

**ITEM 1: COVER PAGE FOR PART 2A APPENDIX 1 OF  
FORM ADV: WRAP FEE PROGRAM BROCHURE  
MARCH 2018**

**Strategic Income Group's Wrap Fee Program**

**Sponsored By:**



**2330 W. Ray Road, Suite #3  
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[www.strategicincomegroup.com](http://www.strategicincomegroup.com)**

**This wrap fee program brochure provides information about the qualifications and business practices of Strategic Income Group LLC. If you have any questions about the contents of this brochure, please contact Michael Gauthier, Chief Compliance Officer, at (480) 466-7070 or by email at [michaelgauthier@strategicincomegroup.com](mailto:michaelgauthier@strategicincomegroup.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 Strategic Income Group LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD#: 165839.**

**Please note use of the term "registered investment adviser" and description of Strategic Income Group LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.**

**ITEM 2: MATERIAL CHANGES TO OUR PART 2A  
APPENDIX 1: WRAP FEE PROGRAM BROCHURE**

**Strategic Income Group LLC** is required to advise you of any material changes to our Wrap Fee Program Brochure (“Wrap Brochure”) from our last annual update, identify those changes on the cover page of our Wrap Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Wrap Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Wrap Brochure, and we must provide the date of the last annual update of our Wrap Brochure.

Since our annual amendment filed on 2/27/2017, we have the following material changes to disclose:

- As of September 1, 2017, our firm no longer offers a Wrap Comprehensive Service. Asset management and Financial Planning services will be billed separately. For more information about our Wrap Portfolio Management service, please see Item 4 of this brochure. More information about our Financial Planning and Consulting services can be found in Items 4 and 5 of our Form ADV 2A (Firm Brochure).
- Our firm may charge performance-based fees for clients who engage us for this fee structure. For requirements and more information about these fees, please see the Performance-Based Fees section in Item 6 of this brochure.
- We have amended Item 4 of this brochure to disclose the fact that we may pay for transaction fees as transaction-based fees, or asset-based fees depending on the size of the managed account. For more information about this change, please see Item 4.

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## ITEM 4: SERVICES, FEES & COMPENSATION

### Wrap Fee Program

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#### *Strategic Wealth Management (“Wrap Portfolio Management”)*

As part of our Wrap Portfolio Management service, a portfolio is created, consisting of individual stocks, bonds, exchange traded funds (“ETFs”), options, mutual funds and other public and private securities or investments. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client’s individual needs, stated goals and objectives.

Clients engaged in Wrap Portfolio Management are required to engage our firm for Financial Planning services. For more information about our Financial Planning services, please see our Form ADV Part 2A (Firm Brochure).

### Fees & Compensation

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<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
\$0 to \$500,000	1.75%
Over \$500,000 to \$1,000,000	1.50%
Over \$1,000,000 to \$2,500,000	1.15%
Over \$2,500,000 to \$5,000,000	0.85%
Over \$5,000,000 to \$10,000,000	0.55%
Over \$10,000,000 to \$15,000,000	0.50%
Over \$15,000,000 and above	0.45%

Households with less than \$100,000 in fee-based accounts are subject to additional charges for financial planning services outlined in Item 5 of our Form ADV Part 2A (Firm Brochure). Households with less than a \$60,000 average per account are subject to an annual \$80 administrative fee per account.

Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. Annualized fees are billed on a pro-rata basis monthly in advance based on the value of the account(s) on the last day of the previous month. Fees will be deducted from client account(s). Adjustments will be made for deposits and withdrawals during the quarter. In rare cases, our firm will agree to directly invoice. As part of this process, Clients understand the following:

- a) Clients must provide our firm with written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- b) Our firm sends quarterly statements to the client showing the fee amount, the value of the assets upon which the fee is based, and the specific manner in which the fee is calculated as well as disclosing that it is the client’s responsibility to verify the accuracy of fee calculation, and that the custodian does not determine its accuracy; and

- c) The account custodian sends a statement to the client, at least monthly, showing all account disbursements, including advisory fees.

### **Relative Cost of the Program**

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A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and/or advice concerning selection of other advisers, and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher advisory fee to you. We pay Kingdom Trust a flat fee so we can trade as much as needed without creating an incentive to limit our trading activities in your account(s). We are not charged more for executed trades with Kingdom Trust. In order to mitigate this conflict of interest, we will fulfill our fiduciary duty by acting in the client's best interest. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

On the Charles Schwab & Co., Inc. ("Schwab") platform, we do not charge our clients higher advisory fees based on their trading activity. However, depending on the individual account size or investment models used, transaction charges may be paid by our firm per individual transaction (transaction-based fees), or an annual asset based fee expressed as a percentage (asset-based fees).

Our investment advisory representatives receive a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as their salary from our firm. In cases where our investment advisory representatives are paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded. In order to mitigate this conflict of interest, we will fulfill our fiduciary duty by acting in the client's best interest.

### **Other Fees and Expenses**

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You may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses). These fees are not included within the wrap-fee you are charged by our firm.

Clients may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

## **ITEM 5: ACCOUNT REQUIREMENTS & TYPES OF CLIENTS**

Households with less than \$100,000 in fee-based accounts are subject to additional charges for financial planning services outlined in Item 5 of our Form ADV Part 2A (Firm Brochure). Households

with less than a \$60,000 average per account are subject to an annual \$20 administrative fee charged quarterly per account, which amounts to \$80 annually per account. Averages are computed by taking the aggregate value of managed assets in a household and dividing that value by the number of accounts in that household.

Clients engaged in Wrap Portfolio Management are required to engage our firm for Financial Planning services. For more information about our Financial Planning services, please see our Form ADV Part 2A (Firm Brochure).

Types of clients we typically manage wrap fee accounts on behalf of, include:

- Individuals and High Net-Worth Individuals;
- Trusts and Estates;
- Corporations, Limited Liability Companies and/or Other Business Types.

## **ITEM 6: PORTFOLIO MANAGER SELECTION & EVALUATION**

### **Selection and Review of Portfolio Managers**

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Our firm selects and reviews outside portfolio managers based on the following factors:

- past performance;
- investment philosophy;
- market outlook;
- experience of portfolio managers and executive team;
- disciplinary, legal and regulatory histories of the firm and its associates;
- whether established compliance procedures are in place to address at a minimum, insider trading, conflicts of interest, anti-money laundering.

### **Related Person Portfolio Manager(s)**

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Our firm and its supervised persons act as portfolio manager(s) for this wrap fee program. This creates a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services. In order to mitigate this conflict of interest, we will fulfill our fiduciary duty by acting in the client's best interest. Our supervised persons are not subject to the same selection and review criteria as outside portfolio managers.

### **Advisory Business**

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See Item 4 of this Wrap Fee Program Brochure for information about our wrap fee advisory programs.

### **Individual Tailoring of Advice to Clients**

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We offer individualized investment advice to Wrap Fee Program client.

### **Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities**

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Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to our Wrap Comprehensive Portfolio Management service.

### **Participation in Wrap Fee Programs**

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Our wrap fee accounts are managed on an individualized basis according to the client’s investment objectives, financial goals, risk tolerance, etc. We receive a portion of the wrap fee for our services.

### **Performance-Based Fees**

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Performance based fees will only be assessed to clients with at least \$5,000,000 in assets under management with our firm. A performance fee is a fee based on a share of capital gains on or capital appreciation of the managed assets of a client. Please note that for the two performance-based fee options listed below, assets that are valued no less frequently than monthly will be used to determine account performance. Our firm may assess the following performance fees:

<b>Assets Under Management</b>	<b>Strategic Wealth Management</b>	<b>Earnings Only Management</b>	<b>First 3% Free Management</b>
\$5 million to \$10 million	0.55%	0.65%	Not Available
Over \$10 million to \$15 million	0.50%	0.60%	0.95%
\$15 million and above	0.45%	0.55%	0.90%

#### **Strategic Wealth Management:**

This column is used for comparative purposes. The Strategic Wealth Management service and fee model is described in Item 4 of this brochure. This is **not** a performance-based fee. Please see Item 4 of this brochure for more information.

#### **Earnings-Only Management:**

This performance-based fee will be assessed only on months where the collective accounts are positive in their performance due to a growth in the value of securities, earnings, and dividends. These figures are reset each month and calculations are not associated with previously achieved thresholds. Fee rates stated above are annualized, and charged in-advance based on the performance of the account in the previous calendar month. The fee assessed will be based on the last day of the previous month on the total collective account balance. Fees are inclusive of transaction charges, consistent with the rest of our wrap-fee program.

#### **First 3% Free Management:**

This performance-based fee will be assessed only on months where the collective accounts have a positive rate of return of 3% annualized or more with regard to their performance due to a growth in the value of securities, earnings, and dividends. These figures are reset each month and calculations are not associated with previously achieved thresholds. For months where collective accounts earn less than 3% annualized, no fee will be assessed. The fee assessed will be based on the last day of the previous month on the total collective account balance. Fees are inclusive of transaction charges, consistent with the rest of our wrap-fee program.

Services may be available elsewhere at a lower cost. In charging performance fees to some client accounts, our firm faces a conflict of interest as our firm can potentially receive greater fees from client accounts having a performance-based compensation structure than from accounts only charged an advisory fee. As a result, there exists an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. **Our firm has taken important steps to ensure that our performance based accounts are not favored over our client's non-performance fee based accounts.**

Performance based and non-performance based accounts are periodically reviewed and compared. In the event that our firm finds performance based accounts are being unduly (i.e., consistently) favored over non-performance based accounts, our firm would take action to address the situation on a case-by-case basis. This could include allowing non-performance based accounts to trade before performance based accounts to the extent practicable, or if the problem persists, not allowing new performance based accounts, waiving our performance based fees or cancelling our performance based fee arrangements altogether and in some cases, termination of firm personnel.

Our firm also makes use of block trades and allocations made based on client's risk tolerance, investment objectives and restrictions. Our firm will periodically review block trade allocations to detect whether profitable trades are being disproportionately allocated to performance based accounts, while unprofitable trades are being disproportionately allocated to pure-fee based accounts with no performance fee. If a problem is detected in the allocation of block trades, our firm will take measures as previously described above.

## **Methods of Analysis, Investment Strategies & Risk of Loss**

### **Methods of Analysis:**

*Charting.* In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

*Fundamental Analysis.* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is 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 evaluating the stock.

*Technical Analysis.* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

*Cyclical Analysis.* In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

### **Investment Strategies:**

*Long-term purchases.* When utilizing this strategy, we may purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

*Short-term purchases.* When utilizing this strategy, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

*Trading.* We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

*Option writing.* We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

**Risk of Loss:**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

**Voting Client Securities**

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We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

**ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGER(S)**

We are required to describe the information about you that we communicate to your portfolio manager(s), and how often or under what circumstances we provide updated information. Our firm communicates with your portfolio manager(s) on a regular basis as needed (daily, weekly, monthly, etc) to ensure your most current investment goals and objectives are understood by your portfolio manager(s). In most cases, we will communicate such information as part of our regular investment management duties. Nevertheless, we will also communicate information to your portfolio manager(s) when you ask us to, when market or economic conditions make it prudent to do so, etc.

**ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGER(S)**

Clients are always free to directly contact their portfolio manager(s) with any questions or concerns they have about their portfolios or other matters.

## ITEM 9: ADDITIONAL INFORMATION

### **Disciplinary Information**

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We have determined that our firm and management have no disciplinary information to disclose.

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

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Our firm owns Certified Fiduciary Services, Inc. ("CFS"), a trust company. As such, our firm is deemed to have custody over client assets who utilize the services of our firm as well as those of CFS. Clients are under no obligation to engage CFS for any services and can select a trust company of their choice. Certain representatives of our firm are also licensed insurance agents. They may offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest arises as these insurance sales create an incentive to recommend products based on the compensation they earn. Clients are under no obligation to purchase insurance products from our supervised persons. In order to mitigate this conflict of interest, we fulfill our fiduciary duty by putting our client's interests ahead of our own.

Strategic Income Group, LLC is deemed to be an issuer of a securities as a managing member of Strategic Income Fund, LP ("the Fund"), a hedge fund. Clients of our firm may be solicited to invest in the Fund. Clients, however, are under no obligation to do so. Mr. Gauthier spends approximately 5 to 10 hours per month during trading hours with this outside business activity. For more information on the Fund, please refer to Items 4 and 5 of our Firm Brochure.

Representatives of our firm are not registered, or do not have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Representatives of our firm do not recommend outside investment advisers for its clients. There are no conflicts of interest as we do not participate nor receive, directly or indirectly, any compensation from other advisers for client recommendations.

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

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Our firm as an investment adviser has a fiduciary duty to all clients. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Upon employment or affiliation and at least annually

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics.

Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. We recognize that the personal investment transactions of members and employees of our firm demands the highest level of ethical standards and we require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided upon request.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. Related persons of our firm may also buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize these conflicts of interest, we seek to ensure that our related persons do not stand to personally benefit from their recommendations to clients by regularly monitoring their personal securities transactions. Further, our related persons will refrain from buying or selling the same securities within 48 hours prior to buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last. Related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

### **Review of Accounts**

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We review accounts on at least a quarterly basis for our clients. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. We accomplish this by conducting *Quarterly Investment Manager Meetings*. Every quarter we meet with approximately 10 Investment Management Companies to review our Strategic Portfolios. We provide these managers an agenda to review holdings, ask questions that pertain to clients, changes they would recommend, what we might be overweight/underweight in and what they would recommend going forward. This allows our firm to obtain the most well-rounded analysis of our strategic approach and recommendations to better able serve our clients. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we contact clients. Only Michael Gauthier, Chief Compliance Officer, will conduct reviews.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

### **Selecting a Brokerage Firm**

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Our firm does not maintain custody of client assets. Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

Our firm does not maintain custody of client assets (although our firm may be deemed to have custody of client assets if give the authority to withdraw assets from client accounts (see *Item 15 Custody*, below). Client assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. Our firm recommends that clients use Charles Schwab & Co., Inc., a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Our firm is independently owned and operated, and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed. While our firm recommends that clients use Schwab as custodian/broker, clients will decide whether to do so and open an account with Schwab by entering into an account agreement directly with them. Our firm does not open the account. Even though the account is maintained at Schwab, our firm can still use other brokers to execute trades, as described in the next paragraph.

### **How Brokers/Custodians Are Selected**

Our firm seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. A wide range of factors are considered, including, but not limited to:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist in making investment decisions
- quality of services
- competitiveness of the price of those 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 our firm and our other clients
- availability of other products and services that benefit our firm, as discussed below (see “*Products & Services Available from Schwab*”)

### **Products & Services Available from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like our firm. They provide our firm and clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help manage or administer our client accounts while others help manage and grow our business. Schwab's support services are generally available on an unsolicited basis (our firm does not have to request them) and at no charge as long as our firm keeps a total of at least \$10 million of client assets in accounts at Schwab. If our firm has less than \$10 million in client assets at Schwab, our firm may be charged quarterly service fees. Here is a more detailed description of Schwab's support services:

### **Services that Benefit Clients**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which our firm might not otherwise have access or that would require a significantly higher minimum initial investment by firm clients. Schwab's services described in this paragraph generally benefit clients and their accounts.

### **Services that May Not Directly Benefit Clients**

Schwab also makes available other products and services that benefit our firm but may not directly benefit clients or their accounts. These products and services assist in managing and administering our client accounts. They include investment research, both Schwab's and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab. 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 allocate 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 Our Firm**

Schwab also offers other services intended to help manage and further develop our business enterprise. These services include:

- educational conferences and events
- reimbursement technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, Schwab will arrange for third-party vendors to provide the services to our firm. Schwab may also discount or waive fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide our firm with other benefits, such as occasional business entertainment for our personnel.

Irrespective of direct or indirect benefits to our client through Schwab, our firm strives to enhance the client experience, help clients reach their goals and put client interests before that of our firm or associated persons.

### **Our Interest in Schwab's Services.**

The availability of these services from Schwab benefits our firm because our firm does not have to produce or purchase them. Our firm does not have to pay for Schwab's services so long as a total of at least \$10 million of client assets in accounts are kept at Schwab. Beyond that, these services are not contingent upon our firm committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may serve as an incentive to recommend that clients maintain their account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. Our firm believes, however, that the selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see "*How Brokers/Custodians Are Selected*") and not Schwab's services that benefit only our firm.

### **Client Referrals & Other Compensation**

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We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with relevant state statutes and rules.

### **Financial Information**

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We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance, and therefore do not assume custody of client funds or securities with this respect.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- We have never been the subject of a bankruptcy proceeding.