

# Catalina Capital Group LLC d/b/a Smart Harvest Solutions

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Catalina Capital Group LLC d/b/a Smart Harvest Solutions. If you have any questions about the contents of this brochure, please contact us at (310) 540-5544 or by email at: [cfrantz@catalinacap.com](mailto:cfrantz@catalinacap.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 Catalina Capital Group LLC d/b/a Smart Harvest Solutions is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Catalina Capital Group LLC d/b/a Smart Harvest Solutions' CRD number is: 172556.*

2601 Airport Drive, Suite 375  
Torrance, CA 90505  
(310) 540-5544  
[cfrantz@catalinacap.com](mailto:cfrantz@catalinacap.com)  
<https://www.catalinacap.com>  
<https://www.smartharvestsolutions.com>

*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Catalina Capital Group LLC on 03/17/2023 are described below. Material changes relate to Catalina Capital Group LLC policies, practices or conflicts of interests only.

- Catalina Capital Group LLC has updated their primary office address (Front Page).

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Catalina Capital Group LLC (hereinafter "CatalinaCap") is a Limited Liability Company organized in the State of California. The firm was formed in July 2014, and the principal owners are Chris Frantz and Philippe Oertle.

### **B. Types of Advisory Services**

#### *Portfolio Management Services*

CatalinaCap offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. CatalinaCap creates an Investment Objective Sheet for each client, which outlines the client's current investment objectives and risk tolerance. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

CatalinaCap evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. CatalinaCap will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Objective Sheet, which is given to each client.

CatalinaCap seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of CatalinaCap's economic, investment or other financial interests. To meet its fiduciary obligations, CatalinaCap attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, CatalinaCap's policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is CatalinaCap's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent, including initial public offerings ("IPOs") and other investment opportunities that might have a limited supply, among its clients on a fair and equitable basis over time.

CatalinaCap has discretion to choose third-party investment advisers to manage all or a portion of the client's assets. Before selecting other advisers for clients, CatalinaCap will always ensure those other advisers are properly licensed or registered as an investment adviser. CatalinaCap conducts due diligence on any third-party investment adviser,

which may involve one or more of the following: phone calls, meetings and review of the third-party adviser's performance and investment strategy. CatalinaCap then makes investments with a third-party investment adviser by investing with the third-party adviser. These investments may be allocated either through the third-party adviser's fund or through a separately managed account managed by such third-party adviser on behalf of CatalinaCap's client. CatalinaCap may also allocate among one or more private equity funds, private equity fund advisers, REITs, Real Estate Investment Funds or Hedge Funds. CatalinaCap will review the ongoing performance of the third-party adviser as a portion of the client's portfolio.

### ***Pension Consulting Services***

CatalinaCap offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). Pension consulting may include, but is not limited to:

- Identifying investment objectives and restrictions
- Providing guidance on various asset classes and investment options
- Recommending money managers to manage plan assets in ways designed to achieve objectives
- Monitoring performance of money managers and investment options and making recommendations for changes
- Recommending other service providers, such as custodians, administrators and broker-dealers
- Creating a written pension consulting plan

These services are based on the goals, objectives, demographics, time horizon, and/or risk tolerance of the plan and its participants.

### ***Smart Harvest Solutions***

Smart Harvest Solutions builds personalized direct index SMA solutions with an emphasis on tax loss harvesting and custom beta/index exposure. Smart Harvest creates disciplined rules-based equity strategies for third party investment advisors.

- Provide tax loss harvesting with tax lot consideration, and daily portfolio management to seek index outperformance returns on an after-tax basis
- Customized domestic and international index exposure with individual security selection
- Assist in creating custom exposure to target factors, socially responsible investing and more
- Provide detailed reporting, custom reports, transition reports and performance reports to advisors

### ***Services Limited to Specific Types of Investments***

CatalinaCap generally limits its investment advice to mutual funds, fixed income securities, real estate funds (including REITs), insurance products including annuities, equities, hedge funds, private equity funds, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds, commodities, non-U.S. securities, venture capital funds and private placements. CatalinaCap may use other securities as well to help diversify a portfolio when applicable.

### ***Selection of Other Advisors Services***

CatalinaCap may direct clients to third-party investment advisers. CatalinaCap will be compensated via a fee share from the advisers to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of interest in that CatalinaCap has an incentive to direct clients to the third-party investment advisers that provide CatalinaCap with a larger fee split. CatalinaCap will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. CatalinaCap will verify that all recommended advisers are properly licensed, notice filed, or exempt in the states where CatalinaCap is recommending the adviser to clients.

## **C. Client Tailored Services and Client Imposed Restrictions**

CatalinaCap offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent CatalinaCap from properly servicing the client account, or if the restrictions would require CatalinaCap to deviate from its standard suite of services, CatalinaCap reserves the right to end the relationship.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. CatalinaCap does not participate in any wrap fee programs.

## **E. Assets Under Management**

CatalinaCap has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$ 283,377,281	\$ 111,259,815.00	December 2022

## Item 5: Fees and Compensation

Lower fees for comparable services may be available from other sources.

### A. Fee Schedule

#### *Portfolio Management Fees*

Total Assets Under Management	Annual Fees
All Assets	Up to 1.50%

The advisory fee is calculated using the value of the assets in the account on the last business day of the prior billing period.

These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Clients may terminate the agreement without penalty for a full refund of CatalinaCap's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract immediately upon written notice.

#### *Selection of Other Advisers Fees*

Total Assets Under Management	Annual Fees
All Assets	Up to 1.50%

CatalinaCap will receive its standard fee on top of the fee paid to the third party adviser. This relationship will be memorialized in each contract between CatalinaCap and each third-party adviser. The fees will not exceed any limit imposed by any regulatory agency.

#### *Pension Consulting Services Fees*

##### **Asset-Based Fees**

Total Assets Under Management	Annual Fee
\$0 - AND UP	Up to 1.50%



The advisory fee is calculated using the value of the assets in the account on the last business day of the prior billing period.

### **Fixed Fees**

The rate for creating client pension consulting plans is up to \$250,000.

These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the pension consulting agreement. Clients may terminate the agreement without penalty for a full refund of CatalinaCap's fees within five business days of signing the pension consulting agreement. Thereafter, clients may terminate the pension consulting agreement immediately upon written notice.

### ***Smart Harvest Solutions Fees***

Total Assets Under Management	Annual Fee
All Assets	Up to 0.50%

## **B. Payment of Fees**

### ***Payment of Portfolio Management Fees***

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis, or may be invoiced and billed directly to the client on a quarterly basis. Clients may select the method in which they are billed. Fees are paid in advance.

### ***Payment of Pension Consulting Fees***

Asset-based pension consulting fees are withdrawn directly from the client's accounts with client's written authorization or may be invoiced and billed directly to the client, clients may select the method in which they are billed. Fees are paid either monthly or quarterly and are paid either in advance or arrears.

Fixed pension consulting fees are paid via check or wire. Fees are paid either monthly or quarterly and are paid either in advance or arrears.

### ***Payment of Smart Harvest Solutions Fees***

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis, or may be invoiced and billed directly to the client on a quarterly basis. Clients may select the method in which they are billed. Fees are paid in arrears.

### ***Payment of Selection of Other Advisers Fees***

Fees for selection of third-party advisers may be invoiced and billed directly to the client. Fees are paid quarterly in arrears.

### **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by CatalinaCap. Please see Item 12 of this brochure regarding broker-dealer/custodian.

### **D. Prepayment of Fees**

CatalinaCap collects certain fees in advance and certain fees in arrears, as indicated above. Refunds for fees paid in advance will be returned within fourteen days to the client via check, or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate\* times the number of days elapsed in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee rate by 365.)

Fixed fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination.

### **E. Outside Compensation For the Sale of Securities to Clients**

Neither CatalinaCap nor its supervised persons accept any compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

CatalinaCap does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7: Types of Clients

CatalinaCap generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations or Business Entities

There is no account minimum for any of CatalinaCap's services.

## Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

CatalinaCap's methods of analysis include Charting analysis, Cyclical analysis, Fundamental analysis, Modern portfolio theory, Quantitative analysis and Technical analysis.

**Charting analysis** involves the use of patterns in performance charts. CatalinaCap uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Cyclical analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

## *Investment Strategies*

CatalinaCap uses long term trading, short term trading, margin transactions and options trading (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **B. Material Risks Involved**

#### *Methods of Analysis*

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

**Quantitative analysis** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these

patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

### ***Investment Strategies***

CatalinaCap's use of margin transactions and options trading generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired.

**Options transactions** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value, as well as the possibility of leveraged loss of trading capital due to the leveraged nature of stock options.

**Selection of Other Advisers:** Although CatalinaCap will seek to select only money managers who will invest clients' assets with the highest level of integrity, CatalinaCap's selection process cannot ensure that money managers will perform as desired and CatalinaCap will have no control over the day-to-day operations of any of its selected money managers. CatalinaCap would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift" or even regulatory breaches or fraud.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## C. Risks of Specific Securities Utilized

CatalinaCap's use of margin transactions and options trading generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real

estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Hedge funds** often engage in leveraging and other speculative investment practices that may increase the risk of loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; May involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Private equity** funds carry certain risks. Capital calls will be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment.

**Private placements** carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

**Venture capital funds** invest in start-up companies at an early stage of development in the interest of generating a return through an eventual realization event; the risk is high as a result of the uncertainty involved at that stage of development.

**Commodities** are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors, such as disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss

for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Non-U.S.** securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither CatalinaCap nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither CatalinaCap nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.



### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Philippe Robert Oertle is a commissioner for the City of La Canada Flintridge Parks and Recreation Commission. He is responsible for advising the City Council and City Manager on matters related to the Parks and Recreation as prescribed by the city's ordinances and focus attention on specific issues and problems and recommend actions and alternatives for city council consideration. Mr. Oertle allocates 2 hours a month, outside business trading hours, for this activity.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

CatalinaCap has discretion to choose third-party investment advisers to manage all or a portion of the client's assets. Clients will pay CatalinaCap its standard fee in addition to the standard fee for the advisers to which it directs those clients. This relationship will be memorialized in each contract between CatalinaCap and each third-party advisor. The fees will not exceed any limit imposed by any regulatory agency. CatalinaCap will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. CatalinaCap will ensure that all recommended advisers are licensed or notice filed in the states in which CatalinaCap is recommending them to clients.

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

### **A. Code of Ethics**

CatalinaCap has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. CatalinaCap's Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

CatalinaCap does not recommend that clients buy or sell any security in which a related person to CatalinaCap or CatalinaCap has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of CatalinaCap may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of CatalinaCap to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. CatalinaCap will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of CatalinaCap may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of CatalinaCap to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, CatalinaCap will never engage in trading that operates to the client's disadvantage if representatives of CatalinaCap buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on CatalinaCap's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and CatalinaCap may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in CatalinaCap's research efforts. CatalinaCap will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

CatalinaCap will require clients to use TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC, Charles Schwab & Co., Inc. Advisor Services and Fidelity Brokerage Services LLC (CRD# 7784).

#### ***1. Research and Other Soft-Dollar Benefits***

While CatalinaCap has no formal soft dollars program in which soft dollars are used to pay for third party services, CatalinaCap may receive research, products, or other

services from custodians and broker-dealers in connection with client securities transactions (“soft dollar benefits”). CatalinaCap may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client’s transactions paid for it, and CatalinaCap does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. CatalinaCap benefits by not having to produce or pay for the research, products or services, and CatalinaCap will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that CatalinaCap’s acceptance of soft dollar benefits may result in higher commissions charged to the client.

## ***2. Brokerage for Client Referrals***

CatalinaCap receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

CatalinaCap will require clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

If CatalinaCap buys or sells the same securities on behalf of more than one client, it might, but would be under no obligation to, aggregate or bunch, to the extent permitted by applicable law and regulations, the securities to be purchased or sold for multiple clients in order to seek more favorable prices, lower brokerage commissions or more efficient execution. In such case, CatalinaCap would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. CatalinaCap would determine the appropriate number of shares to place with brokers and will select the appropriate brokers consistent with CatalinaCap’s duty to seek best execution, except for those accounts with specific brokerage direction (if any). When CatalinaCap does not or cannot aggregate trades, clients may receive less favorable prices, pay higher brokerage commissions, or experience less efficient trade execution.

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

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for CatalinaCap's advisory services provided on an ongoing basis are reviewed at least Monthly by Chris Frantz, Managing Director, with regard to clients' respective investment policies and risk tolerance levels. All accounts at CatalinaCap are assigned to this reviewer.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client of CatalinaCap's advisory services provided on an ongoing basis will receive a monthly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian.

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

#### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

CatalinaCap participates in the institutional advisor program (the "Program") offered by TD Ameritrade. TD Ameritrade offers to independent investment advisor services which include custody of securities, trade execution, clearance and settlement of transactions. CatalinaCap receives some benefits from TD Ameritrade through its participation in the Program.

As part of the Program, CatalinaCap may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between CatalinaCap's participation in the Program and the investment advice it gives to its clients, although CatalinaCap receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving CatalinaCap participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have CatalinaCap's fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to CatalinaCap by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by CatalinaCap's related

persons. Some of the products and services made available by TD Ameritrade through the Program may benefit CatalinaCap but may not benefit its client accounts. These products or services may assist CatalinaCap in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CatalinaCap manage and further develop its business enterprise. The benefits received by CatalinaCap or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, CatalinaCap endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CatalinaCap or its related persons in and of itself creates a conflict of interest and may indirectly influence the CatalinaCap's choice of TD Ameritrade for custody and brokerage services.

Charles Schwab & Co., Inc. Advisor Services provides CatalinaCap with access to Charles Schwab & Co., Inc. Advisor Services' institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For CatalinaCap client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to CatalinaCap other products and services that benefit CatalinaCap but may not benefit its clients' accounts. These benefits may include national, regional or CatalinaCap specific educational events organized and/or sponsored by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include occasional business entertainment of personnel of CatalinaCap by Charles Schwab & Co., Inc. Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist CatalinaCap in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of CatalinaCap's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of CatalinaCap's accounts. Charles Schwab & Co., Inc. Advisor

Services also makes available to CatalinaCap other services intended to help CatalinaCap manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to CatalinaCap by independent third parties. Charles Schwab & Co., Inc. Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to CatalinaCap. CatalinaCap is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.

#### **B. Compensation to Non – Advisory Personnel for Client Referrals**

CatalinaCap may, via written agreement, retain third parties to act as solicitors for CatalinaCap's investment management services. Solicitor relationships will be fully disclosed to each Client to the extent required by applicable law. CatalinaCap will ensure each solicitor is exempt, notice filed, or properly registered in all appropriate jurisdictions.

### **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, CatalinaCap will be deemed to have limited custody of client's assets. Because client fees will be withdrawn directly from client accounts, in states that require it, CatalinaCap will:

- (A) Possess written authorization from the client to deduct advisory fees from an account held by a qualified custodian.
- (B) Send the qualified custodian written notice of the amount of the fee to be deducted from the client's account and verify that the qualified custodian sends invoices to the client.
- (C) Send the client a written invoice itemizing the fee upon or prior to fee deduction, including the formula used to calculate the fee, the time period covered by the fee and the amount of assets under management on which the fee was based.

Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy. Clients are urged to compare the account statements they received from custodian with those they received from CatalinaCap.

Custody is also disclosed in Form ADV because CatalinaCap has authority to transfer money from client account(s), which constitutes a standing letter or authorization (SLOA). Accordingly, CatalinaCap will follow the safeguards specified by the SEC rather than undergo an annual audit.

## **Item 16: Investment Discretion**

CatalinaCap provides discretionary and non-discretionary investment advisory services to clients. The advisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, CatalinaCap generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share. Clients with discretionary accounts will execute a limited power of attorney to evidence discretionary authority. Where CatalinaCap does not have discretionary authority to place trade orders, CatalinaCap will secure client permission prior to effecting securities transactions for the client's account.

## **Item 17: Voting Client Securities (Proxy Voting)**

CatalinaCap acknowledges its fiduciary obligation to vote proxies on behalf of those clients that have delegated to it, or for which it is deemed to have, proxy voting authority. CatalinaCap will vote proxies on behalf of a client solely in the best interest of the relevant client. CatalinaCap has established general guidelines for voting proxies. CatalinaCap may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that a client's interests are better served by abstaining. Further, because proxy proposals and individual company facts and circumstances may vary, CatalinaCap may vote in a manner that is contrary to the general guidelines if it believes that it would be in a client's best interest to do so. If a proxy proposal presents a conflict of interest between CatalinaCap and a client, then CatalinaCap will disclose the conflict of interest to the client prior to the proxy vote and, if participating in the vote, will vote in accordance with the client's wishes.

Clients may obtain a complete copy of the proxy voting policies and procedures by contacting CatalinaCap in writing and requesting such information. Each client may also request, by contacting CatalinaCap in writing, information concerning the manner in which proxy votes have been cast with respect to portfolio securities held by the relevant client during the prior annual period. Clients can send written requests to the Chief Compliance Officer at [Chris@catalinacapitalgroup.com](mailto:Chris@catalinacapitalgroup.com).

## **Item 18: Financial Information**

### **A. Balance Sheet**

CatalinaCap neither requires nor solicits prepayment of more than \$1200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

## **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither CatalinaCap nor its management has any financial condition that is likely to reasonably impair CatalinaCap's ability to meet contractual commitments to clients.

## **C. Bankruptcy Petitions in Previous Ten Years**

CatalinaCap has not been the subject of a bankruptcy petition in the last ten years.