for that same client's account. Non-cash benefits provide additional value, and are accordingly considered in determining which broker-dealer or custodian to utilize as part of our best execution analysis. We do not consider whether Fidelity or any other broker-dealer/custodian, refers clients to Advisor as part of our evaluation of these broker-dealers.

#### Overlay Manager

Advisor has entered into an agreement with Adhesion Wealth Advisor Solutions and Envestnet Inc. to provide Overlay Portfolio Management services to Unified Managed Accounts managed by Advisor.

These overlay portfolio management services are only available to accounts held at TD Ameritrade, Schwab Advisor Services ("Schwab"), Fidelity Institutional Wealth Services ("Fidelity") although they may in the future accept other custodian brokers. Envestnet and Adhesion have arranged with these custodians the capability to electronically place trades in your accounts on your behalf. This electronic trading capability is generally required for effective provision of our services.

Typically, trading and transaction clearing services will be provided by the client's custodian, at fee rates previously agreed to by the custodian and Advisor. Transactions for accounts at one Supported Custodian may be effected either before or after transactions effected by another Supported Custodian. Consequently, an account held at one Supported Custodian may experience performance

results different from an account held at another Supported Custodian due to differing brokerage fees, commissions and trade executions.

**B. Aggregating Trades**

Commission costs per client may be lower on a particular trade if all clients in whose accounts the trade is to be made are executed at the same time. This is called aggregating trades. Instead of placing a number of trades for the same security for each account, we will, when appropriate, executed one trade for all accounts and then allocate the trades to each account after execution. If an aggregate trade is not fully executed, the securities will be allocated to client accounts on a pro rata basis, except where doing so would create an unintended adverse consequence (For example,  $\frac{1}{4}$  of a share, or a position in the account of less than 1%.)

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**ITEM 13: REVIEW OF ACCOUNTS**

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All accounts and corresponding financial plans will be managed on an ongoing basis, with formal reviews with the client by a member of senior management on at least an annual basis. However, it is expected that market conditions, changes in a particular client's account, or changes to a client's circumstances will trigger a review of accounts.

The annual report in writing provided by Advisor is intended to review asset allocation. All clients will receive statements and confirmations of trades directly from Fidelity. Please refer to Item 15 regarding Custody.

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**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

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**A. Economic Benefit Provided by Third Parties for Advice Rendered to Client.**

*Please refer to Item 12, where recommendation of Broker-Dealers is discussed.*

**B. Compensation to Non-Advisory Personnel for Client Referrals.**

Advisor does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

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**ITEM 15: CUSTODY**

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Advisor may be deemed to have custody as it deducts fees from client accounts and additionally provides bill pay type services through its related entity The Aranda Group Inc.

Clients will receive statements directly from Fidelity, and copies of all trade confirmations directly from Fidelity. Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts at Fidelity. Each month, the client will receive a statement from Fidelity showing all transactions in their account, including the fee.



We encourage clients to carefully review the statements and confirmations sent to them by Fidelity, and to compare the information on reports prepared by Advisor against the information in the statements provided directly from Fidelity. Please alert Advisor of any discrepancies.

## **ITEM 16: INVESTMENT DISCRETION**

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When Advisor is engaged to provide asset management services on a non-discretionary basis, Advisor will monitor client accounts to ensure that they are meeting client asset allocation requirements. If any changes are needed to a client's investments, Advisor will consult with client's before making the changes. These changes may involve reallocating portions of client's portfolios to different managers through Adhesion. Client's may receive at their request written or electronic confirmations from the account custodian after any changes are made to the client's account. Clients will also receive monthly statements from their account custodian. Clients engaging Advisor on a non-discretionary basis will be asked to execute a Limited Power of Attorney (granting Advisor the non-discretionary authority to implement the investment recommendations within the client accounts) as well as an Investment Management Agreement that outlines the responsibilities of both the client and Advisor.

In the event that clients are invested in an account that utilizes an Overlay Manager, such as a UMA, clients will grant the Overlay Manager complete and unlimited discretionary trading authority with respect to the account. The Overlay Manager will be solely responsible for the day-to-day investment management decisions for the account, and neither Advisor nor any third party manager will be responsible for implementing the investment trading decisions.

## **ITEM 17: VOTING CLIENT SECURITIES**

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From time to time, shareholders of stocks, mutual funds, exchange traded funds or other securities may be permitted to vote on various types of corporate actions. Examples of these actions include mergers, tender offers, or board elections. Clients are required to vote proxies related to their investments, or to choose not to vote their proxies. Advisor will not accept authority to vote client proxies. Clients will receive their proxies directly from the custodian for the client account. Advisor will not give clients advice on how to vote proxies. In limited circumstances third party managers may vote client proxies on client's behalf.

## **ITEM 18: FINANCIAL INFORMATION**

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Advisor does not require the prepayment of fees of \$1,200 or more, more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

There are no material financial circumstances or conditions that would reasonably be expected to impair the ability to meet contractual obligations to clients.