



**SIGNATURE RESOURCES**  
**Capital Management**

**CALIFORNIA OFFICE (headquarters)**

100 Bayview Circle, Suite 100  
Newport Beach, California 92660  
(949) 261-7726

**NEW MEXICO OFFICE**

7505 Euclid Ave, NE  
Albuquerque, New Mexico 87110  
(505) 332-2800

[www.srcmadvisors.com](http://www.srcmadvisors.com)

## **Form ADV, Part 2A Brochure**

**March 22, 2023**

This brochure provides information about the qualifications and business practices of Signature Resources Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (949) 261-7726. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Signature Resources Capital Management, LLC or any person associated with Signature Resources Capital Management, LLC has achieved a certain level of skill or training.

Additional information about Signature Resources Capital Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 – MATERIAL CHANGES**

The purpose of this page is to inform you of any material changes since the last annual update of this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Signature Resources Capital Management, LLC (“SRCM”) reviews and updates our brochure at least annually to confirm that it remains current.

There have been no material changes since the last annual update to SRCM’s brochure, dated March 15, 2022.

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## **ITEM 4 – ADVISORY BUSINESS**

### **Description of Advisory Firm**

Signature Resources Capital Management, LLC (“SRCM,” “we,” “our,” or “us”) is a privately owned Limited Liability Company headquartered in Newport Beach, California. SRCM was founded in April 2007, and in June 2007, we started operating as an investment adviser registered with the U.S. Securities and Exchange Commission. Beverly Kaltenbach, Geoffrey Kaltenbach, Gregory Kaltenbach and Mark Mowrey are the principal owners of the firm.

SRCM is an independent fee-only investment and financial advisory firm. We do not offer any proprietary products and do not maintain any inventory, which means we are able to offer independent, objective wealth and investment management solutions.

### **Mission Statement**

Our mission is to bring efficient and decisive financial advice to affluent families and provide the most satisfying client experience in America.

### **Vision Statement**

Our vision is to create experiences that combine our expertise with our client’s collaborative input to deliver quality, professional and independent advice.

### **Advisory Services Offered**

SRCM provides investment advisory and investment management solutions to retail investors, including financial, retirement and estate planning services. Advisory solutions comprise a range of services and deliverables, including fact-finding and informational conversations with the client’s advisor, reports on progress toward financial goals and interactive tools to examine potential future scenarios. The firm also provides Retirement Plan Services.

SRCM also conducts business practices offered through other business names, which are disclosed through separate Form ADV, Part 2A filings.

### **Investment Management**

We provide Investment Management services (“investment solutions,” “portfolio management,” “Portfolios” and “models”) to our clients on a discretionary basis. The Investment Management service includes, among other things, providing advice regarding asset allocation and/or the selection of investments.

Our investment advisory and management solutions seek to incorporate client investments into broader strategies that target near- and long-term financial goals. When working with clients to resolve suitable investment portfolios, the solutions we develop seek to address what we believe to be the most important factor determining client investment outcomes—client comfort with exposure to investment risk.

The Investment Team (“Team”) manages client engagements on an individual basis, with decisions guided by unique client objectives and restrictions. To facilitate the investment management process, the Team maintains a range of investment models built to provide specific exposures to investment risk. Each model is customizable to specific client situations. This approach should allow our advisors to address current client investment scenarios, while enabling flexible adaptation to any changes to those scenarios as they may occur over time.

Clients are responsible for informing us of any changes to their investment objectives, risk profile, financial status and/or restrictions. We do not assume any responsibility for the timeliness or accuracy of the information provided by the client.

Portfolio decisions we direct generally include investments in mutual funds and exchange traded funds (ETFs) that represent both equity (stocks), fixed income (bonds) and other asset classes. SRCM remains flexible in accommodating individual client needs and restrictions at the initiation of the relationship and as they might evolve over time.

Additionally, depending on the individual investment objectives and needs of the client, SRCM occasionally will offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. As needed, SRCM will offer investment advice on investments held by the client at the start of and during the advisory relationship.

We describe the material investment risks for many of the securities that we recommend under the heading **Specific Security Risks in Item 8** below.

#### Sub-Advisory Relationships

SRCM, doing business as Statera Asset Management, provides sub-advisory services through a turnkey asset management program (“TAMP”) offered by Envestnet Asset Management. SRCM provides to Envestnet “model” target asset allocations across a series of portfolios. SRCM receives compensation for providing these model portfolio allocations that is comprised of an asset-based fee accrued quarterly based on the market values of the client portfolios managed by Envestnet as of the last day of each quarter.

SRCM does not directly manage accounts as part of a wrap or bundled fee program.

#### Discretionary Accounts

We discuss discretionary authority below under **Item 16 – Investment Discretion**. For more information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** in this item below. We describe the Fees charged for investment management services below under **Item 5 – Fees and Compensation**.

#### Limited-Discretionary & Non-Discretionary Accounts

SRCM also offers investment management services to clients on a limited-discretionary basis and non-discretionary basis. See also **Item 16 – Investment Discretion** below.

#### Employer-Sponsored Retirement Plans and Their Participants

SRCM offers (1) Discretionary Investment Management Services, (2) Non-Discretionary Investment Advisory Services and (3) Retirement Plan Consulting Services to employer-sponsored retirement plans and their participants. Depending on the type of the Plan and the specific arrangement with the Sponsor, we may provide one or more of these services. Prior to being engaged by the Sponsor, we will provide a copy of this Form ADV Part 2 along with a copy of our Privacy Policy and **Advisory Agreement** (“Agreement”) that contains the information required under Sec. 408(b)(2) of the Employee Retirement Income Security Act (“ERISA”) as applicable.

The Agreement authorizes our Investment Adviser Representatives (“IARs”) to deliver one or more of the following services:

#### *Discretionary Investment Management Services*

These services are designed to allow the Plan fiduciary to delegate responsibility for managing, acquiring and disposing of Plan assets that meet the requirements of the Employee Retirement Income Security Act of 1974 (“ERISA”). We will perform these investment management services through our IARs and charge fees as described in this Form ADV and the Agreement. If the Plan is subject to ERISA, we will perform these services as an “investment manager” as defined under ERISA Section 3(38) and as a “fiduciary” to the Plan as defined under ERISA Section 3(21). Specifically, the Sponsor may determine that we perform the following services:

**Selection, Monitoring and Replacement of Designated Investment Alternatives (“DIAs”)**

Advisor will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS that contains criteria from which Advisor will select, monitor and replace the Plan’s DIAs. Once the IPS is approved by Sponsor, Advisor will review the investment options available to the Plan and will select the Plan’s DIAs in accordance with the criteria set forth in the IPS. On a periodic basis, Advisor will monitor and evaluate the DIAs and replace any DIA(s) that no longer meet the IPS criteria.

**Selection, Monitoring & Replacement of Qualified Default Investment Alternatives (“QDIA(s)”)**

Based upon the options available to the Plan, Advisor will select, monitor and replace the Plan’s QDIA(s) in accordance with the IPS.

**Management of Trust Fund**

Advisor will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS that contains criteria from which Advisor will select, monitor and replace the Plan’s investments. Once approved by Sponsor, Advisor will review the investment options available to the Plan and will select the Plan’s investments in accordance with the criteria set forth in the IPS. On a periodic basis, Advisor will monitor and evaluate the investments and replace any investment(s) that no longer meet the IPS criteria.

*Non-Discretionary Fiduciary Services*

These services are designed to allow the Sponsor to retain full discretionary authority or control over assets of the Plan. We will solely be making recommendations to the Sponsor. We will perform these Non-Discretionary investment advisory services through our IARs and charge fees as described in this Form ADV and the Agreement. If the Plan is covered by ERISA, we will perform these investment advisory services to the Plan as a “fiduciary” defined under ERISA Section 3(21). The Sponsor may engage us to perform one or more of the following Non-Discretionary investment advisory services:

**Investment Policy Statement (“IPS”)**

Advisor will review with Sponsor the investment objectives, risk tolerance and goals of the Plan. If the Plan does not have an IPS, Advisor will provide recommendations to Sponsor to assist with establishing an IPS. If the Plan has an existing IPS, Advisor will review it for consistency with the Plan’s objectives. If the IPS does not represent the objectives of the Plan, Advisor will recommend to Sponsor revisions to align the IPS with the Plan’s objectives.

**Advice Regarding Designated Investment Alternatives (“DIAs”)**

Based on the Plan’s IPS or other guidelines established by the Plan, Advisor will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting DIAs to be offered to Plan participants. Once Sponsor selects the DIAs, Advisor will, on a periodic basis and/or upon reasonable request, provide reports and information to assist Sponsor with monitoring the DIAs. If a DIA is required to be removed, Advisor will provide recommendations to assist Sponsor with replacing the DIA.

**Advice Regarding Qualified Default Investment Alternative (“QDIA(s)”)**

Based on the Plan’s IPS or other guidelines established by the Plan, Advisor will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting or replacing the Plan’s QDIA(s).

**Participant Investment Advice**

Advisor will meet with Plan participants, upon reasonable request, to collect information necessary to identify the Plan participant’s investment objectives, risk tolerance, time horizon, etc. Advisor will provide written recommendations to assist the Plan participant with creating a portfolio using the Plan’s DIAs or Models, if available. The Plan participant retains sole discretion over the investment of his/her account.

### **Advice Regarding Investment of Trust Fund**

Based on the Plan's IPS, Advisor will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting investments that meet the IPS criteria. Once Sponsor selects the investment(s), Advisor will, on a periodic basis and/or upon reasonable request, provide reports and information to assist Sponsor with monitoring the investment(s). If the IPS criteria require any investment(s) to be replaced, Advisor will provide recommendations to assist Sponsor with replacing the investment(s).

### ***Retirement Account Advice***

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Securities Act ("ERISA") and/or the Internal Revenue Code ("IRC"), as applicable, which are laws governing retirement accounts. The receipt of our advisory fee for making a recommendation creates a conflict of interest under ERISA/IRC with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours. For example, if we recommend that you roll over assets from one retirement account to another and we will receive increased compensation as a result of that recommendation, we have a conflict that requires us to operate under this special rule.

### ***Retirement Plan Consulting Services***

Retirement Plan Consulting Services are designed to allow our IARs to assist the Sponsor in meeting his/her fiduciary duties to administer the Plan in the best interests of Plan participants and their beneficiaries. Retirement Plan Consulting Services are performed so that they would not be considered "investment advice" under ERISA. The Sponsor may elect for our IARs to assist with any of the following services:

#### **Administrative Support**

- Assist Sponsor in reviewing objectives and options available through the Plan
- Review Plan committee structure and administrative policies/procedures
- Recommend Plan participant education and communication policies under ERISA 404(c)
- Assist with development/maintenance of fiduciary audit file and document retention policies
- Deliver fiduciary training and/or education periodically or upon reasonable request
- Recommend procedures for responding to Plan participant requests

#### **Service Provider Support**

- Assist fiduciaries with a process to select, monitor and replace service providers
- Assist fiduciaries with review of Covered Service Providers ("CSP") and fee benchmarking
- Assist with preparation and review of Requests for Proposals and/or Information
- Coordinate and assist with CSP replacement and conversion

#### **Investment Monitoring Support**

- Periodic review of investment policy in the context of Plan objectives
- Assist the Plan committee with monitoring investment performance
- Educate Plan committee members, as needed, regarding replacement of DIA(s) and/or QDIA(s)

#### **Participant Services**

- Facilitate group enrollment meetings and coordinate investment education

#### **401(k) Consulting**

SRCM provides services to 401(k) plans. Services include monitoring plan options and providing education to plan participants.

We describe fees charged for 401(k) services below under **Item 5 – Fees and Compensation**.

#### *Potential Additional Retirement Services Provided Outside of the Agreement*

In providing Retirement Plan Services, SRCM and its IARs may establish a client relationship with one or more Plan participants or beneficiaries. Such client relationships develop in various ways, including, without limitation:

1. as a result of a decision by the Plan participant or beneficiary to purchase services from SRCM not involving the use of Plan assets;
2. as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relating to assets held outside of the Plan; or
3. through a rollover of an Individual Retirement Account (“IRA Rollover”).

If SRCM is providing Retirement Plan Services to a plan, IARs may, when requested by a Plan participant or beneficiary, arrange to provide services to that participant or beneficiary through a separate agreement. If a Plan participant or beneficiary desires to affect an IRA Rollover from the Plan to an account advised or managed by SRCM, IAR will have a conflict of interest if his/her fees are reasonably expected to be higher than those paid to SRCM in connection with the Retirement Plan Services. IAR will disclose relevant information about the applicable fees charged by SRCM prior to opening an IRA account. Any decision to affect the rollover or about what to do with the rollover assets remain that of the Plan participant or beneficiary alone.

In providing these optional services, we may offer employers and employees information on other financial and retirement products or services offered by SRCM and our IARs.

#### **Financial Planning and Consulting Services**

SRCM’s primary service offering is Investment Management Services, which may include estate and/or financial planning as components. However, we also offer stand-alone Financial Planning and Consulting Services. SRCM offers a range of Financial Planning Services, from broad planning to custom planning focused on specific areas requested by the client. SRCM provides general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning. Our Financial Planning Services do not include preparation of any kind of income, gift or estate tax returns nor preparation of any legal documents, including wills or trusts. We do not offer tax or legal advice of any kind.

We offer both Financial Planning Services and Investment Management Services. When preparing a financial plan, we may have an incentive to recommend our Investment Management Services. Additionally, a number of our personnel hold insurance and brokerage licenses. When preparing a financial plan, we may have an incentive to recommend insurance or brokerage products for which we or any of our personnel earn a separate fee or commission. However, Financial Planning Services clients are under no obligation to act upon any recommendations of SRCM or to effect any transactions through SRCM or any of our personnel if they decide to follow the recommendations. For additional information on insurance and brokerage licenses, please see **Item 10 – Other Financial Industry Activities and Affiliations**.

We describe fees charged for financial planning services below under **Item 5 – Fees and Compensation**.

#### **Limitations on Investments**

In some circumstances, SRCM’s advice may be limited to certain types of securities.

##### **Limitation by Plan Sponsor/Employer**

In the event SRCM is managing assets within a retirement plan such as 401(k), 403(b) or other employer plan, SRCM is limited to those investment providers and investment options chosen by the plan administrator. When we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan’s investment options.



#### Limitation by Client

SRCM may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** directly below.

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

SRCM manages client accounts according to a defined investment strategy, as discussed below under **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**. SRCM applies the strategy for each client in a manner appropriate to the client’s individual circumstances and financial situation. SRCM makes investment decisions for clients based on information the client supplies about their financial situation, goals and risk tolerance, among other details. Investment recommendations will be limited if the client does not provide accurate and complete information. It is the client’s responsibility to keep SRCM informed of any changes to their investment objectives or restrictions.

Clients have the option to request other restrictions on the account. Such restrictions may include a minimum level of cash in the account and/or the exclusion of certain specific securities or security types in the account. SRCM reserves the right to not accept and/or terminate management of a client’s account if the client-imposed restrictions would limit or prevent proper implementation of the client’s investment strategy.

When providing investment fiduciary services, SRCM may tailor advice or (if applicable) discretion to meet the investment policies or other written guidelines adopted by the Sponsor. When providing Participant Investment Advice, such advice will be based on the investment objectives, risk tolerance and investment time horizon of each individual Plan participant.

#### **Client Assets**

Regulatory Assets Under Management are calculated the same for Form ADV Part 1 and Part 2A. These figures include all fee paying and non-fee paying (generally employees, family members and friends, among others) accounts to whom we provide our portfolio management services as of the date indicated.

SRCM manages client assets in discretionary accounts on a continuous and regular basis. As of 12.30.2022, the total amount of discretionary assets under our management was \$207,518,843.

#### **Assets Under Advisement (“AUA”)**

SRCM also provides investment recommendations to various third-party platforms, which in turn implement our advice to retail clients on their platforms. As of 12.30.2022, our total AUA was \$171,146,255.

## **ITEM 5 – FEES AND COMPENSATION**

#### **Fee Schedule**

##### **Investment Management Services**

SRCM charges advisory fees for Investment Management Services. SRCM’s advisory fees are charged based on a percentage of the client’s total assets under management, per the following schedules:

<b>Total Assets Under Management</b>		<b>Annual Fee</b>
<b>From</b>	<b>To</b>	
\$0	\$999,999	Up to 1.75%
Over \$1,000,000		Negotiable

SRCM may charge a program fee for accounts under \$250,000 (see fee schedule below). These fees are in addition to our standard investment management fee noted above.

Total Assets Under Management		Annual Program Fee
From	To	
\$0	\$50,000	Up to 0.30%
\$50,001	\$100,000	Up to 0.20%
\$100,001	\$250,000	Up to 0.10%

Our fee schedules are negotiable based on a number of factors including but not limited to: “grandfathered” accounts, related accounts, types of investments managed and other structures that we consider in special situations. We also manage some family, client and related accounts without charge. Clients referred by unaffiliated promoters (solicitors) may pay a higher total fee (inclusive of solicitor fees) than the annual advisory fees outlined above. We reserve the right to change the annual advisory fee schedule listed above at any time. Lower fees for comparable services may be available from other sources.

### Financial Planning & Consulting Services

When not considered part of the investment management fee, SRCM may charge clients an hourly or a fixed fee for financial planning and consulting services. Such fees are based on the complexity of the plan or project and the range of services provided. Rates are negotiable, and SRCM reserves the right to change these fees at any time.

### Billing Methods

#### Investment Management Services

SRCM’s advisory fees are payable quarterly in advance and due on the first day of each calendar quarter. The formula used for the calculation is as follows:  $Billed\ Market\ Value * Annual\ Fee\ (percentage-of-assets-based) * Days\ in\ Quarter / Days\ in\ Year = Quarterly\ Fee\ Amount$

#### In-Advance Billing

We bill clients in advance of each quarter for services to be provided through that quarter. Accounts for which advisory services are provided on a first-time basis are billed retroactively for that quarter and in advance for the following quarter at the end of the first quarter during which services have been provided. This can result in a larger charged fee for the client’s first quarter end. The client’s advisory fee statement will break out the in-advance portion and the retroactive portion(s) along with the total corresponding to the debit in their account.

#### Billed Market Value

We utilize a “period end value” system to determine the market value of the assets upon which we assess a fee for advisory services. The method identifies a designated day of the account’s value to use as the billed value, which for SRCM clients are the ends of each calendar quarter: March 31, June 30, September 30 and December 31. Where we specifically have deemed assets residing within a particular account to be excluded from billing, we subtract the value of those assets from the account’s quarter-end value to determine the total billed value. The value of the accrued interest as of the quarter end value will be added to the account’s period end value for the billed value.

#### Days in Billing Period

The fee calculation is based on the exact number of days that occurred during that quarter.

At a client’s request, SRCM provides advice and consultation at an hourly rate or on a negotiated flat fee basis. These fees are negotiable depending on the nature and complexity of each client’s circumstances. In these instances, SRCM may provide an estimate of the total hours required at the start of the relationship and may require client written consent. In such situations, the hourly or flat fees charged may be paid in addition to the annual fee listed above.

It is up to the client whether they wish to have the advisory fees withdrawn directly from their custodian account or pay by check. With client authorization, SRCM will automatically withdraw SRCM's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on SRCM's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee for those clients who authorize the advisory fees to be withdrawn directly from their custodian account.

Upon request, SRCM will send a statement to each client who authorizes SRCM to withdraw fees directly from the custodian. The statement will show the value of the client's assets upon which the fee is based, the amount of the fee, how SRCM calculated the fee, and any adjustments for contributions and withdrawals. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

Upon request, SRCM will send an invoice to all clients who choose not to have advisory fees withdrawn directly from their custodian account. The invoice is payable upon receipt and will include the fee calculation and amount due.

### Financial Planning & Consulting Services

SRCM offers clients one of three ways to pay for planning services:

- **Hourly Fees:** Clients pay hourly fees for our services, which we outline in the Financial Planning Agreement. Typically, hourly fees are payable monthly in arrears. We will send each client on a monthly basis an invoice, which will reflect the hours spent on the service and fees due. Depending on the services provided, we may instead send one invoice upon completion of the services instead of monthly invoices.
- **Project Fees:** One-half of the total project fees are due and payable at the time the client executes the agreement. The remainder of the fee is due upon presentation of a plan or the rendering of consulting services, as specified in the Financial Planning Agreement.
- **Annual Retainer Fees:** The fee is determined based upon the scope of work to be performed and the nature of ongoing consulting desired, (which can be updated annually). This approach is recommended where the nature of the planning work is complex, and the client has multiple financial concerns requiring regular advice and guidance. The annual retainer fee is payable quarterly in arrears.

### Retirement Plan Services Fees

Fees for the Retirement Plan Services ("Fees") are negotiable. A description of the different types of fees for Retirement Plan Services appears in the fee schedule below:

Fee Type	Fee Range		Annual Fee	
	Total Assets Under Management			
Assets Under Management	From	To		
		\$0	\$999,999	Up to 1.75%
		Over \$1,000,000		Negotiable
Flat Fee	Negotiable			
Project Fee	Negotiable			

Depending on the capabilities and requirements of the Plan's recordkeeper or custodian, SRCM may collect Fees in arrears or in advance. Typically, Sponsors instruct the Plan's recordkeeper or custodian to automatically deduct Fees from the Plan account; however, in some cases a Sponsor may request that SRCM sends invoices directly to the Sponsor or recordkeeper/custodian.

Sponsors receiving Retirement Plan Services may pay more than or less than a client might otherwise pay if purchasing the Retirement Plan Services separately or through another service provider. There are several factors that determine

whether the costs would be more or less, including, but not limited to, the size of the Plan, the specific investments made by the Plan, the number of or locations of Plan participants, the Retirement Plan Services offered by another service provider, and the actual costs of Retirement Plan Services purchased elsewhere. In light of the specific Retirement Plan Services offered by SRCM, the Fees charged may be more or less than those of other similar service providers.

In determining the value of the Account for purposes of calculating any asset-based Fees, Advisor will rely upon the valuation of assets provided by Sponsor or the Plan's custodian or recordkeeper without independent verification. If, however, there are circumstances that in the Advisor's judgment render the custodian's valuation inappropriate, the Advisor will value securities listed on any national securities exchange at the closing price on the principal exchange on which they are traded and will value any other securities in a manner determined in good faith by Advisor to reflect fair market value. In all events, any such valuation will not be any guarantee of the market value of any of the assets in the Plan.

Unless we agree otherwise, no adjustments or refunds will be made in respect of any period for (i) appreciation or depreciation in the value of the Plan account during that period or (ii) any partial withdrawal of assets from the account during that period. If the Agreement is terminated by us or by Sponsor, we will refund certain Fees to Sponsor to the extent provided in Section 8 of the Agreement. Unless we agree otherwise, all Fees shall be based on the total value of the assets in the account without regard to any debit balance.

All Fees paid to SRCM for Retirement Plan Services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees generally will include a management fee, other expenses and possible distribution fees. If the investment also imposes sales charges, a client may pay an initial or deferred sales charge. The Retirement Plan Services provided by SRCM may, among other things, assist the client in determining which investments are most appropriate to each client's financial condition and objectives and to provide other administrative assistance as selected by the client. Accordingly, the client should review both the fees charged by the funds, the fund manager, the Plan's other service providers and the fees charged by SRCM to fully understand the total amount of fees to be paid by the client and to evaluate the Retirement Plan Services being provided.

While not necessarily related to the Retirement Plan Services, various vendors, product providers, distributors and others may provide non-monetary compensation by paying some expenses related to training and education, including travel expenses and attaining professional designations. We might receive payments to subsidize our own training programs. Certain vendors may invite us to participate in conferences, on-line training or provide publications that may further IARs and employees' skills and knowledge. Some may occasionally provide us with gifts, meals and entertainment of reasonable value consistent with industry rules and regulations.

If applicable, and in the event the payments are received in connection with or as a result of the Retirement Plan Services, we will disclose such fees to Sponsors in accordance with ERISA and Department of Labor regulations.

No increase in the Fees will be effective without prior written notice.

### **Other Fees and Expenses**

SRCM's fees do not include custodian fees. Clients generally pay all brokerage commissions, stock transfer fees, insurance premiums, mortality charges (for life insurance products), and/or other similar charges incurred in connection with transactions in accounts, from the assets in the account. These charges are in addition to the fees client pays to SRCM. See **Item 12 – Brokerage Practices** below for more information.

In addition, any mutual fund and exchange traded fund (ETF) ("fund") shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. The fund's prospectus fully describes the fees

and expenses. All fees paid to SRCM for investment advisory services are separate and distinct from the fees and expenses charged by funds. Funds pay advisory fees to their managers, which are indirectly charged to all holders of the fund shares. Consequently, clients with funds in their portfolios are effectively paying both SRCM and the fund manager for the management of their assets.

## **Termination**

### **Investment Management Services**

Either party may terminate the agreement upon thirty (30) days written notice to the other party. The client may terminate the agreement by writing to SRCM at our office.

SRCM will refund any prepaid, unearned advisory fees based on the effective date of termination. The effective termination date used to calculate the refund will be 30 days after we receive written notice of termination from the client, as noted above, or such other date as agreed upon with the client. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ .

### **Financial Planning and Consulting Services**

SRCM considers the planning phase of our services to be complete and the agreement terminated upon delivery of the planning project. In the event that either the client or SRCM wishes to terminate the financial planning agreement before completion of the plan, either party may terminate the agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing SRCM at our office.

Upon notice of termination, SRCM will provide the client with an invoice for services provided through the date of termination. If the client paid fees in advance that were more than the amount due for services, SRCM will refund unearned fees to the client.

### **Retirement Plan Services**

Unless agreed otherwise, no adjustments or refunds will be made in respect of any period for (i) appreciation or depreciation in the value of the Plan account during that period or (ii) any partial withdrawal of assets from the account during that period. If the Advisory Agreement is terminated by SRCM or by Sponsor, we will refund certain fees to Sponsor to the extent provided in Section 8 of the Advisory Agreement. Unless agreed otherwise, all Fees shall be based on the total value of the assets in the account without regard to any debit balance.

### **Other Compensation**

Financial firms related to SRCM or certain members of SRCM's personnel earn commissions on the sale of an insurance or brokerage product that we recommend as part of a financial plan. This presents a conflict of interest as we may have an incentive to recommend investment products based on the compensation we receive, rather than on a client's needs. We address this conflict of interest in multiple ways: First, we verbally inform clients when a conflict of interest arises that the client is under no obligation to follow our recommendations or to implement our recommendations through SRCM or any of our personnel who earn a commission on the sale of an investment product. Clients have the option to purchase investment products that SRCM recommends through any broker or agent they desire; Second, at our discretion, we may choose to waive all or a portion of the financial planning fees when the client elects to purchase an investment product that we recommended in an investment plan and either SRCM or one of our personnel earns a fee or commission on the sale of that investment. We do not receive commissions on fee-based life insurance products. For additional information on our Financial Planning Services, see **Item 4 – Advisory Business** above. For additional information relating to insurance and brokerage licenses, please see **Item 10 – Other Financial Industry Activities and Affiliations** below.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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

## **ITEM 7 – TYPES OF CLIENTS**

SRCM offers discretionary and non-discretionary investment management services and financial planning services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to pension and profit-sharing plans, charitable organizations and businesses.

Our Retirement Plan Services are available to clients that are sponsors or other fiduciaries to plans, including 401(k), 457(b), 403(b) and 401(a) plans. Plans include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA.

### **Account Requirements**

Generally, SRCM requires a minimum of \$250,000 to establish a new investment management account (with accounts aggregated at the household level). For accounts under \$250,000, a program fee generally will be charged to the account in addition to the investment management fee. SRCM may reduce or waive the new account minimum requirements at our discretion. In addition, we may continue to service existing accounts that have values below this minimum.

SRCM does not require a minimum asset amount for Consulting Services.

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

### **Methods of Analysis and Investment Strategies**

#### **General Investment Strategies**

Our approach to investment management is humble in concept and efficient in practice. It is grounded upon more than a century of market history and informed by our collective decades of investment experience. Executed with cost effectiveness and pragmatism in mind, our methodology acknowledges the give and take of return and risk inherent to all investments and is designed to be applicable to a very wide range of individual client scenarios.

At the core of our Investment Approach is our Investment Philosophy:

*Capital market prices reflect collective investor expectations for the potential risks and returns inherent to all investments. This crowd-sourced wisdom leaves little room for incremental gain over the aggregate performance of similar securities. Nonetheless, certain investment characteristics have shown to support greater-than-average returns over time. We manage portfolios built to favor these characteristics, while emphasizing portfolio diversification within and among a diverse range of asset classes, to foster an optimal experience for our clients and partners.*

Based on that Philosophy, the following features generally define our Investment Approach:

- Our approach considers risk and return peers in the asset allocation decision

- Emphasizing broad diversification within and among the broad asset classes, we map combinations of global equity, fixed income and other exposures to specific risk-tolerance levels to formulate our range of investment solutions
- Acknowledging the trade-off between expected return and risk, we may tilt exposures away from global capitalization-based proportions based on characteristics perceived to be indicative of relative future performance

The approach seeks higher expected total return as tolerance for risk and investment time-horizons increase. We seek to enhance return expectations primarily through increased exposure to equity. As the target exposure to investment risk grows in a particular portfolio, the approach additionally seeks to boost return through enhanced global diversification, and increasingly stronger tilts toward equity characteristics seen to have provided higher returns through time. We also tend to boost the potential to seek additional income with fixed income through stronger tilts toward duration (sensitivity to changes interest rates) and credit (potential for default) among fixed income securities.

This approach informs our Global Target Risk Strategy, which is meant to serve as a through-cycle, core- or whole-portfolio solution.

After considering the static strategic mix of equity and fixed income, we believe long-term drivers of risk-relative performance will originate primarily from enhanced global diversification, with incremental gain sought through asset-class and sub-asset-class tilts to specific factors shown to have been indicative of long-term outperformance.

### **Methods of Analysis for Selecting Securities**

#### **Mutual Funds and ETFs**

The Investment Team's development of the investment opportunity set begins with a regular scan of exposures relevant to our model portfolios, which include the breadth of mutual fund and ETF offerings. The Team reduces this mix to those exposures that constitute the broadest mix of potential diversification both among and within global capital markets, while maintaining the level of exposure to risk factors the Team believes is consistent with the objective of optimal return for a given target level of aggregate portfolio risk.

The Investment Team monitors the relative performance of similarly defined funds. This work seeks to ensure that the Team is appropriately defining the investment opportunity set. This review focuses on differences in portfolio construction (e.g., simple ranked value, versus optimization-based portfolio construction, with implications for underlying portfolio turnover), factor-relative tracking error and overall implementation cost.

The Investment Team leans heavily on mutual fund and ETF managers to provide detail regarding the underlying portfolio construction methodologies related to their portfolios. The Investment Team also utilizes third-party database platforms (such as those offered by Bloomberg and Morningstar) to perform due diligence on mutual funds and ETFs. The firm does not make use of outside consultants for investment recommendations.

### **Specific Investment Strategies for Managing Portfolios**

#### **Long-term Holding/Short-term Trading**

SRCM primarily seeks to hold securities for longer-term periods, especially in taxable accounts. SRCM does not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase, as SRCM does not use short-term trading as an investment strategy. However, there are times when SRCM will sell a security for a client when the client has held the position for less than 30 days.

#### **Margin**

Some clients of SRCM maintain margin accounts. SRCM does not use margin as an investment strategy. Clients are responsible for any brokerage or margin charges in addition to advisory fees.

## **General Risk of Loss Statement**

All investing carries risk, including the potential loss of principal, which clients should be prepared to bear. Securities markets experience varying degrees of volatility. Over time the client's assets may fluctuate and at any time be worth more or less than the amount invested. Diversification does not protect against losses. Inflation causes tomorrow's dollar to be worth less than today's; inflation therefore reduces the purchasing power of most investments.

### **General Risks of Owning Securities**

The prices of securities held in portfolios we manage and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of securities in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations also may affect security prices and income.

Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing, financial reporting, disclosure, regulatory and legal standards and practices could also affect investments in securities of foreign issuers. Additional factors may include expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs. Various administrative difficulties, such as delays in clearing and settling portfolio transactions, or in receiving payment of dividends can increase risk. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

### **Mutual Funds and Exchange Traded Funds (ETFs) ("funds")**

Funds express risks specific to the security type:

#### **Costs Despite Negative Returns**

Investors must pay sales charges, annual fees and other expenses regardless of how a fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

#### **Lack of Control**

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

#### **Price Uncertainty (mutual funds only)**

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial Web sites or by calling a broker or asking the investment adviser. Investors can also monitor how a stock's price changes during market hours. By contrast, the price at which an investor purchases or redeems shares in a mutual fund will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.



**Tax Consequences of Funds**

When an investor buys and holds fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any capital gains when the investor sells shares, the investor may have to pay taxes each year on any capital gains a fund distributes.

**Fluctuation in Dividend Income**

The composition of the securities held in a portfolio and/or in a specific fund's portfolio could change, which might cause a reduction in dividends received. There is no guarantee of dividends from specific funds. Fluctuations in dividend levels over time, up and down, are to be expected.

**Leverage Risk**

The use of leverage may lead to increased volatility of a fund's NAV and market price relative to its common shares. Leverage is likely to magnify any losses in the fund's portfolio, which may lead to increased market price declines. Fluctuations in interest rates on borrowings or the dividend rates on preferred shares that take place from changes in short-term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on common shares. There is no assurance that a leveraging strategy will be successful.

**Different Types of Securities and Funds**

Each type of security and fund has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

**Cash and Cash Equivalents**

Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment.

**Debt Securities (Bonds)**

The prices of, and the income generated by, most debt securities may be affected by many factors. Because bond funds are variously exposed to these factors, bond funds can vary dramatically in their risks and rewards. Certain additional risk factors relating to debt securities and fixed income-focused funds include:

**Interest Rate Risk**

The prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk. As a result, investors can lose money in any bond fund.

**Credit Risk**

Debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest. Such risk may heighten the volatility of securities, while delayed interest payments and defaults may adversely affect the NAV of and/or income produced by a fund.

**Market Risk**

Debt securities may be sensitive to economic changes, political and corporate developments and interest rate changes. Investors also should expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of debt securities.

**Prepayment Risk**

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a, expected return or yield.

### Reinvestment Risk

When interest rates are declining, investors may need to reinvest interest income and any return of principal at lower prevailing rates.

### Call Risk

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, an investor may have to replace the security with a lower yielding security, resulting in decreased income. A bond may be called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal.

### Liquidity and Valuation Risk

There may be little trading in the secondary market for particular debt securities, which may affect adversely the ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

### International and Emerging Market Risk

Investments in foreign bonds are subject to additional risks such as, but not limited to, currency risk and exchange-rate risk, and political/economic instability of the countries from where the securities originate. Investing in emerging market bonds and bond funds may accentuate these and other bond-related risks.

### U.S. Treasury Securities

U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes, and bonds. The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This means that the current market values for these securities will fluctuate with changes in interest rates.

### Inflation-Indexed Bonds

The principal amount of an inflation-indexed bond adjusts to changes in the level of the consumer price index. The U.S. Government guarantees the repayment of the original bond principal of U.S. Treasury inflation-indexed bonds upon maturity (as adjusted for inflation). However, the current market value of these bonds is not guaranteed and will fluctuate, reflecting the rise and fall of yields. The interest rate for inflation-indexed bonds is fixed at issuance as a percentage of this adjustable principal. Accordingly, the actual interest income may both rise and fall as the principal amount of the bonds adjusts in response to movements of the consumer price index.

### **Equity (Stocks) and Equity Funds**

The prices of stocks and the income they generate (such as dividends) fluctuate based on, among other things, events specific to the company that issued the shares, changes or weakness in the business sector the company does business in, shifts in conditions affecting the general economy and overall market changes, and other factors. Stock funds, therefore, also are exposed to these risks, which may include:

### Market Risk

The value of an individual stock, as well as that of an individual stock fund, can rise and fall quickly and dramatically based on changes in aggregate investor tolerance for exposure to the range of risks investing presents.

### Small-Cap and Mid-Cap Stock Risk

Funds that invest in stocks of smaller companies involve additional risks. Smaller companies typically have higher risk of failure. It can be more difficult to obtain information about smaller companies. It may be more difficult to trade small company stocks (they tend to be less liquid). And the prices of their stocks may be more volatile than stocks of larger, more established companies.

### International and Emerging Market Stock Risk

Investments in foreign securities (stocks and bonds) are subject to additional risks such as, but not limited to, currency risk and exchange-rate risk, and political/economic instability of the countries from where the securities originate. Investing in emerging market stocks and stock funds may accentuate these and other stock-related risks.

### REITs

REITs primarily invest in real estate or real estate-related loans. REIT investments may be exposed to illiquidity and interest rate risk. Further, the lack of industry diversification subjects the investor to increased risk specific to the real estate industry.

### Financial Planning

The financial planning tools SRCM uses to create financial plans for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions and rates of return on security asset classes. All return assumptions generally are based on asset class returns, not returns of actual investments, and may not include fees or expenses that clients would pay if they invested in specific products.

Financial planning software is only a tool used to help guide SRCM and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance and personal information. Changes to the program's underlying assumptions or differences in actual personal, economic or market outcomes may result in materially different results for the client. Clients should carefully consider the assumptions and limitations of the financial planning software as disclosed on the financial planning reports and should discuss the results of the plan with a qualified investment professional before making any changes in their investment or financial planning program.

If the financial plan includes recommendations for investing in securities, one should understand that investing in securities involves risk of loss, and one should be prepared to bear that risk.

## ITEM 9 – DISCIPLINARY INFORMATION

SRCM and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. SRCM does not have any disciplinary information to disclose.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Related Insurance Agencies

Gregory and Geoffrey Kaltenbach control Signature Resources, Insurance & Financial Services, Inc., a California licensed insurance agency, which has a 33% ownership in DIBA Insurance Services, LLC, an insurance brokerage firm. Gregory Kaltenbach spends approximately 80% of his time and Geoffrey Kaltenbach spends approximately 90% of his time providing insurance services. In addition, other SRCM personnel are also insurance agents/brokers of various insurance companies.

In their capacities as insurance agents/brokers, certain personnel of SRCM at times recommend insurance or other products to the firm's clients. Consequently, these persons receive commissions for products they sell through the firm with which they are associated. Therefore, a conflict of interest exists between the interests of these individuals and those of the advisory clients. However, clients are under no obligation to act on any recommendations of these individuals or effect any transactions through them or through the above related entities if they decide to follow their recommendations.

### **Registered Representatives of Unaffiliated Broker-Dealer/Adviser**

Some SRCM personnel are also registered securities representatives and investment advisory representatives of MML Investors Services, LLC (“MMLIS”), a non-affiliated dually registered broker-dealer and investment advisory firm and a member of the Financial Industry Regulation Authority (“FINRA”).

In their capacities as registered representatives, these individuals recommend securities, advisory or other products to SRCM’s clients, and receive commissions if the client purchases products through MMLIS. Thus, a conflict of interest exists between the interests of these persons and those of clients. However, clients are under no obligation to act on any recommendations of these individuals or effect any transactions through the individual if they decide to follow the recommendations. These persons also receive compensation, commissions and/or trailing 12b-1 fees from MMLIS for services provided to MMLIS’ brokerage and/or investment advisory clients.

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

### **Code of Ethics**

SRCM believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. SRCM’s personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

SRCM’s Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. SRCM’s personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable federal securities laws. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients’ purchase or sale of securities (all considered “Access Persons”), are subject to personal trading policies governed by the Code of Ethics (see below).

SRCM will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### **Personal Trading Practices**

SRCM and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for any client account. SRCM or our Access Persons may purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment recommendations prior to and in preference to accounts of Access Persons.
2. SRCM prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. With the exception of those accounts of SRCM personnel assigned and managed to a specific target risk, which we may include in along with client portfolios in model repositioning and rebalancing efforts, if we wish to purchase or sell the same security that we are considering or taking action to purchase or sell for a client, we will not do so until the custodian fills client orders or we have decided not to purchase or sell the security for

clients. As a result of this policy, it is possible that clients may receive a better or worse price than SRCM or an Access Person for the same security on the same day as a client or one or more days before or after the client's transaction.

4. Access Persons must obtain prior written approval from the Chief Compliance Officer prior to making personal trades in certain securities. That list of securities changes through time and is managed by the Chief Investment Officer.

### **Aggregation with Client Orders**

At times SRCM will aggregate orders for clients in the same securities in an effort to seek best execution, negotiate more favorable commission rates, and/or allocate differences in prices, commissions and other transaction costs equitably among our clients. These are benefits of aggregation orders that we might not obtain if we placed those orders independently.

At times SRCM will aggregate trades in like securities among client accounts as well as with accounts of SRCM and our personnel. This presents a potential conflict of interest as we may have an incentive to allocate more favorable executions to our own accounts or the accounts of our personnel.

Our policies to address this conflict are as follows:

1. We will disclose our aggregation policies in this brochure;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients. The trade also needs to be consistent with the terms of our investment advisory agreement with each client that has an account included in the aggregation;
3. No account will be favored over any other account. This includes accounts of SRCM or any of our personnel. Each account in a specific aggregated trade in a given security will participate at the average share price for that particular transaction. Where multiple aggregated trades across the same and/or different accounts for a particular security occur on the same day, individual accounts may realize different prices for those trades. All accounts will pay their individual transaction costs;
4. Before entering an aggregated order, we will prepare a written statement (the "Allocation Statement") specifying the participating accounts and how we intend to allocate the order among those accounts. This statement generally is automatically generated and stored by the firm's trading software;
5. If the aggregated order is filled entirely, we will allocate shares among clients according to the Allocation Statement; if the order is partially filled, we will allocate it pro-rata according to the Allocation Statement;
6. However, we may allocate the order differently than specified in the Allocation Statement if all client accounts receive fair and equitable treatment. (See also **Item 12 - Brokerage Practices** below.) In this case, we will explain the reasons for a different allocation in writing, which the CCO must approve no later than one hour after the opening of the markets on the trading day following the day the order was executed;
7. If an aggregated order is partially filled and we allocate it differently than the Allocation Statement specifies, no participating account may purchase or sell the security for a reasonable period following the execution of the block trade. This only applies when the participating account sells or receives more shares than it would have if the aggregated order had been completely filled;
8. Our books and records will separately reflect each aggregated order and the securities held by, bought, and sold for each client account;
9. We do not receive additional compensation or remuneration of any kind as a result of aggregating orders; and
10. We will provide individual investment advice and treatment to each client's account.

## ITEM 12 – BROKERAGE PRACTICES

### The Custodians and Brokers We Use

SRCM requires clients to open one or more custodian accounts in their own name at a “qualified custodian,” generally a broker-dealer or bank, of the client’s choice. We request that clients use Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to. The accounts will always be held in the name of the client and never in SRCM’s name. Not all advisors request their clients to use a particular broker-dealer or other custodian selected by the advisor.

### How We Select Brokers/Custodians

We seek 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. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for client accounts)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us 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 the prices
- Reputation, financial strength and stability
- Prior service to us and our other clients
- Availability of other products and services that may benefit us, as discussed below (see **Products and Services Available to Us from Schwab**)

### Client Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge the client separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the Schwab account and through various compensation Schwab receives based on the cash holdings across all client accounts. Schwab’s commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits clients because the overall commission rates paid are lower than they would be otherwise.

These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab execute all trades for client accounts. We have determined that having Schwab execute all trades is consistent with our duty to seek “best execution” of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see **How We Select Brokers/Custodians**).

Additionally, Schwab charges \$13 per trade in most mutual funds in which we invest. However, we generally choose funds that do not charge ongoing 12b-1 fees. We believe that the savings the client receives by buying low-cost funds without ongoing 12b-1 fees exceeds the \$13 cost over a reasonably short holding period.

## **Products and Services Available to Us from Schwab**

Schwab Advisor Services<sup>TM</sup> is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to their 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 us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. The following are more detailed descriptions of Schwab's support services:

### **Services That Benefit the Client**

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 we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit clients and their accounts.

### **Services That May Not Directly Benefit the Client**

Schwab also makes available to us other products and services that benefit us but may not directly benefit clients and their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist 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
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers

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

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

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We are not required to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum may give us an incentive to request that clients maintain their accounts with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on client interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and

broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality and price of Schwab's services (see **How We Select Brokers/Custodians**) and not Schwab's services that benefit only us.

### **Directed Brokerage Transactions**

Clients who direct SRCM to use a particular broker-dealer for trading may pay higher commission charges. Under these circumstances, SRCM may not have authority to negotiate commissions or obtain volume discounts and best execution may not be achieved. Clients should further understand that when they direct SRCM to use a specific broker disparity in transaction charges might exist between the transaction costs charged to other clients. SRCM may not be able to aggregate orders to reduce transaction costs and clients who direct SRCM to use a particular broker-dealer may receive less favorable prices.

### **Aggregation and Allocation of Transactions**

We describe our aggregation practices in detail under **Item 11 – Aggregation with Client Orders** above.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **Investment Management Accounts Reviews**

We manage portfolios on a continuous basis and generally review all positions in client accounts at least quarterly. We offer account reviews to clients typically on a quarterly basis, but no less frequently than on an annual basis. Clients may choose to receive reviews in person, by telephone or in writing. Portfolio Managers, Advisory Associates and/or Investment Adviser Representatives conduct reviews based on a variety of factors. These factors may include but are not limited to account holder's personal, tax or financial status, certain additions or withdrawals and/or market factors.

In addition, if deemed necessary, we will conduct a special review of an account based on one or more of the following reasons, in addition to reasons not specifically noted below:

- Changes in the client's investment objectives, guidelines and/or financial situation;
- Changes in portfolio exposures sought by SRCM's Investment Team, the client's IAR and/or the client;
- Changes in investment exposures present in existing investments;
- Shifts in macroeconomic trends

### **Account Reporting**

Each investment management client will receive a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, SRCM makes available written reports detailing current holdings and asset allocation of each advisory client's accounts on quarterly or ad hoc basis.

### **Retirement Plan Services Account Reviews**

We will contact Retirement Plan Services clients at least once a year to review our Retirement Plan Services. It is important that clients discuss any changes in the Plan's demographic information, investment goals and objectives with the Investment Advisor Representative (IAR). Plans may receive written reports directly from their IAR based on the services being provided, including any reports evaluating the performance of Plan investment manager(s) or investments.

### **Financial Plan Reviews**

SRCM reviews financial plans only upon request unless the client retains SRCM to update the plan on a continuous basis.



## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

### **Promoters (Solicitors)**

SRCM has entered into and in the future may enter into additional written contractual agreements with unaffiliated individuals and/or organizations (“promoters”). These promoters refer clients to us. When a solicitor introduces a client to SRCM, we pay that promoter a referral fee in accordance with the requirements of Rule 206(4)-1 of the Investment Advisers Act of 1940.

If a promoter introduces a client to SRCM, the promoter will disclose at the time of the solicitation whether they are or are not a current client of the firm; whether they will receive any cash or non-cash compensation for the referral; and a statement that the receipt of compensation for a referral creates a conflict of interest. In addition, the promoter will provide each prospective client with a copy of a written statement disclosing the terms and conditions of the arrangement between SRCM and the promoter, including the compensation the promoter will receive from SRCM and any material conflicts of interest on the part of the promoter as a result of the referral arrangement.

The total fee charged to clients includes the solicitation fee paid by SRCM to the solicitor in addition to the advisory fees charged by SRCM. The result is that clients referred by an unaffiliated solicitor may pay a higher total fee than they would if they had hired SRCM directly.

### **Outside Compensation**

At times SRCM refers clients to unaffiliated professionals for specific needs, such as accountants or estate planning or other attorneys. At SRCM, we do not have any agreements with individuals or companies to which we refer clients, and we do not receive any compensation for these referrals.

SRCM only refers clients to professionals we believe are competent and qualified in their field. We may provide the client with a list of professionals that the client can contact, and it is solely the client’s decision whether or not to engage a recommended firm. It is ultimately the client’s responsibility to evaluate the provider. Clients are under no obligation to purchase any products or services through these professionals, and SRCM has no control over the services provided by another firm. Clients who chose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by SRCM.

If the client desires, SRCM will work with these professionals or the client’s other advisers (such as an accountant, attorney or other investment adviser) to help ensure that the provider understands the client’s financial plan and to coordinate services for the client. SRCM will never share information with an unaffiliated professional unless first authorized by the client.

### **Economic Benefit from Schwab**

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 advisors 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 to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **Other Compensation**

SRCM may receive additional compensation from various vendors, product providers, distributors and others. These providers may provide non-monetary compensation by paying some expenses related to training and education, including travel expenses, and attaining professional designations. SRCM might receive payments to subsidize our own training programs. Certain vendors may invite us to participate in conferences, on-line training or receive publications

that may further our skills and knowledge. Some may occasionally provide us with gifts, meals and entertainment of reasonable value consistent with industry rules and regulations.

If applicable, and in the event the payments, or non-monetary compensation, are received in connection with or as a result of the Retirement Plan Services, we will disclose such fees to Sponsors in accordance with ERISA and Department of Labor regulations.

## **ITEM 15 – CUSTODY**

SRCM has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from client accounts. A qualified custodian (generally a broker-dealer, bank, trust company or other financial institution) holds clients' funds and securities. Clients will receive statements directly from their qualified custodians at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of SRCM's fee. Clients should carefully review the account statements they receive from their qualified custodians. When clients receive statements from SRCM as well as from the qualified custodian, clients should compare these two reports carefully. Clients with any questions about statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from their qualified custodians at least quarterly should also notify us.

SRCM will not serve as a custodian for Plan assets in connection with the Retirement Plan Services. Sponsor is responsible for selecting the custodian for Plan assets. We may be listed as the contact for the Plan account held at an investment sponsor or custodian. Sponsor for the Plan will complete account paperwork with the outside custodian that will provide the name and address of the custodian. The custodian for Plan assets is responsible for providing the Plan with periodic confirmations and statements. We recommend that Sponsor reviews the statements and reports received directly from the custodian or investment sponsor.

## **ITEM 16 – INVESTMENT DISCRETION**

### **Discretionary**

For discretionary accounts, SRCM has full discretion to decide the specific security to trade, the quantity and the timing of transactions for client accounts. SRCM will not contact clients before placing trades in their accounts, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

### **Limited-Discretionary**

For limited-discretionary accounts, SRCM will typically contact the client and obtain the client's verbal or written consent before making asset allocation changes in the client's account. However, SRCM is not required to contact the client when the planned trades are to rebalance or reposition the client's account to a previously agreed upon broad asset class-based allocation. We believe in working closely with our clients to keep them informed of our investment recommendations and to ensure our recommendations are consistent with the changing circumstances of the client. Clients grant us limited-discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit SRCM's discretionary authority, such as where the client prohibits transactions in specific security types or directs SRCM to execute transactions through specific broker-dealers. See also **Item 4 – Tailored Services and Client Imposed Restrictions** and **Item – 12 Brokerage Practices**, above.

### **Non-Discretionary**

For non-discretionary accounts, SRCM will contact the client before making recommendations we deem appropriate for the client. Non-discretionary clients should be aware that recommendations are typically time sensitive and the following circumstances may cause market movements to work against the client:

1. SRCM will not effect the transaction until we receive verbal or written instructions from the client;
2. SRCM generally will not aggregate transactions for non-discretionary accounts with discretionary and limited-discretionary accounts; and
3. Transactions for non-discretionary accounts will generally be effected after transactions in discretionary and limited-discretionary accounts.

### **Retirement Plan Services**

When providing Retirement Plan Services described herein, we may exercise discretionary authority or control over the investments specified in the Agreement. We perform these services to the Plan as a fiduciary under ERISA Section 3(21) and investment manager under ERISA Section 3(38). We are legally required to act with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. This discretionary authority is specifically granted to us by Sponsor, as specified in the Agreement (see also, **Item 4** above).

## **ITEM 17 – VOTING CLIENT SECURITIES**

### **Proxy Voting**

SRCM does not accept or have the authority to vote client securities. SRCM will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

### **Retirement Plans**

SRCM has no authority or responsibility to vote any security held by the retirement plans or the related proxies. That authority is reserved by the Sponsor or trustee of the retirement plan.

### **Mutual Funds and Exchange Traded Funds**

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the fund.

### **Class Actions**

SRCM does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 18 – FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. SRCM does not require the prepayment of more than \$1,200 in fees

per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.