

# 15 Equity, LLC

## FORM ADV PART 2A DISCLOSURE BROCHURE

10 East Yanonali Street, Suite 109  
Santa Barbara, CA 93101

(805) 456-4426  
[www.15equity.com](http://www.15equity.com)

Date of Brochure: March 31, 2022

---

This brochure provides information about the qualifications and business practices of our firm. If you have any questions about the contents of this brochure, please contact Chief Compliance Officer Mitch Avnet by phone at 805-456-4426 or by email at [compliance@15equity.com](mailto:compliance@15equity.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about our firm is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for 15 Equity, LLC. You may search for information by using the firm's name or by using our CRD number. The firm's CRD number is 310628.

Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Listed below are the material changes made to this brochure since its last filing:

Item 5: Addition of the Digital Asset Strategy and its fees.

Item 8: Addition of the Digital Asset Strategy and risks for such strategy.

Item 12: Disclosure of our trade rotation strategy.

To receive a complete copy of our brochure at no charge, please visit our website at [www.15equity.com](http://www.15equity.com) or contact us by phone at 805-456-4426.

### Item 3 – Table of Contents

Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	5
Item 6 – Performance-Based Fees and Side-By-Side Management.....	6
Item 7 – Types of Clients .....	6
Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss .....	7
Item 9 – Disciplinary Information .....	10
Item 10 – Other Financial Industry Activities and Affiliations.....	10
Item 11 – Code of Ethics, Participation in Client Transactions, and Personal Trading .....	10
Item 12 – Brokerage Practices .....	11
Item 13 – Review of Accounts.....	13
Item 14 –Other Compensation .....	14
Item 15 – Custody.....	14
Item 16 – Investment Discretion .....	15
Item 17 – Voting Client Securities .....	15
Item 18 – Financial Information .....	16

## **Item 4 – Advisory Business**

15 Equity, LLC (“15 Equity” or the “Firm”) is an investment adviser registered with the United States Securities and Exchange Commission. The Firm is a limited liability company formed under the laws of the state of Delaware. The firm is 68% owned and controlled by Raymond J. Lucia Jr. and 23% owned and by Joseph P. Lucia. The Firm offers a variety of programs that may be used by the Firm and investment adviser representatives (“adviser representatives”, “advisers”, or “IARs”) to provide services to you. These programs and services are more fully described in this brochure, and your account opening documents.

We offer asset management services to individuals, trusts, estates, private foundations, high-net-worth individuals, and business owners.

The process begins with a thorough interview and data collection process to help our team understand, among other things, your short-term and long-term financial objectives, risk tolerance, tax status, current investment holdings, and asset allocation.

### **History**

In 2000, West Coast Asset Management, Inc. (“WCAM”) was co-founded by Lance Helfert, Managing Director and Co-Portfolio Manager of 15 Equity, who served as WCAM’s President. Atticus Lowe, Managing Director and Co-Portfolio Manager of 15 Equity, joined WCAM in 2002 and became the firm’s chief investment officer. In 2014, Lucia Capital Group (“LCG”) acquired WCAM’s managed accounts with Mr. Lowe and Mr. Helfert continuing to manage the focused equity strategy and fixed income portfolios for LCG’s clients. In 2020, LCG restructured its business model and established 15 Equity to focus on LCG’s legacy equity and fixed income strategies while serving private clients and delivering separately managed account solutions to independent investment advisers. Mr. Helfert and Mr. Lowe continue to manage the focused equity and fixed income portfolios for 15 Equity.

## **ASSET MANAGEMENT SERVICES**

### **PRIVATE CLIENT PROGRAM**

Clients participating in the Private Client Program may do so on a discretionary or non-discretionary basis. Clients will generally establish brokerage accounts directly with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (“Schwab”), a FINRA- registered broker/dealer, member SIPC, to maintain custody of their assets and to effect trades for their accounts. The Firm has entered into a formal agreement with Schwab Advisor Services whereby Schwab will provide certain services to you and the Firm.

In certain cases, the Firm may use the custodian or other broker/dealer(s) designated by the client to provide all clearing, trading, and brokerage services for the client account.

### **PRIVATE CLIENT STRATEGY (DISCRETIONARY)**

The Firm provides personal discretionary asset management services consisting of the active management of client accounts on an individualized basis to clients in its Private Client Program. The Firm may invest its clients’ assets in exchange-traded or OTC-traded securities, mutual funds, warrants, equity and corporate debt securities. The Firm may also invest account assets in fixed-income securities and may do so through investments in indexed bond funds as well as individual fixed-income securities.

The Private Client Program begins with the development of an Investment Policy Statement that balances a client's overall financial objectives with the client's individual attributes, including risk, income requirements, liquidity requirements, and investment horizon. The Firm often manages only a portion of a client's total investment portfolio, and the portion managed by the Firm may be concentrated in one or a few asset categories.

Clients are under no obligation to implement the recommendations developed by the Firm and may specify any investment restrictions upon opening the account or at any time thereafter. The Firm will have discretionary trading authority to conduct trading activity in securities consistent with the Investment Policy Statement approved by the client, subject to any investment restrictions requested by the client. The Firm will determine at its sole discretion the specific securities that will be treated as falling within any restricted asset category that may be designated by the client. In making this determination, the Firm may rely on outside sources, such as standard industry codes and research from independent service providers.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

### **PRIVATE CLIENT STRATEGY (NON-DISCRETIONARY)**

The Firm provides non-discretionary asset management services to certain clients in its Private Client Advisory Program based on specific objectives of the client, including buy or sell transactions directed by the client subsequent to direct dialog between the client and the Firm, for each transaction.

### **CLIENT ASSETS MANAGED BY 15 EQUITY**

As of 12/31/2021, client assets managed by 15 Equity totaled \$113,264,815 of which \$80,555,523 was invested in discretionary accounts and \$32,709,292 was invested in non-discretionary accounts.

Discretionary assets are the assets in which we have the authority to buy or sell securities. This may include the selection of model portfolios, or the selection and execution of securities transactions. Non-discretionary assets are assets in accounts where we do not have discretion to place orders to buy or sell assets without first receiving the client's authorization.

## **Item 5 – Fees and Compensation**

In addition to the information provided in Item 4 – Advisory Business, this section provides details regarding fees and compensation arrangements.

### **PRIVATE CLIENT PROGRAM FEES**

Annual fees for investment advisory services in the Private Client Program are based on a percentage of assets under management and can be up to 2.00%, although we retain the discretion to negotiate fees on a client-by-client basis. Advisory fees are payable upon the Firm's receipt of the assets in the account and are based on the value of such assets as of the Effective Date of the Client Advisory Agreement (or, if such Effective Date is not a trading day for the New York Stock Exchange, then on the next following trading day), prorated for the remainder of the then-current calendar quarter. Thereafter, the advisory fee is payable quarterly each calendar quarter and based on the value of assets under management in the client's account as of the last trading day of the immediately preceding calendar quarter. Advisory fees for assets invested for partial quarters are prorated and deducted quarterly, in advance, from the client's account. Pre-existing clients are billed in accordance with their client agreements.

You may terminate your advisory agreement at any time upon written notice to the Firm. The advisory agreement will terminate upon receipt by the Firm of your written notice of termination. If you terminate your agreement, you will be entitled to a prorated refund of the prepaid Advisory Fee. The fee for the last quarter that the account(s) is/are managed is calculated on a pro rata basis and a refund is issued for the remainder of the quarter during which the account(s) is/are not managed. This refund will be paid in arrears at the next quarterly billing cycle, generally 30 days following the quarter end.

#### **DIGITAL ASSET STRATEGY FEES (described in Item 8)**

The digital asset strategy fee is calculated as a basis point of the assets under management (AUM) in the strategy, annualized, calculated daily, and paid in aggregate on monthly basis. As such, the AUM managed on the platform within a 24-hour period determines the basis point(s) that will be used to calculate the daily digital asset strategy fee. Thereafter, the daily digital asset strategy fee will be calculated by applying the applicable basis point(s) to the AUM in the strategy on the given day and annualized. At the end of the month, the monthly AUM fee is calculated by adding each daily AUM Fee in the given calendar month. The AUM fee will be deducted monthly.

#### **OTHER FEES AND EXPENSES**

Fees for asset management services offered through the Private Client Program do not include brokerage commissions, transaction fees, and other related costs and expenses that may be billed separately by the custodian of your account, if any. You may incur certain charges imposed by custodians, brokers, third-party investment companies, managers, and other parties. These may include annual account fees, custodial fees, deferred sales charges, partial transfer fees, wire transfer and electronic fund fees, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regards to transactions in the client's account and advisory fees. For fixed-income securities where the manager must approach a dealer or market maker to purchase or sell a security, such costs include the dealer's markup or markdown, spread and odd-lot differentials, and transfer taxes imposed by law.

For mutual funds (including money market funds), closed-end investment companies or other managed investments, if any, held in the client's account may include expenses or sales charges (loads) and other fees and taxes on brokerage accounts and securities transactions. For additional information on brokerage fees, refer to Item 12, Brokerage Practices.

Mutual funds, money market funds, and exchange-traded funds (ETFs) also charge internal management fees, which are disclosed in the fund's prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses.

All these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to ours may be available elsewhere for more or less than the amounts we charge.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to the Firm's brochure because the Firm does not charge or accept performance-based fees (which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account).

#### **Item 7 – Types of Clients**

We provide asset management services primarily to individuals nearing retirement or already retired with an

investment portfolio typically ranging from \$1,000,000 to over \$10,000,000 as well as asset management services to high-net-worth individuals, pension plans, trusts, and charitable institutions (such as foundations that may be connected to our individual clients).

## **MINIMUM INVESTMENT AMOUNTS REQUIRED**

Minimum investment amounts are required. Private Client program generally has an investment minimum of \$1,000,000. Exceptions to minimums may be granted at the discretion of the Firm.

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

### **METHODS OF ANALYSIS**

We generally utilize the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis:** We analyze historical and present information related to the overall economy, financial markets, industry conditions, and the financial condition and management of individual companies, to determine whether specific securities are underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in our evaluation.

**Asset Allocation:** We attempt to identify an appropriate ratio of equities, fixed income, and cash suitable to each client's investment goals and risk tolerance.

### **INVESTMENT STRATEGIES**

We offer equity and fixed income strategies which may be implemented through individual accounts or balanced accounts that include a combination of equity and fixed income securities. Securities purchased may be held for more or less than one year, and we may utilize margin (borrowing money to purchase securities) in certain circumstances at the direction of clients. We offer the following equity and fixed income strategies:

**Focused Equity:** Our "Focused Equity" strategy is a portfolio consisting of approximately 15 stocks. We believe this number of stocks represents adequate diversification to protect against unsystematic (company-specific) risk while enabling each investment to have a meaningful impact on our results. Individual position weights vary within the portfolio based on our assessment of risk and reward within the context of the overall portfolio.

The Focused Equity strategy generally focuses on what we believe are resilient businesses that generate sustainable recurring revenue and have an enduring competitive advantage, low capital requirements, low reinvention risk, a prudent balance sheet and strong pricing power. We believe that if purchased at the right price, businesses with these attributes provide a strong margin of safety and offer an attractive opportunity for investors to compound returns over the long-term. In special situations, the strategy may include opportunistic investments in preferred stocks and merger arbitrage opportunities that we believe offer favorable risk-reward characteristics.

We only make investments when we are convinced that a security's price represents a significant discount to its intrinsic value, and growth can be an important component of value. Cash is a residual of the investment process and typically will not exceed 10% of the portfolio. All investment decisions are based on our own fundamental research.

History:

The Focused Equity Composite was created on January 31, 2001. It was managed from that date through October 31, 2014 by WCAM and from November 1, 2014 through December 31, 2020 by Lucia Wealth Services, LLC ("LWS"). On January 1, 2021, the WCAM Equity Composite was transferred to 15 Equity, LLC and renamed the Focused Equity Composite.

**Custom Fixed Income:** Our "Custom Fixed Income" portfolios are customized to meet specific client needs, including capital preservation, tax efficiency, inflation protection, current income, diversification, and liquidity. We evaluate each fixed income security on an individual basis within the context of a portfolio, and apply internal views on interest rates, inflation, and credit risk. Depending on specific client needs, portfolios are typically constructed of Corporate, Municipal, and/or Treasury bonds. In order to improve liquidity and reduce interest rate risk, portfolios are typically constructed of individual bonds with different maturity dates that are spread over a target range (for example, 1-5 years) based on income needs and interest rate expectations. Bonds are typically held to maturity and reinvested in order to maintain the target maturity range.

History:

WCAM began managing custom fixed income portfolios for clients in 2004.

## **AUTOMATED INVESTMENT MANAGEMENT PLATFORM**

15 Equity, LLC may provide portfolio management services through automated, online investment management platform for use by independent investment advisors.

When consistent with a client's investment objectives, 15 Equity, LLC may determine to provide portfolio management services through the program, an automated investment program through which clients are invested in a range of investment strategies. 15 Equity, LLC will construct and manage, each portfolio consisting of a portfolio of ETFs and a cash allocation. The client's portfolio is held in a brokerage account opened by the client at the custodian.

## **DIGITAL ASSET STRATEGY**

Our "Digital Asset" (DA) strategy is a focused portfolio consisting of digital assets. Digital Assets are a rapidly developing new asset class and currently Bitcoin (BTC) and Ethereum (ETH) make up approximately 61% of the market capitalization of the digital asset space. It is possible that our digital asset portfolio may hold a focused portfolio of only 2 digital assets. Individual position weights vary within the portfolio based on our framework assessment model that include the following broad areas of research, the basics of how the DA works and why it matters, the problem the DA was designed to solve, fundamental metrics like transaction volume and total value locked, and our assessment of price. We make investments when we are convinced that the DA has significant growth prospects and is priced fairly in relation to that growth. All investment decisions are based on our own research.

## **RISK OF LOSS**

Clients that choose to utilize margin or other forms of leverage, such as a pledged asset line of credit, are subject to a high level of inherent risk. A margin transaction occurs when an investor borrows money to purchase securities, utilizing other securities as collateral for the borrowed amount. A pledged asset line of credit enables an investor to borrow money by pledging other securities as collateral. The effect of utilizing leverage is to magnify the effect of any gains or losses. To the extent that a client utilizes leverage, the market value of such client's account and corresponding fee payable by the client to the Firm may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of



leverage, clients authorizing the use of leverage are advised of the conflict of interest whereby any client's decision to employ leverage may correspondingly increase the management fee payable to the Firm. While the Firm may refuse to employ leverage in a client's account, the decision of whether to employ leverage is completely at the client's discretion.

Clients should understand that the investment objective selected for your household is an overall objective that may be inconsistent with a particular holding and the account's performance at any time. Investing in securities (including stocks, bonds, or any other securities) involves the risk of loss of principal. Further, depending on the different types of investments, there may be varying degrees of risk. You should be prepared to bear investment loss, including loss of the original principal you invested.

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 you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our asset management programs.

**Market Risk** – Risk that 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 systemic risk.

**Equity (Stock) Market Risk** – Common stocks are susceptible to general stock market fluctuations and 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.

**Crypto Asset Risk-** Among other risks associated with crypto assets, the prices of crypto assets can be and have been extremely volatile, and crypto asset exchanges have been closed due to fraud, failure, or security breaches. Crypto assets are created, issued, transmitted, and stored according to protocols run by computers in crypto asset networks. It is possible that these protocols have undiscovered flaws which could result in the loss of some or all crypto assets held by the Client. There may also be network attacks against these protocols which may result in the loss of some or all crypto assets held by the Client. Some crypto assets held by the Client may be created, issued, or transmitted using experimental cryptography which could have underlying flaws. Advancements in quantum computing could break the cryptographic rules of protocols which support the crypto assets offered by the adviser via the custodian. The adviser makes no guarantees about the reliability of the cryptography used to create, issue, or transmit the crypto assets held by the Client.

**ETF and Mutual Fund Risk** – When the Firm invests in an ETF or mutual fund, the client will bear additional expenses based on its 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.

**Management Risk** – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

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

This item is not applicable to the Firm's brochure because there are no legal or disciplinary events listed in Item 9 of the Form ADV Part 2 instructions that are material to a client's or a prospective client's evaluation of the Firm's business or the integrity of the Firm's management.

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

Neither the Firm nor any of its management persons have a related company that is a (1) futures commission merchant, commodity pool operator, or commodity trading adviser; (2) banking or thrift institution; (3) accountant or accounting firm; (4) lawyer or law firm; (5) pension consultant; or (6) real estate broker or dealer.

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

#### **CODE OF ETHICS SUMMARY**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts. In addition, an investment adviser has a duty of utmost good faith to act solely in the best interest of each of its clients. The Firm and its associated persons have a fiduciary duty to all clients. The Firm has established a Code of Ethics that all associated persons must read. They must then execute an acknowledgment that they understand and agree to comply with the Firm's Code of Ethics. The fiduciary duty of the Firm and its associated persons to clients is considered the core underlying principle for the Firm's Code of Ethics and represents the expected basis for all associated persons' dealings with clients. The Firm has the responsibility to make sure that your interests are placed ahead of its or its associated persons' own investment interests. All associated persons will conduct business in an honest, ethical, and fair manner. All associated persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to you prior to services being conducted.

All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to their clients. This section is only intended to provide you with a description of the Firm's Code of Ethics. If you wish to review the Firm's Code of Ethics in its entirety, a copy may be requested from any of the Firm's associated persons, and a copy will be provided promptly.

#### **PERSONAL TRADING POLICY**

The Firm or its associated persons may buy or sell securities or have an interest or position in a security for their personal account that they also recommend to clients. This presents a conflict of interest between our clients' investment interests and the interests of our personnel. Therefore, we have formed the following procedures to help monitor and control for conflicts of interest arising from our personal trading policies:

- The Firm is, and shall continue to be, in compliance with the Insider Trading and Securities Fraud Enforcement Act 1988. No associated person shall prefer his or her own interest to that of an advisory client.

- No person employed by the Firm may purchase or sell the same security prior to a transaction or transactions being implemented for an advisory account.
- Associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry.

Your adviser may provide you with advice regarding real estate partnerships and other private placement investments. Such investments are illiquid, which means that the investments can be difficult to trade and consequently can limit a client's ability to dispose of such investments in a timely manner and at an advantageous price. Additionally, such investments may not be registered pursuant to the Securities Act of 1933, and therefore the client will need to complete a subscription agreement showing the client is an "accredited" investor (as defined by applicable law and rules and regulations) and acknowledging that he or she has read and understands the private placement memorandum and is aware of the various risk factors associated with such an investment.

Your adviser may in the future or currently have personally invested in private placement investments they also recommend to you. This creates a natural conflict of interest in that their personal investment may motivate them to recommend the private placement investment over other private placement investments they have not personally invested in but that may be better suited for you or have better historical performance. To control for this conflict of interest, the adviser will disclose any personal investment interest they have in a private placement they recommend. Further, in accordance with the Firm Code of Ethics and Personal Trading Policy, advisers are required to obtain written approval from the Firm prior to personally investing in a private investment.

## Item 12 – Brokerage Practices

### THE CUSTODIANS AND BROKERS WE USE

The Firm does not maintain custody of the assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (See *Item 15 – Custody* below). Your assets must be maintained in an account at a "qualified custodian," generally a broker/dealer. Depending on the program in which you invest, we may require or recommend the use of a specific broker/dealer.

### SELECTION OF BROKERS/CUSTODIANS

We seek to use a broker/custodian who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers, their services, and how these services will best meet the needs of an individual client and the programs that we offer. We consider several factors, including the following:

- Combination of transaction execution services along with asset custody services
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (electronic fund transfers, wire transfers, check requests, bill payment, VISA debit/credit card, etc.)
- Breadth of investment products available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), interval funds, alternative investments, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services

- Price competitiveness for services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- Reputation, financial strength, and stability of the provider
- Prior service to us and our clients
- Availability of other products and services that benefit us (see Arrangement with Schwab below)

There are some investment advisers that permit the use of multiple broker/dealers and permit clients to select the broker/dealer. The Firm has considered the positive factors to this approach, which include the ability to better negotiate brokerage costs (such as transaction fees), the ability to better analyze speed of execution, and the ability to compare and negotiate services.

Commission and fee structures of various broker/dealers, along with services, research, and tools, are periodically reviewed by the Firm in order to evaluate the overall execution services provided by Schwab. Accordingly, while the Firm will consider competitive rates, it may not necessarily obtain the lowest possible commission and brokerage rates for your account transactions. Therefore, the overall services provided by Schwab are evaluated to determine the level of best execution provided to our clients.

### **ARRANGEMENT WITH SCHWAB**

If you invest in the Private Client Program, we request that our clients use Schwab, a FINRA registered broker/dealer, member SIPC, as the qualified custodian and broker/dealer. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we/you instruct them to. While we request that you use Schwab as custodian and broker/dealer, you will decide whether to do so, and you will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. The team will assist in guiding clients on the account opening process and necessary paperwork required.

### **PRODUCTS AND SERVICES AVAILABLE TO US FROM SCHWAB**

Schwab Advisor Services, a division of Schwab, is Schwab's business serving investment advisory firms like us. They provide us and our clients with access to its institutional brokerage services including trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Below is a more detailed description of Schwab's support services:

**Services That Benefit You** – Schwab's institutional brokerage services include execution of securities transactions, custody of client assets, and access to a broad range of investment products. The investment products available through Schwab include some that we might not otherwise have access to or that would require a significantly higher minimum initial investment by our clients.

**Services That May Not Directly Benefit You** – Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts, and they include investment research—both Schwab's own and that of third parties. We may use this research to service our clients investing in our Private Client Program and in managing our Focused Equity Model. In addition to investment research, Schwab also makes available software and other technology that provides access to client account data (such as duplicate trade confirmations and account statements), facilitates trade execution and allocates aggregated trade orders for multiple client accounts, provides pricing and other market data, facilitates payment of our fees from our clients' accounts, and assists with back-office functions, recordkeeping, and client reporting.

**Services That Generally Benefit Only Us** – Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include educational conferences and events; technology, compliance, legal, and business consulting; publications and conferences on practice management and business succession; and access to employee benefit providers, human capital consultants, and insurance providers. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third-party's fees.

The availability of these services from Schwab benefits the Firm because it does not have to produce or purchase them. The Firm does not have to pay for Schwab's services. The Firm believes that its selection of Schwab as custodian and broker/dealer for the Private Client Program is in the best interest of its clients. It is primarily supported by the scope, quality, and price of Schwab's services (based on the factors discussed above) and not Schwab's services that benefit only the Firm.

### **AGGREGATION OF CLIENT ORDERS – BLOCK TRADING POLICY**

Transactions we implement for your accounts for model portfolios are generally effected in aggregate, as the Firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading, and it is used by the Firm when we believe such action may enhance efficiency, increase pricing power, and ensure that all clients' accounts are executed with equal priority. When we aggregate client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, negotiate more favorable commission rates, or allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Under this procedure, transactions will be averaged as to price and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. When we determine to aggregate client orders for the purchase or sale of securities, including securities in which we may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter "SMC Capital, Inc." It should be noted that we do not receive any additional compensation or remuneration as a result of aggregation.

Like our policy, the process of aggregating client orders is done in order to achieve better execution, negotiate more favorable commission rates, or allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

We use a trade rotation strategy to ensure our accounts are treated fairly and equitably over time. The trade rotation strategy currently includes our directly managed client accounts and the accounts implemented by our portfolio managers. We may add other accounts to the rotation schedule in the future.

## **Item 13 – Review of Accounts**

### **REVIEWS FOR CLIENTS OF OUR ASSET MANAGEMENT SERVICES**

Your adviser will generally contact you at least annually for the purpose of reviewing your accounts and determining if there have been changes in your financial situation or investment objectives. Any changes are then reported internally, as well as to the portfolio manager, as necessary. Your quarterly statements will

contain a written notification to contact us if there have been any changes in your financial circumstances or investment objectives or if you wish to impose any restrictions on the management of your accounts or to modify any existing restrictions. This notice will also provide you with a means through which such contact can be made.

Your adviser may hold more frequent reviews upon your request or if there have been changes within the market. Accounts managed by the Firm are reviewed by your adviser on a regular basis, but at least quarterly.

## **ACCOUNT SUMMARY OR PERFORMANCE REPORTS**

Your adviser may provide you with a periodic account summary or performance report. Although the information provided on the summary or report has been retrieved from sources believed to be reliable, we urge you to compare the holdings listed on the custodian's statement to those listed on reports your adviser may deliver to you. You will receive statements at least quarterly from the qualified custodian at which your account is maintained. If any discrepancies are found, please contact us at (805) 456-4426.

## **Item 14 –Other Compensation**

### **OTHER COMPENSATION**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisers that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability of these products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## **Item 15 – Custody**

Custody, as it applies to investment advisers, has been defined by the SEC 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 adviser, or any of its affiliated companies, has the ability to access or control client funds or securities, the investment adviser is deemed to have custody for purposes of the Investment Advisers Act of 1940 and must ensure proper procedures are implemented.

Based on the SEC's definition, the Firm is deemed to have custody over accounts managed by the Firm, as the Firm deducts advisory fees directly from our clients' accounts and processes deposits on behalf of our clients. Further, clients may have standing letters of instruction authorizing the Firm to send funds from their accounts upon request. In these instances, clients are required to sign a letter of authorization with the custodian of their assets granting such authority. For these accounts, the Firm has established the following procedures to comply with the SEC's custody rule:

- All client funds and securities are held at Schwab which serves as the qualified custodian, or another qualified custodian (the "Qualified Custodian") in a separate account for each client under that client's name.
- Clients, or independent representatives of clients, will direct, in writing, the establishment of all accounts and, therefore, are aware of the Qualified Custodian's name and address and the manner in which the funds or securities are maintained.

- 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 the Firm. When clients have questions about their account statements, they should contact the Firm or the Qualified Custodian preparing the statement.
- In accordance with SEC regulations, the Firm is subject to an annual surprise verification examination.
- The Firm must engage an independent, third-party accounting firm to perform an annual, surprise examination verifying the location of client funds and securities and ensuring accuracy of quarterly statements. When completed, the accounting firm's report will be available through the SEC's Investment Adviser Public Disclosure page at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our information on this website by searching for 15 Equity. You can also search using the firm's CRD number. The CRD number for the firm is 310628.

An internal control report must include the opinion of an independent public accountant as to whether controls are in place as of a specific date, suitably designed for our business operations, and effectively meeting the control objectives relating to custodial services on behalf of our clients. The accounting firm must also verify that funds and securities of which the Firm is deemed to have custody are reconciled to a custodian (e.g., Schwab). The internal control report is prepared by a third-party accounting firm that is not affiliated in any way with the Firm and that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB).

Under these same regulations, the Firm is deemed to have custody of your assets if you authorize us to instruct Schwab to deduct your advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. You should carefully review those statements when you receive them. We also urge you to compare Schwab's account statements to portfolio reports you may receive from us.

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

Upon receiving written authorization from you, the Firm may provide discretionary investment advisory services for your accounts. Written authorization must be granted in the contract for services.

Generally speaking, when discretionary authority is granted, your adviser and the Firm are given the authority to determine the type and amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction. Written authorization, including limitations thereof, will be provided in the investment advisory agreement. Depending on the program, the Firm may or may not have discretion over your assets. When discretion is granted, clients maintain the ability to impose reasonable restrictions on the management of their accounts.

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

The Firm will vote client securities based on the recommendations of a proxy voting service that provides research, analytics and voting recommendations. If we chose to deviate from these recommendations we will document the reasons for the change. We have adopted a proxy voting policy that outlines our procedures for voting proxies including delineating resolutions that may arise during the proxy voting process. We will vote proxies in the best economic interest of our clients. However, we may consider other factors by agreement with clients or to comply with statutory requirements. Our co-portfolio managers or their designee(s) are responsible for monitoring corporate actions, making voting decisions along with our proxy voting service, voting the proxies and ensuring they are submitted on a timely basis.

Clients can obtain information on how their security was voted by emailing [compliance@15equity.com](mailto:compliance@15equity.com) or calling (805) 456-4426. Additionally, our complete proxy voting policy is available upon request by emailing [compliance@15equity.com](mailto:compliance@15equity.com) or calling (805) 456-4426.

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

This item is not applicable to the Firm's brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients. Finally, the Firm has not been the subject of a bankruptcy petition at any time.