

# **Summit Advisor Solutions**

**(“Summit” or “SAS”)**

**Part 2A of FORM ADV: Firm Brochure**

**May 5, 2016**

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This brochure provides information about the qualifications and business practices of SAS Capital Management, LLC., dba Summit Advisor Solutions (“SAS”). If you have any questions about the content of this brochure, please contact us at the phone number above. Summit Advisor Solutions is registered with the United States Securities and Exchange Commission (“SEC”) as an Investment Adviser; however, such registration is not intended to imply a certain level of skill or training. This Brochure has not been approved by the SEC or by any state securities body or regulatory authority.

Additional information about Summit Advisor Solutions is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 – SUMMARY OF MATERIAL CHANGES SINCE SEPT 24, 2015 BROCHURE

As of May 5, 2016, Summit Advisor Solutions (Summit or SAS) has named Nicholas Rossi as Chief Compliance Officer. Mark Richison has been named Summit's Chief Financial Officer.

Summit has added two new investment strategies to its offering.\* Full strategy offering from Summit is:

A	B	C	D	E
SAS – Strategic ETF Portfolios – all strategies (\$25,000)	SAS – Preservation Strategy <i>non-ETF</i> (\$500,000 <sup>^</sup> )	CORE Capital – all strategies (\$25,000)	SAS – Custom Income Strategy*	Cougar Global Investments – all strategies (\$25,000)
SAS – Tactical ETF Portfolios – all strategies (\$25,000)	SAS – Optimal Balanced Strategy <i>non-ETF</i> (\$100,000 <sup>^</sup> )	Frontier Asset Management – all strategies (\$25,000)	WE Donoghue & Co – Power Income strategy (\$25,000)	Longview Capital Management – Global Allocation (\$25,000)
SAS – Preservation Strategy <i>ETF</i> (\$25,000)	SAS – Moderate Growth Strategy <i>non-ETF</i> (\$100,000 <sup>^</sup> )	SAS – Concentrated Equity Strategy (\$50,000)	Lattice Strategies – all strategies (\$50,000)	Wilbanks Smith & Thomas – US Bond (\$25,000)
SAS – Optimal Balanced Strategy <i>ETF</i> (\$25,000)	SAS – Opportunistic Growth Strategy <i>non-ETF</i> (\$100,000 <sup>^</sup> )		Mastrapasqua – all Strategies (\$45,000)	Fund Evaluation Group (FEG) – all strategies (\$25,000)
SAS – Moderate Growth Strategy <i>ETF</i> (\$25,000)	SAS – Fixed Core Strategy		Navellier – 4 strategies (\$50,000)	Belle Haven Cash Management (\$250,000)
SAS – Opportunistic Growth Strategy <i>ETF</i> (\$25,000)	SAS – Fixed Opportunistic Strategy		Spring Capital – ADEPT Strategy (\$25,000)	Belle Haven Muni Ladder Plus (\$250,000)
SAS – Managed Liquid Alternative Portfolio (\$25,000)	WE Donoghue – Power Dividend & Yield (\$25,000)			Belle Haven Taxable Ladder Plus (\$250,000)
WE Donoghue – Power Growth & Income (\$25,000)				Congress Asset – Large Cap Growth (\$40,000)
				Herndon Capital – Large Cap Value (\$40,000)
				Suncoast Capital – All Cap Core (\$25,000)
F	G	H	I	J
SAS – Adaptive Portfolios – all strategies (\$50,000)	SAS – Fusion Portfolios – all strategies (\$50,000)	Contravisory – All Cap Core (\$35,000)	Beaumont Capital Management - Premium (\$25,000)	Good Harbor Financial – Tactical Equity Income (\$100,000)
SAS – Alternative Income Strategy*	Wilbanks Smith & Thomas – US Equity (\$25,000)		Newfound Research – all strategies (\$25,000)	Belle Haven – Muni PLUS (\$250,000)
Astor Asset Management – Long/Short Balanced (\$25,000)	Capital Wealth Planning – Covered Call (\$75,000)		WE Donoghue – Power Dividend (\$50,000)	Belle Haven – Taxable PLUS (\$250,000)
Beaumont Capital Management – Sector Rotation	Emerald Asset Management – Elessar Sm Cap Value (\$40,000)		Windham Capital – Risk Regime I (\$25,000)	
Clark Capital Management – Fixed Income (\$25,000)	Chilton Capital - REIT (\$25,000)		Windham Capital – Risk Regime III (\$25,000)	
Congress Asset – Risk Managed Asset (\$40,000)	Hahn Capital – Mid Cap Value (\$30,000)		Oakview Capital – All Cap Value (\$25,000)	
Congress Asset – Risk Managed Satellite (\$40,000)	Ironwood – Sm Cap Core (\$45,000)		Polaris – International Growth (\$100,000)	
Hays Advisory – all strategies (\$25,000)	OFI SteelPath MLP – Energy Infrastructure (\$25,000)		St. James – All Cap Core (\$25,000)	
Congress Asset – Mid Cap Growth (\$40,000)	River Road Asset – Focused Absolute Value (\$25,000)		WE Donoghue – Power Dividend International (\$50,000)	
Good Harbor Financial – US Tactical Core (\$25,000)				

\* Represents the two new Summit Strategies added to the Summit Platform

Additionally, Summit has added *Custom Portfolio Consulting Services*: Summit provides Retail RIA firms with Custom Portfolio Consulting Services (“CPC Services”). Summit works with the Retail RIA firm to construct Custom Portfolios (“Custom Portfolios”) which Retail RIA firm may then apply to all or a portion of its client’s program assets. For all program account assets invested in these Custom Portfolios, the Retail RIA shall assess a CPC Services fee listed in the advisory agreement between the Retail RIA firm and its client. All or a portion of the Custom Portfolios may be invested in other third-party money managers, in which case the third-party money manager’s fee would apply.

Summit has added the Advisor Select Program to its menu of offerings. The Advisor Select (AS) Program is a platform option available to RIA firms to utilize which may reduce the platform fees to the RIA firm’s end client. The AS program is comprised of mutual funds and ETF’s, in which the underlying Managers of these funds/ETFs have contracted with Summit and have agreed to pay a fee to Summit to participate in the program. The fees Summit receives from the funds/ETFs will be used to offset the platform fee normally assessed to the RIA’s clients. RIAs have the option to build models or strategies that utilize these funds/ETF’s. Summit will work with the RIA firm to develop allocations, models and strategies as well as provide ongoing consultation as needed and or requested. Summit will also communicate with RIAs to make them aware of new investments that are part of the AS platform universe as well as recommended potential shifts in the allocations / holdings that make up the RIA’s models or strategies. Each investment option in the AS program will be listed along with their associated platform fee so the RIA firm can calculate the reduction in platform fees based on the allocation. RIA firms can invest in any of the funds associated with the AS program along with other funds and ETF’s to complete their model allocations. However, only the investments associated with the AS program will reduce platform fees.

Summit has entered into new mutual fund trading/service agreement with: Anfield – Universal Fixed Income Fund; Crow Point – All funds; Day Hagen – Tactical Allocation Fund and Tactical Dividend Fund; Balter – Discretionary Global Macro Fund, European L/S Small Cap Fund, Event-Driven Fund, L/S Small Cap Fund. These along with additional funds will be offered in the AS Program.

Summit has removed the *Custom UMA Strategy* and *Fixed Income Separate Account Strategy*

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## **ITEM 4 - ADVISORY BUSINESS**

Summit Advisor Solutions (“SAS”) is registered with the Securities and Exchange Commission (SEC) as an Investment Adviser under the Investment Advisers Act of 1940, with its principal place of business at 14785 Preston Road, Suite 1000, Dallas, Texas. SAS began conducting business in November of 2001, and the firm is a wholly owned subsidiary of SAS Capital Partners, LLC. SAS has an affiliated sister company, Argentus Advisors, LLC which is also an SEC registered investment adviser. Argentus Advisors provides investment management services to the public through its registered investment adviser representatives. It should also be noted that SCA Holdings, LLC owns a majority interest in SAS Capital Partners, LLC., hence a majority interest in SAS. SCA Holdings also owns Strategic Capital Alternatives, LLC, which is another SEC registered investment advisory firm. More information can be obtained about Argentus Advisors, LLC. and Strategic Capital Alternatives, LLC. by visiting the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

### **Platform Services – Advisory Model**

SAS’s main investment advisory business is to provide advisory, sub-advisory and back-office support to other investment advisory firms (“RIAs”). SAS has developed an advisory platform in which Third-Party Money Managers (“TPMMs”) are made available to other appropriately registered firms (“RIAs”). These RIAs then avail their clients to the TPMMs on the platform and/or offer Advisor Directed services in which the firm’s Financial Advisors work individually with their client. SAS’s affiliated firm, Argentus Advisors, LLC also utilizes this platform. SAS will act as a TPMM on the platform as well (see “Managed Portfolios” below).

The RIA’s investment advisory services are tailored to the individual needs of its clients. RIA clients participating in the program grant discretionary trading authority to SAS through their client agreement. This discretion allows SAS to hire and fire TPMMs as it deems necessary. The RIA’s are responsible for determining whether a TPMM’s portfolios or strategies are appropriate for their client.

As part of its services, SAS may also be responsible for account administration, fee billing, and reporting, and has developed internet-based software which provides the RIAs with the capability of directly monitoring their client accounts, downloading information concerning changes in the program and accessing current information related to the program. SAS does not maintain custody of client’s assets, rather, the assets are held at a qualified custodian such as, but not limited to, Charles Schwab or TD Ameritrade.

Based upon financial and other investment information specific to and provided by each individual client to the RIA, the RIA may propose a portfolio of TPMMs to manage the client’s assets. The portfolio of TPMMs is intended to combine multiple asset strategies into a single portfolio within one account. When creating a proposal for a client, if an instance arises whereby a TPMMs minimum investment amount is greater than the client’s available funds to meet that particular TPMM’s intended asset strategy, SAS may recommend and/or make available Exchange Traded Funds (“ETFs”) or open-ended mutual funds that are approved by SAS as alternatives for those TPMMs. SAS or the RIA may select available TPMMs and/or ETFs and mutual funds to build an initial portfolio.

The RIA’s Financial Advisor provides the specific advice concerning the selection of TPMMs, ETFs or mutual funds that SAS makes available on the platform. Introducing RIAs are responsible for ensuring that their Financial Advisors provide regular and ongoing contact with clients, allowing client’s the opportunity to update any changes to their financial or personal profiles and/or inform SAS of any restrictions they may wish to propose regarding the management of their account. SAS reserves the right to cancel services if it is not able to accommodate the restrictions requested by a client.

TPMMs are selected after being evaluated by SAS's due diligence process. SAS reserves the right to add or remove TPMMs from the platform at its sole discretion. TPMMs acting in a "portfolio strategists" capacity on the platform provide trade signals to SAS for SAS to facilitate the trades in the client's account. TPMMs acting in a "portfolio manager's" capacity actually exercise trading authority for a client's account and often do so in a separately managed account ("SMA").

#### **Platform Services – Service Only TPMMs**

RIAs may request that additional TPMMs be made available on the SAS Platform for that RIA's use only. Such TPMMs are not recommended by SAS. For such TPMMs, the RIA firm is responsible for maintaining the due diligence process and records. Such TPMMs are considered to be "Service Only."

#### **Proprietary Managed Portfolios**

SAS offers its own menu of proprietary models and strategies. These models and strategies are created and managed according to investment objectives of the particular model or strategy and are not tailored to the specific needs, investment objectives, risk tolerances, or preferences of any particular RIA firm client. When appropriate and as directed by an introducing RIA, client's assets will sometimes be invested in these proprietary models or strategies. Since SAS serves as the investment adviser to these models or strategies, the amount of fees that SAS receives will be greater than if these strategies were not included in a client's account. This presents a conflict of interest which SAS mitigates by providing this disclosure brochure to all clients participating in the program.

Some of the proprietary models or strategies will sometimes employ the use of Alternative investments. Alternative investments include, among other things, investments in limited partnerships, REITs, hedge funds, leasing agreements and managed futures. Some of these investments are issued and/or managed by firms associated with SAS such as, but not limited to, Aequitas Management, Genesis Capital LLC: the Granite Harbor Tactical Fund (GHTFX) and the Granite Harbor Alternative Fund (GHAFX). Because of the association between SAS and these issuers and funds, SAS has an inherent incentive to utilize these issues and funds, which creates a conflict of interest.

#### **Tactical ETF Portfolios**

The SAS Tactical ETF Portfolios are offered in seven different strategies including four core strategies ranging from Very Aggressive to Conservative. Additionally, three category strategies are also available: High Income, International Equity, and Commodities. Each portfolio is designed to achieve certain investment objectives which are fully disclosed to clients through the preparation of an investment proposal. For example, clients desiring pure capital appreciation may be suited for the 100% equity-allocated Very Aggressive or International portfolios. Alternatively, clients who need income may choose the High Income portfolio. SAS offers four multi-asset portfolios that include fixed income and equities which benefit from asset class diversification. The portfolios are actively traded at SAS's discretion pursuant to a tactical strategy based on a series of macroeconomic, fundamental, risk and technical variables with the aim of adjusting asset class exposures opportunistically with market movements.

#### **Strategic ETF Portfolios**

The SAS Strategic ETF Portfolios are managed primarily using exchange traded funds ("ETFs"). The portfolios are not actively managed, but seek to track performance of various indices. Each portfolio is re-balanced on an annual basis and may be re-allocated, if necessary. There are five different strategies ranging from Very Aggressive to Very Conservative. ETF allocations are intended to track their underlying

equity, fixed income, and commodity indices. SAS utilizes its discretion in determining the portfolio holdings based upon macroeconomic and fundamental variables, among others.

#### Adaptive Portfolios

The SAS Adaptive Portfolios are comprised exclusively of multiple tactically-oriented sub-advisors. The program offers four unique portfolios available to match distinct investor risk profiles: Dynamic Alpha, Dynamic Growth, Dynamic Core, and Dynamic Income. SAS has carefully evaluated the core philosophies and portfolio processes of each underlying sub-advisor in order to provide a complementary combination of money management styles for clients seeking additional levels of diversification against traditional stock and bond market exposure. The sub-advisors in the four different strategies bring their own unique and independent decision-making process to the portfolios which allows for a well-diversified allocation that seeks to offer lower portfolio volatility and more stringent investment capital risk controls. The SAS Adaptive Portfolio strategies are designed to manage market exposures across multiple asset class categories via ETF's and mutual funds. The trading that occurs within the portfolios is determined by the sub-advisors and may utilize inverse index ETF instruments during perceived periods of acute risk as well as modest utilization of leveraged index ETF instruments during perceived periods of heightened reward. SAS is responsible for the selection of the sub-advisors to be included in a given portfolio and the weighting of those sub-advisors.

#### Fusion Portfolios

The SAS Fusion Portfolios are comprised of a combination of both strategic and tactically-oriented sub-advisory strategies. The program offers four unique portfolios available to match distinct investor risk profiles: Opportunistic Growth, Defensive Growth, Growth & Income, and Conservative Growth. SAS has carefully evaluated the core philosophies and portfolio processes of each underlying sub-advisor in order to provide a complementary combination of money management styles for clients seeking additional levels of diversification against traditional stock and bond market exposure. The sub-advisors in the four different strategies bring their own unique and independent decision-making process to the portfolios which allows for a well-diversified allocation that seeks to offer lower portfolio volatility and more stringent investment capital risk controls. The SAS Fusion Portfolio strategies are designed to manage market exposures across multiple asset class categories via individual equities, ETF's and mutual funds. The trading that occurs within the portfolios is determined by the sub-advisors and modest utilization of leveraged index ETF instruments may be employed. SAS is responsible for the selection of the sub-advisors to be included in a given portfolio and the weighting of those sub-advisor allocations.

#### Preservation Strategy (both ETF and non-ETF)

The primary objective of the Preservation Strategy is to preserve capital and produce a return that is greater than the risk free rate of returns after fees. The Preservation Strategy uses a 3-Dimensional asset allocation strategy as opposed to the traditional asset allocation between stocks and bonds. By adding non-correlated asset classes (alternatives) in a meaningful way, the Preservation Strategy attempts to reduce the volatility associated with traditional stock and bond asset allocations.

#### Optimal Balanced Strategy (both ETF and non-ETF)

The primary objective of the Optimal Balanced Strategy is to produce the optimal risk adjusted rate of return when compared to a traditional balanced allocation. The Optimal Balanced Strategy uses a 3-Dimensional Asset Allocation Strategy as opposed to the traditional asset allocation between stocks and

bonds. By adding non-correlated asset classes (alternatives) in a meaningful way, the Optimal Balanced Strategy attempts to reduce the volatility associated with traditional stock and bond asset allocations.

*Moderate Growth Strategy (both ETF and non-ETF)*

The Primary objective of the Moderate Growth Strategy is to produce moderate equity returns with reduced volatility. The Moderate Growth Strategy uses a 3-Dimensional Asset Allocation Strategy as opposed to the traditional asset allocation between stocks and bonds. By adding non-correlated asset classes (alternatives) in a meaningful way, the Moderate Growth Strategy attempts to reduce the volatility associated with traditional stock and bond asset allocations

*Opportunistic Growth Strategy (both ETF and non-ETF)*

The Primary objective of the Opportunistic Growth Strategy is to produce moderate equity returns with less volatility when compared to traditional equity markets. The Opportunistic Growth Strategy uses a 3-Dimensional Asset Allocation Strategy as opposed to the traditional asset allocation between stocks and bonds. By adding non-correlated asset classes (alternatives) in a meaningful way, the Opportunistic Growth Strategy attempts to reduce the volatility associated with traditional stock and bond asset allocations.

*Concentrated Equity Strategy (both ETF and non-ETF)*

The Concentrated Equity Strategy seeks to capture long-term capital growth by utilizing a concentrated portfolio of equities that aim to generate above benchmark return. Sub-advisers are hired to provide a high conviction list pursuant to its custom mandate. As a result, clients benefit from a portfolio that leverages the combined wisdom of numerous money managers.

*Managed Liquid Alternative Portfolio*

The Managed Liquid Alternative Portfolio seeks to provide a diversified pool of liquid alternative investments that may reduce correlation and volatility as compared to traditional equity markets. It is created with a core/satellite approach in a multi-strategy, multi-manager manner with multiple funds blended together to accomplish an overall alternative mix. The core is comprised of multi-strategy funds and the residual is then further diversified with single strategy funds that can enhance a particular alternative strategy.

*Fixed Core*

The Fixed Core Portfolio uses mutual funds and/or ETFs to provide exposure to the fixed income markets. The portfolio seeks to track generally with the Barclays Aggregate Bond Index with a goal of long term outperformance and higher income generation. The portfolio may actively allocate to funds investing income bearing securities of all kinds and all credit qualities.

*Fixed Opportunistic*

The Fixed Opportunistic Portfolios use mutual funds and/or ETFs to provide exposure to niche income markets that may provide attractive total return prospects and/or income generation as compared to traditional investment grade bond assets. The portfolio will allocate to high yield bonds, emerging market bonds, preferred stock, MLPs and/or a number of other asset types.

*Alternative Income Strategy*

In cooperation with and as directed by an RIA firm client, SAS offers the Alternative Income Strategy. This strategy is a passive portfolio that allows the RIA to access unique, non-traditional securities for the

benefit of his/her client(s). Included but not limited to this portfolio are Private offerings such as notes and LLCs, non-traded securities such as REITs or Preferred stock, and Structured Notes either customized to the RIA or purchased from the open primary and secondary markets. While typically income generating in nature, structured notes may be growth oriented as well. Securities in these portfolios are unique to and intended to achieve the goals of the individual investor and do not attempt to track any specific market index.

#### Custom Income Strategy

The Custom Bond Strategy is a customized portfolio created in concert with the RIA and the portfolio manager in adherence to the goals of the portfolio owner. Corporate bonds, Municipal bonds, Mortgage Backed securities, Alternative Income securities as well as Mutual Funds and ETFs may be bought individually or as a part of a laddered or bar-belled portfolio to fulfill investment goals or as a piece of the client's overall portfolio allocation. Securities in these portfolios are unique to and intended to achieve the goals of the individual investor and do not attempt to track any specific market index.

#### Custom Portfolio Consulting Services

SAS provides RIA firms with Custom Portfolio Consulting Services ("CPC Services"). SAS works with the RIA firm to construct Custom Portfolios ("Custom Portfolios") which RIA firm may then apply to all or a portion of its client's program assets. For all program account assets invested in these Custom Portfolios, the RIA shall assess a CPC Services fee listed in the advisory agreement between the RIA firm and its client. All or a portion of the Custom Portfolios may be invested in other third-party money managers, in which case the third-party money manager's fee would apply.

#### **Revenue Sharing with Mutual Funds**

SAS or one of its affiliates provide trading services and/or marketing services to several mutual funds that are, at times, recommended by an RIA or one of its Financial Advisors or utilized by SAS within one or more of its proprietary managed portfolio offerings or by a Third-Party Money Manager available on the SAS advisory platform, within one of its managed portfolio offerings. Currently, those mutual funds are:

- GVTIX & GVTAX – NLFT III Tactical Asset Allocation Fund
- NFMAX, NFMCX & NFMIX – Newfound Multi-Asset Income Fund
- NFBAX, NFBXC & NFBIX – Newfound Total Return Fund
- NFGIX & NFGAX – NLFT III Newfound Risk Mgd Global Fund
- PWRIX & PWRAX – NLFT Power Income Funds
- AFLIX, AFLEX & AFLKX – Anfield: Universal Fixed Income Fund "UFIF"
- DHAAX, DHACX, DHAIX – Day Hagen Tactical Allocation Fund
- DHQAX, DHQCX, DHQIX – Day Hagen Tactical Dividend Fund
- BGMIX, BGMVX – Balter Global Macro Fund
- BESMX, BESRX – Balter European L/S Small Cap Fund
- BEVIX, BEVRX – Balter Event-Driven Fund
- BEQIX – Balter L/S Small Cap Fund
- Crow Point – All funds

While the RIA does not receive any additional compensation when such funds or models are included in the client's portfolio, SAS or one of its affiliates does receive fees from the funds for the services it provides. This creates a conflict of interest when such funds are recommended and/or included in the

client's managed account(s). SAS mitigates this conflict by keeping compensation to the RIA neutral and by providing this disclosure to you in this disclosure brochure.

*Advisor Select Program:*

SAS has added the Advisor Select Program to its menu of offerings. The Advisor Select (AS) Program is a platform option available to RIA firms to utilize which may reduce the platform fees to the RIA firm's end client. The AS program is comprised of the mutual funds and ETF's listed above, in which the underlying Managers of these funds/ETFs have contracted with SAS and have agreed to pay a fee to SAS. The fees SAS receives from the funds/ETFs will be used to offset the platform fee normally assessed to the RIA's clients. RIAs have the option to build models or strategies that utilize these funds/ETF's. SAS will work with the RIA firm to develop allocations, models and strategies as well as provide ongoing consultation as needed and or requested. SAS will also communicate with RIAs to make them aware of new investments that are part of the AS platform universe as well as recommended potential shifts in the allocations / holdings that make up the RIA's models or strategies. Each investment option in the AS program will be listed along with their associated platform fee so the RIA firm can calculate the reduction in platform fees based on the allocation. RIA firms can invest in any of the funds associated with the AS program along with other funds and ETF's to complete their model allocations. However, only the investments associated with the AS program will reduce platform fees. The platform fee offset is designed to mitigate the conflict of interest that would exist by the virtue of SAS receiving compensation directly from the funds. RIA clients should be aware that the platform fee offset does not necessary translate into a reduction in total fees paid, as the mutual funds providing such payments to SAS will charge the client through the fund's investment management fee.

**Argentus Advisors' Financial Advisor as Portfolio Manager**

Some of SAS's affiliate, Argentus Advisors' Financial Advisors offer their own Portfolio Management Services. Such services have their own asset management fee schedule and maximum fee charges when offered through Argentus Advisors, LLC.

*Spring Capital – ADEPT Strategy*

The Spring Capital ADEPT Strategy Model utilizes a strategy known as the Advancing Dividend Equity Portfolio Theory. This is a total return strategy based on the assumption that a large percentage of long-term total market returns are attributed to dividends. The strategy focuses on companies that not only have a long dividend history, but also have a history of increasing dividends on a regular basis. Guided by metrics such as a strong balance sheet, good products, sound management, and limiting exposure to high yield stocks, the model manager selects the companies that look to continue past trends. The portfolio seeks companies it believes displays relative value and good growth characteristics. Investment opportunities are not limited by market capitalization, industry sector or geographic location.

**Solicitors**

From time to time SAS utilizes solicitors to introduce potential clients to its services. Solicitors are typically registered as investment advisers with either the SEC or the appropriate state authority and will provide some level of advice such as suitability and/or risk tolerance assessment. A solicitor is not involved in the actual asset management of the client's account. Solicitors share in the advisory fees paid by the client,

however, the client is not paying any more for advisory services than he or she would if there were no solicitor involved. Solicitors are required to provide clients with a Solicitors Disclosure Statement, which elaborates on the solicitor's role and the relationship between the solicitor and SAS.

### **Wrap-Fee Program Accounts**

A Wrap Fee Program is an investment advisory program in which you pay one fee for both the investment advisory services and the transaction costs in your account. SAS offers its various advisory programs as either a traditional, non-wrap fee program or as a wrap fee program. Depending on the underlying investments in your Wrap Fee Program account and how much trading you expect to do, you may pay more for a Wrap Fee Program account than if you chose an advisory program that does not have a "wrap fee" offering, or if you chose to pay separately for all of your transaction costs (e.g. – pay the advisory fee plus all transaction commissions separately). Similarly, your Financial Advisor may receive more or less compensation on your wrap fee program depending on the same circumstances. This difference in compensation presents a conflict of interest that you should be aware of and that you should discuss with your RIA firm and their Financial Advisor.

Bear in mind, you can purchase services similar to those offered in SAS's Wrap Fee Program separately from unaffiliated financial service providers. Wrap Fee Programs may cost you more or less than purchasing the services from another investment adviser. Some factors to consider, other than the Wrap Fee itself, when comparing investment advisers include: (i) Account maintenance and custodial fees; (ii) Account special handling fees, such as wire funds fees; (iii) Volume of trading activity anticipated in your account; (iv) Commissions to be charged in lieu of a wrap fee; and, (v) Account termination, statement and confirmation fees. You should review all the costs for each of the management services separately (and mutual fund fees and expenses when applicable) when analyzing the cost of an SAS Wrap Fee Program.

Your RIA, through their Financial Advisor, will work with you to recommend whether you should utilize a Wrap Fee Program or not, based on your individual circumstance and anticipated trading activity. Please discuss with your RIA and their Financial Advisor all fees and costs associated with your Wrap Fee Program account. For further information regarding SAS's Wrap Fee Programs, please request a copy of SAS's Wrap Fee Program Disclosure brochure from your RIA or their Financial Advisor.

### **AMOUNT OF ASSETS UNDER MANAGEMENT**

As of December 31<sup>st</sup>, 2015 SAS had approximately \$1,960,000,000 of assets under management. There are no non-discretionary arrangements with respect to asset management services between SAS and clients at this time.

**NOTE FOR ERISA PLANS:** SAS acknowledges its status as a registered "investment adviser" with the SEC. Financial Advisors have the ability to and may provide fiduciary and/or non-fiduciary services to retirement plans (i.e., 401k, 403b, etc.). Retirement plans may or may not be subject to the U.S. Department of Labor's Employee Retirement Income Security Act ("ERISA").

With respect to advisory services provided to ERISA accounts, SAS also acknowledges its status as a "fiduciary" within the meaning of ERISA section 3(21). In most cases, the advisor is an ERISA 3(21) fiduciary tasked with "recommending," "assisting," "helping," or "advising" the sponsor as the sponsor goes about making selection/monitoring/replacement decisions.

## **ITEM 5 - FEES AND COMPENSATION**

This section is intended to assist you in understanding the costs associated with SAS's investment advisory offerings. You should read this section carefully and also refer to your investment advisory agreement for a full description of the amount, terms, and calculation of the advisory fee applicable to your selected advisory service, as well as, information concerning ticket charges, refunds and contract termination. The fees and costs may be more or less than if you purchased a portfolio of similar investments through a brokerage arrangement or similar services through another investment adviser. It is important that you evaluate the services received in light of the fees and costs. SAS reserves the right to negotiate fees, which may take into consideration, among other things, elements like size of account and the complexity of services. Be sure to ask your RIA firm's Financial Advisor about the advisory program(s) considered by you and what other costs you may incur.

You should be aware that you may incur additional fees assessed by your custodian or by the individual investments within your account. Custodians charge their own transaction and administration fees. Depending on whether you are participating in a Wrap Fee Program or not, some custodial fees may be included in your advisory fee, however, not all fees would be included. You want to refer to your advisory agreement, as well as your custodial agreement(s) when you open your account to help you understand what fees you may be subject to. Additionally, some investment product sponsors such as mutual funds and UIT's assess their own management fees. Such fees are in addition to the advisory fees you pay. You should consult with your RIA's Financial Advisor and discuss all the fees applicable to your account and investment selections before making any investment or buying decisions.

### **Annual Program Fee**

For Program assets on the platform, SAS charges an "Annual Program Fee." SAS retains a portion of the Annual Program Fee as compensation for providing and administering the advisory platform and maintaining the relationships with the Third-Party Money Managers made available on the platform. Depending on who your advisory contract is with, SAS may charge the Annual Program Fee directly or may assess the Annual Program Fee as an agent for in introducing RIA firm, in which case, the RIA firm will sometimes share a portion of the Annual Program fee with SAS. This compensation for the RIA firm could incentivize the RIA firm to offer SAS's advisory platform over its other offerings, presenting a potential conflict of interest. SAS encourages you to read the introducing RIA firm's disclosure brochure carefully before making any investment decisions.

The Annual Program Fee generally includes custodial transaction charges if you are in a Wrap Fee Program account, however, the Annual Program fee does not cover any margin interest, national securities exchange fees, charges for transactions not executed through the custodian, costs associated with exchanging currencies, fees and expenses charged by mutual funds or any investment company in which the assets may be invested, wire transfer fees or other fees. You should also understand that markups, markdowns and spreads charged by a dealer unaffiliated with the custodian are sometimes included in the price of certain transactions executed on your behalf. On occasion and depending on what TPMM services are subscribed to, trades in your account (including Wrap Fee Program accounts) may be executed on a "stepped-out" basis. This means the RIA firm or its agent stepped away from your established account custodian and purchased or sold an investment at another broker/dealer. This may be done for several reasons. For example, the particular investment was not available through your account custodian. The cost for such "stepped-out" trades are incurred by you, in addition to any other fees you are subject to.

A portion of the Annual Program Fee is paid to the Third-Party Money Managers as compensation based on the assets invested in their respective Models. The Annual Program Fee is negotiable and can range from .10% to 1.50%, annually, and may differ from client to client based upon a number of factors. The introducing RIA firm's fee (or Financial Advisor's Fee as it is often referred to) is in addition to the Annual Program Fee. In the case of solicitors of SAS, SAS does not allow the total advisory fee (Program Fee plus the introducing RIA's fee/ or Financial Advisor's Fee) to exceed 2.60% annually. In the case of the Spring Capital – ADEPT Strategy, the total advisory fee will not exceed 1.50% annually.

*Advisor Select (AS) Program:*

SAS has arrangements with several mutual funds and ETFs which pay SAS for making their funds available on the platform. SAS offers these funds through its AS Program. When RIA firms utilize the AS Program, platform fees paid by clients are offset by the compensation received by SAS from the various mutual fund companies. This offset is meant to mitigate the conflict of interest that exist by virtue of such payments. While offsetting such fees received may mitigate the conflict for SAS and level out the compensation received by SAS, it does not make the platform any less expensive to the client. The fee paid to SAS by the mutual funds is included in the mutual fund's investment management fee and paid by the client. The max fee SAS charges for assets in the Advisor Select Program is 0.25% minus an mutual fund revenue offset.

*Third-Party Money Managers and the Annual Program Fee:*

Each Third-Party Money Manager has their own fee for services which is incorporated into the Annual Program Fee. As a result, the Annual Program Fee will vary, depending on the Third-Party Money Manager(s) selected.

*Alternative Investments* – Alternative Investments include, among others, investments made in limited partnerships, hedge funds, business development companies and possibly certain mutual funds. Some alternative investments are issued by or managed by firms associated with SAS such as Aequitas, ACA Master Select Series Trust, Genesis Capital LLC: the Granite Harbor Tactical Fund (GHETF) and the Granite Harbor Alternative Fund (GHAFX), which, when recommended by SAS, presents a conflict of interest. SAS will sometimes assess the RIA a "reporting" fee for providing consolidated reporting on such assets. The RIA firm will often pass this cost along to you as the investor..

**Portfolio Management Services**

Portfolio Management services are offered on the SAS Platform along with the other Third-Party Money Managers. As with the Third-Party Money Managers, fees for these services are included in Annual Program Fee, described above. All fees are negotiable. The Program Fee SAS assesses it's RIAs for the following strategies will not exceed 0.90%:

- Tactical ETF Portfolios
- Strategic ETF Portfolios
- Adaptive Portfolios
- Fusion Portfolios
- Preservation Strategy (ETF and non-ETF)
- Optimal Balanced Strategy (ETF and non-ETF)
- Moderate Growth Strategy (ETF and non-ETF)
- Opportunistic Growth Strategy (ETF and non-ETF)
- Concentrated Equity Strategy

- Managed Liquid Alternative Portfolios
- Fixed Core Portfolios
- Fixed Opportunistic Portfolio
- Alternative Income Strategy
- Custom Income Strategy
- Custom Portfolio Consulting Services

### **Introducing RIA Fees/Financial Advisor's Fees**

The Program Fee includes sub-advisory and reporting services provided by SAS, as well as the fees associated with any TPMM fees (when selected). Your RIA firm will sometimes mark-up these fees as well. The total Program Fee will be delineated in our advisory agreement with your RIA.

In addition to the Annual Program Fee, you are assessed a Financial Advisor's Fee. This represents compensation provided to RIA firm, a portion of which is shared with your Financial Advisor.

### **Fee Calculations**

As mentioned above, each Third-Party Money Manager may have a different Annual Program Fee, which will apply to the value of the assets being managed under that particular Third-Party Money Manager's strategy. Due to the fact that the value of the assets managed fluctuates from period to period and, in addition, the Annual Program Fee for each Third-Party Money Manager may be different, the Total Portfolio Management Fee will fluctuate from period to period. This is a function of the fact that different sleeves of your portfolio may employ different managers with differing fees. The percentage you pay for the services of each individual Third-Party Money Manager or your Financial Advisor does not change.

As an advisory platform, SAS provides services to a multitude of RIA firms. Each firm may have their own method for calculating advisory fees. Described below are the current methods in which advisory fees are calculated. For information on exactly how your advisory fees are calculated, please refer to your investment advisory agreement, which you would have entered into with your RIA when you signed up for advisory services.

*Billed in Advance Quarterly using Average Daily Value* – The investment advisory fee is assessed quarterly in advance of services being rendered and will be based on the average daily value of the assets being managed over the previous calendar quarter. The initial Fee is based on the value of the assets deposited at the time services begin. Other than the initial deposit, additional deposit or withdrawal adjustments are accounted for at the beginning of the next calendar quarter based on the average daily value of the managed assets for the prior period. If you should terminate advisory services, any unearned fees collected in advance will be credited back to your account promptly. SAS may not pro-rate deposits or withdrawals that are *de minimis*.

*Billed in Advance Monthly using Average Daily Balance* – This fee calculation is identical to “Billed in Advance Quarterly using Average Daily Balance,” however, the time period is each calendar month instead of each calendar quarter.

*Billed in Advance Quarterly using End of Period Value* – The investment advisory fee is billed quarterly, in advance of services being rendered, and is based on the value of the assets being managed as of the last day of the calendar quarter (end of period). The initial fee is based on the value of the assets deposited at the time services begin multiplied by the number of days remaining in the calendar quarter. Interim deposits and withdrawals that are not deemed *de-minimis* are handled the same way. SAS may not pro-

rate deposits or withdrawals that are *de minimis*. If you should terminate advisory services, any unearned fees collected in advance will be credited back to your account promptly.

*Billed in Advance Monthly using End of Period Value* – This fee calculation is identical to “Billed in Advance Quarterly using End of Period Value,” however, the time period is each calendar month instead of each calendar quarter.

*Billed in Arrears Quarterly using Average Daily Value* – The investment advisory fee is billed quarterly, in arrears of services being rendered, and is based on the average daily value of the assets being managed over the previous calendar quarter. The initial deposit and interim deposits and withdrawals are accounted for by using this calculation method. If services are terminated, any earned and uncollected fees will be due and payable immediately.

*Billed in Arrears Monthly using Average Daily Value* – This fee calculation is identical to “Billed in Arrears Quarterly using Average Daily Value,” however, the time period is each calendar month instead of each calendar quarter.

*Billed in Arrears Quarterly using End of Period Value* – The investment advisory fee is billed quarterly, in arrears of services being rendered, and is based on the value of the assets being managed as of the last day of the calendar quarter (end of period). For deposits or withdrawals during the billing period, including the initial deposit or final withdrawal, the fee will be prorated over the billing period to account for the days services were rendered. If services are terminated, any earned and uncollected fees will be due and payable immediately.

*Billed in Arrears Monthly using End of Period Value* – This fee calculation is identical to “Billed in Arrears Quarterly using End of Period Value,” however, the time period is each calendar month instead of each calendar quarter.

Your investment advisory agreement authorizes SAS to deduct the investment advisory fees directly from your account.

### **Wrap Fee Programs**

A Wrap Fee Program is an investment advisory program in which you pay one fee for both investment advisory services and the transaction costs in the Program account. The “wrap fee” is not based directly upon the actual transaction or execution costs for the transactions within the account(s). Depending on the underlying investments within the Program and how much actual trading activity occurs, you may pay more or less than if you had elected to subscribe to a non-wrap fee program and pay for transactions costs separately. Your RIA firm will review the fee options available to help determine the best option for you to choose. Whether the service you elect is a Wrap Fee Program or whether it is not wrapped and transaction charges are assessed separately is stipulated on your advisory agreement. For more information about SAS’s Wrap Fee Programs, please ask your introducing RIA for SAS’s Wrap Fee Program disclosure brochure.

### **Fee Schedule and Maximums**

SAS does not utilize a set fee schedule for its advisory services. Instead, the Total Portfolio Management Fee is determined by combining your Financial Advisor’s Fee with the Annual Program Fee of the selected services and third-party money managers (TPMMs). For accounts where SAS is the RIA, SAS has a maximum Total Portfolio Management Fee of 2.60% per year. For the Spring Capital ADEPT Strategy, when offered through Argentus Advisors, LLC, the maximum Total Portfolio Management Fee is 1.50%

per year. The specific fee you pay for advisory services offered by us is stipulated in your advisory agreement. All fees are negotiable.

## **Conflicts of Interest**

### Industry Affiliations

Transactions in securities, such as fixed income securities, non-traded real estate investment trusts (REITs), preferred stock, and private placements, will sometimes be executed by SAS's associated broker-dealer, RP Capital, on behalf of advisory clients. RP Capital charges commissions or markups or receives other compensation for effecting these securities transactions. This compensation is in addition to the fees noted above. Management persons and employees of SAS that are also licensed as registered representatives of RP Capital, will sometimes receive a portion of this compensation. Clients should be aware that this creates an incentive for SAS to recommend investment products based on the receipt of additional compensation to RP Capital, rather than the needs of the client or the quality of the investment, which creates a conflict of interest. SAS endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser. SAS receives written consent from each client or the client's authorized representative where such transactions are proposed. Additionally, SAS and RP Capital provide such clients with a written confirmation for each such transaction, prior to settlement which includes, but is not limited to, a description of the nature of the transaction, the date the transaction took place and any remuneration received by either RP Capital or SAS for the transactions. SAS and RP Capital provide such clients or the client's authorized representative an annual report that summarizes all such transactions and the total remuneration receive for the year. Finally, SAS and RP Capital remind such clients that they may revoke their consent, in writing, at any time. Clients are not under any obligation to engage RP Capital when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

SAS directs trades to unaffiliated broker-dealers, who in turn, share trading revenue with RP Capital. This incentivizes SAS to direct trades to such broker-dealers. SAS has a duty to seek best execution at all times for client trades it directs. SAS has this same obligation for broker-dealers who have revenue sharing arrangements with RP Capital. SAS endeavors to mitigate this conflict of interest by ensuring best execution when such broker-dealers are utilized.

### Revenue Sharing Arrangements with Mutual Funds

Furthermore, for assets invested in the following:

- GVTIX & GVTAX – NLFT III Tactical Asset Allocation Fund
- NFMAX, NFM CX & NFMIX – Newfound Multi-Asset Income Fund
- NFBAX, NFB CX & NFBIX – Newfound Total Return Fund
- NFGIX & NFGAX – NLFT III Newfound Risk Mgd Global Fund
- PWRIX & PWRAX – NLFT Power Income Funds
- AFLIX, AFLEX & AFLKX – Anfield: Universal Fixed Income Fund “UFIF”
- DHAAX, DHACX, DHAIX – Day Hagen Tactical Allocation Fund
- DHQAX, DHQCX, DHQIX – Day Hagen Tactical Dividend Fund
- DHAAX, DHACX, DHAIX – Day Hagen Tactical Allocation Fund
- DHQAX, DHQCX, DHQIX – Day Hagen Tactical Dividend Fund
- BGMIX, BGMVX – Balter Global Macro Fund
- BESMX, BESRX – Balter European L/S Small Cap Fund
- BEVIX, BEVRX – Balter Event-Driven Fund

BEQIX – Balter L/S Small Cap Fund  
Crow Point – All funds

SAS, and/or an associated firm of SAS, provides marketing and/or trading services for those mutual funds, and will ultimately receive two sets of fees on those assets, one advisory fee based on the platform fees described herein, and one fee embedded into the net asset value of those mutual funds that is paid to SAS and/or the associated firm, and thus SAS has a conflict of interest when recommending or when SAS or a Third-Party Money Manager utilize such mutual funds in a managed portfolio.

SAS has added the Advisor Select Program to its menu of offerings. The Advisor Select (AS) Program is a platform option available to RIA firms to utilize which may reduce the platform fees to the RIA firm's end client. The AS program is comprised of the mutual funds and ETF's listed above, in which the underlying Managers of these funds/ETFs have contracted with SAS and have agreed to pay a fee to SAS. The fees SAS receives from the funds/ETFs will be used to offset the platform fee normally assessed to the RIA's clients. RIAs have the option to build models or strategies that utilize these funds/ETF's. SAS will work with the RIA firm to develop allocations, models and strategies as well as provide ongoing consultation as needed and or requested. SAS will also communicate with RIAs to make them aware of new investments that are part of the AS platform universe as well as recommended potential shifts in the allocations / holdings that make up the RIA's models or strategies. Each investment option in the AS program will be listed along with their associated platform fee so the RIA firm can calculate the reduction in platform fees based on the allocation. RIA firms can invest in any of the funds associated with the AS program along with other funds and ETF's to complete their model allocations. However, only the investments associated with the AS program will reduce platform fees. The platform fee offset is designed to mitigate the conflict of interest that would exist by the virtue of SAS receiving compensation directly from the funds. RIA clients should be aware that the platform fee offset does not necessary translate into a reduction in total fees paid, as the mutual funds providing such payments to SAS will charge the client through the fund's investment management fee.

Investment advice, utilization within proprietary or Third-Party Money Manager portfolios, or recommendations will sometimes also be provided on illiquid alternative investments. Associated organizations, in certain instances, are sometimes compensated for the distribution or sales of these investment vehicles, which creates a conflict of interest for SAS.

It is important to point out that these arrangements are a conflict of interest and can incentivize someone to recommend these funds based on the compensation received rather than based solely on your needs. You have the option to purchase investment products recommended to you by SAS through other financial advisory firms and/or broker/dealers that are not affiliated with SAS. We do not compensate RIAs any more or less to recommend these funds nor do we promote or incentivize RIAs, in any way, to recommend these funds over any other funds which are available on the platform. These policies along with providing you this brochure with full disclose are how SAS addresses these conflicts.

*Model Portfolio Management Services and the use of affiliated advisers.*

The Model Portfolio Management Strategies will sometimes employ the use of Alternative investments. Alternative investments include, among other things, investments in limited partnerships, REITs, hedge funds, leasing agreements and managed futures. Some of these investments are managed by SAS's associates such as, but not limited to, Genesis Capital LLC: the Granite Harbor Tactical Fund (GHTFX) and the Granite Harbor Alternative Fund (GHAFX). Because of the association between SAS and some of these funds, SAS has an inherent incentive to utilize these funds, which creates a conflict of interest.

### Registered Representatives and Insurance Agents

While SAS is not a broker-dealer or an insurance agency, many of the RIA's Financial Advisors are also registered representatives of broker-dealers and state licensed insurance agents. This means your Financial Advisor will sometimes receive commissions for security and insurance recommendations you execute through his or her broker-dealer or insurance practice. This relationship presents a conflict of interest for the Financial Advisor, as it creates an incentive for your Financial Advisor to recommend the purchase of securities and insurance products on the basis of compensation rather than based on your needs. The RIA's Financial Advisors are fiduciaries and have an ethical obligation to always put your interests before their own. For more detailed information about how the RIAs handle these types of conflicts, you should ask your Financial Advisor for a copy of his/her RIA's disclosure brochure such as ADV Part 2A.

RIA Financial Advisors providing investment advice on behalf of SAS, who are registered representatives of a broker-dealer, will sometimes recommend their broker-dealer for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from their broker-dealer unless the broker-dealer provides the Financial Advisor with written authorization to do so. Therefore, these individuals may be limited to conducting securities transactions through their broker-dealer. In some cases such broker-dealer's charge higher transaction fees and/or custodial fees than other broker-dealers charge for the same services. Also, if transactions are executed through these broker-dealers, these Financial Advisors (in their capacity as registered representatives of the brokerage firm) will sometimes earn commission-based compensation as a result of placing the recommended securities transactions through their broker-dealer. This practice presents a conflict of interest because the Financial Advisor has an incentive to effect transactions for the purpose of generating a commission rather than solely based on your best interest. Additionally, this practice can preclude SAS from achieving best execution within such an advisory account. You may utilize the broker-dealer of your choice, however, if you want your Financial Advisor to be the Financial Advisor of record for your account and you do not choose the broker-dealer your Financial Advisor is a Registered Representative of, we may not be able to accept your account.

### Custodial Arrangements

#### Research and Other Benefits

We recommend that clients establish brokerage accounts with a custodian to maintain custody of your assets and to execute trades for your account(s). Your custodian may provide us with access to its institutional trading and operations services, which are typically not available to retail investors. These services are offered to independent investment advisers at no charge in exchange for keeping a minimum amount of account assets at your custodian. Your custodian's services include research, brokerage, and custody. Your custodian offers access to mutual funds and other investments that are available only to institutional investors or require a significantly higher minimum investment. Your custodian also makes available to us other products and services that benefit us but may not benefit you, as a client of SAS. Some of these other products and services help us manage and administer client accounts, and include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- provide research, pricing information, and other market data
- facilitate payment of our fees from your account(s)

- help with back-office support, recordkeeping, and client reporting

These services may be used with all or even a substantial number of clients' accounts, including accounts not maintained at your custodian. We do not attempt to allocate the benefit to accounts proportionately to the accounts that generate the benefit.

Some of the products or services provided by your custodian do not qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934, including those services that do not aid in investment decision-making or trade execution. These business management and development services, in addition to those listed above, may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, your custodian may use independent third parties to offer these services to us. Your custodian may discount or waive fees it would otherwise charge for some of these business management and development services or pay all or a part of the fees of a third-party providing these services to us. Because we may potentially receive discounts, research, products, or services we may have an incentive to select or recommend a custodian based on our interest in receiving the research, products, or services, rather than on the client's interest in receiving most favorable execution.

#### *Due Diligence Meetings and Gifts & Entertainment*

On occasion, RIA's and their Financial Advisors are invited by Third-Party Money Managers (TPMMs), product sponsors and other investment advisory firms to due diligence and educational meetings which they host. The RIA may believe these meetings to be valuable in allowing their firm and their Financial Advisors the opportunity to better understand the products and services offered by such entities. In many cases, the hosting party will offer to pay for such expenses as airfare, hotel rooms, local transportation and dining. For more detailed information about how the RIA handles these types of conflicts, you should ask your Financial Advisor for a copy of his/her RIA's disclosure brochure such as ADV Part 2A.

Additionally, Third-Party Money Managers, product sponsors and outside investment advisory firms will sometimes offer gifts and entertainment opportunities to RIA's doing business on our platform or the RIA's Financial Advisor. Such gifts and entertainment may be dinner, sporting events, concerts and the like. For more detailed information about how the RIA handles these types of conflicts, you should ask your Financial Advisor for a copy of his/her RIA's disclosure brochure such as ADV Part 2A.

#### *Political Contributions*

Each RIA doing business on SAS's platform will have its own Code of Ethics, as well as, policies and procedures addressing political contributions. For more detailed information about how the RIA handles these types of conflicts, you should ask your Financial Advisor for a copy of his/her RIA's Code of Ethics and/or disclosure brochure such as ADV Part 2A.

#### *Other Fees and Expenses You May Incur*

The total advisory fees you pay and other costs associated with your account impact the overall performance of your portfolio. It is important to review these costs with your RIA firm and/or the RIA's Financial Advisor when making your advisory and investment decisions. Costs may include, but are not necessarily limited to:

**Internal Expenses** – Internal management fees and other expenses charged by mutual funds, variable annuities and other investment product sponsors (also known as internal expenses). All mutual funds and variable annuity products, as well as, other pooled investments such as hedge funds, REITs and other

alternative investments charge a fee for the management and operations of their offerings. These fees impact the overall investment performance of your portfolio.

**Brokerage Account Fees** – SAS offers its services on various broker-dealer and custodial platforms. Each broker-dealer and/or custodian assesses different account, service and transaction charges such as, transaction fees, wire fees, trade-away fees, statement and confirmation fees, etc. Please discuss these fees with your RIA firm and their Financial Advisor and refer to your broker-dealer/custodial agreement for more information on these types of fees.

**Short-Term Trading Redemption Fees** – Some pooled investments, such as mutual funds, impose short-term trading redemption fees as high as 2% for actively trading or exchanging in and out of their funds. This could affect your RIA firm and/or Third-Party Money Manager's ability to manage your portfolio, as the existence of these fees may cause your RIA firm and/or the Third-Party Money Manager to delay placing trades to avoid incurring these expenses.

**Variable Annuity Riders and Contract Costs** – Variable annuities assess fees which may include, but are not limited to, annual base annuity M&E charges, optional benefit rider charges, underlying sub-account management fees and contract surrender charges.

**Rights of Accumulation** – Many mutual fund families offer rights of accumulation or other sales charge discounts. You should be aware that, for many fund families, shares held in advisory accounts are not counted towards rights of accumulation and, therefore, may not count towards sales discounts on other mutual fund purchases you make outside of your advisory account. You should consult the mutual fund's prospectus for more information regarding rights of accumulations and sales discount eligibility.

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

SAS does not charge Performance-Based or Side-By-Side Management Fees.

Performance-Based Fees are fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle).

Your investment management fees with SAS are assessed as a percentage of the total value of your advisory account and are not considered performance-based.

## **ITEM 7 - TYPES OF CLIENTS**

SAS generally provides investment advisory services to RIA firms and individuals, including high net worth individuals. To a lesser extent, it may also provide services to pension and profit sharing plans (other than plan participants), charitable organizations, and corporations or business entities. SAS provides an advisory services platform. This platform is utilized by other registered investment advisory firms (referred to as RIA's or RIA firm throughout this brochure). SAS has also entered into "solicitation" arrangements with other RIA firms, where the RIA firm introduces prospective clients to SAS and provides for suitability analysis.

SAS has an account program minimum of \$25,000 for clients directly contracted with SAS, however, this minimum requirement is at our sole discretion, as there may be extenuating circumstances which may make it reasonable to accept an account with a lesser value.

Each RIA and/or TPMM will have its own account program minimums. When RIA firms utilize SAS's advisory platform, they establish their own account minimums through their investment advisory agreement they have with their clients.

## **ITEM 8 - METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **METHODS OF ANALYSIS**

#### *Investment Committee*

SAS employs a well-qualified group of Investment Committee members. The committee is charged with the responsibility for the selection and oversight of Portfolio Strategists and Portfolio Managers offered on the advisory platform. In addition, the committee makes all investment and allocation decisions with respect to the firm's proprietary investment management services.

#### *Portfolio Strategists*

SAS regularly enters into arrangements with selected, unaffiliated Third-Party Money Managers (TPMMs) whereby SAS gains access to their proprietary investment portfolio models. These TPMMs are in the business of constructing portfolios with specific investment objectives in mind. Through these arrangements, the TPMMs have the obligation to make known to SAS the exact investments they purchase and sell in the construction of their portfolios and SAS has the right to use that information to purchase and sell the same investments in the accounts on SAS's advisory account platform. In these arrangements, you are not a client of the TPMM. Instead, your RIA will provide you a "Manager Fact Sheet" along with and at the time you enter into an advisory agreement with SAS. This Manager Fact Sheet describes the TPMM's portfolio goals, investment objectives and risk profile. These TPMM's are referred to as "Portfolio Strategists" in your advisory agreement if such agreement is directly with SAS. Your introducing RIA firm has the responsibility to assess and help determine which, if any, of the services provided by the TPMM's are suitable for you.

#### *Portfolio Managers*

In some cases the TPMM's manage your account as a "separately managed account" (or SMA). With these arrangements, the TPMM has discretion over all or a portion of your account assets and will purchase and sell securities in your account consistent with the particular portfolio's stated investment objectives and risk profile. These TPMM's are referred to as "Portfolio Managers" in your advisory agreement if such agreement is directly with SAS. When the TPMM is managing an SMA for you, you will be provided that TPMM's disclosure brochure, which will describe the portfolio services in greater detail.

#### *Overlay Services*

TPMMs may provide "overlay services" for client accounts. If you elect to utilize overlay services, the TPMM selected will provide discretionary investment management services. The overlay service attempts to harmonize your various program accounts or assets for trading and/or tax-efficiency purposes and/or employs strategies such as hedging and leveraging across a portion or all of your program portfolios. Overlay services often involve the use of options contracts in order to achieve its stated goals.

#### *Emerging Managers*

Emerging Managers are those whose models are accessible through SAS's advisory platform but do not have the longevity or track record that a traditional TPMM has. Though these Emerging Manager TPMMs typically have been in the financial services industry for a number of years and SAS believes in the merits of their investment process, choosing them is more risky because they have not yet met the same demonstrable track record of performance with a specific model strategy required of other TPMMs. Due diligence has been performed on them, but their level of experience as dedicated asset managers and the

length of time they have run these particular strategies do not meet our standard due diligence requirements.

In some cases, these Emerging Manager TPMMs are persons associated with SAS or one of its associated firms. In addition, the Emerging Manager TPMM could also be acting as your Financial Advisor. As such, a conflict of interest exists in that your Financial Advisor will be motivated to recommend his or her proprietary asset management services. The ADEPT Strategy is an example of where this arrangement exists. With regard to the ADEPT Strategy, the Emerging Manager TPMM/Financial Advisor caps this service at a flat 1.50% per annum when the Emerging Manager TPMM/Financial Advisor is the party engaging the client directly. Other affiliated and/or non-affiliated Financial Advisors offering the ADEPT Strategy are not compensated any more or less for recommending this program.

*Third Party Money Manager selection process:*

SAS employs a multiphase approach to researching and selecting TPMMs whose models are acceptable for inclusion on SAS's platform. Such TPMMs are evaluated using data and information from several sources, including the manager itself and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style and historical volatility. Also reviewed are the TPMM's Form ADV disclosure brochures and portfolio holdings reports which helps us evaluate the TPMM's securities selection process. To ensure accuracy, SAS attempts to verify all information by comparing it to publicly available sources. The investment professionals at the TPMMs are a primary source of information to SAS, providing quantitative and qualitative information.

Once a TPMM is approved to be offered on the platform, SAS performs on-going due diligence to ensure the TPMM is meeting expectations. If a TPMM is not meeting expectations, SAS will monitor the TPMM and determine if and when they should be removed from the platform.

## **INVESTMENT STRATEGIES**

### **BUY AND HOLD**

Portfolio managers may purchase, or recommend for purchase, securities with the idea of holding them in the client's account for a year or longer. Typically the manager will employ this strategy when:

- The manager believes the securities to be currently undervalued, and/or
- The manager wants exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, the manager may not take advantage of short-term gains that could be profitable to a client. Moreover, if the analysis is incorrect, a security may decline sharply in value before the manager makes the decision to sell.

### **SHORT-TERM PURCHASES**

When utilizing this strategy, a portfolio manager may purchase securities with the idea of selling them within a relatively short time (typically a year or less). The manager will do this in an attempt to take advantage of conditions that it is believed will soon result in a price swing in the securities purchased.

**Trading.** SAS and portfolio managers purchase securities with the possibility of selling them quickly (typically within 30 days or less). This is done in an attempt to take advantage of predictions of impending brief price swings based on analysis.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, SAS or the portfolio manager must either take a long-term position in a security that was designed to be a short-term purchase or take a realized loss. In addition, because this strategy involves more frequent trading than does a longer-term strategy, there could be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

### SHORT SELLING

Portfolio managers may borrow, or recommend to borrow, shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. Subsequently, the manager buys the same stock and returns the shares to the original owner to close the open short position. Portfolio managers engage in short selling based on an opinion that the stock will go down in price after the shares have been borrowed. If the manager is correct and the stock price has gone down since the shares were borrowed from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

1. **Losses can be infinite.** A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
2. **Short squeezes can wring out profits.** As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, can further drive the price of the stock up.
3. **Timing.** Even if a portfolio manager is correct in determining that the price of a stock will decline, the manager runs the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company may be overvalued, it could conceivably take some time for the price to come down; during which time you are vulnerable to margin calls, opportunity costs, etc.
4. **Inflation.** History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the underlying company.

### STRATEGIC VS TACTICAL

Portfolio managers may have their own unique strategies that they employ when managing portfolios. Two common asset management approaches are “strategic” and “tactical.”

**Strategic:** A strategy that sets specific asset class allocations and then, periodically, rebalances the managed portfolio to maintain the original asset class allocation. There is typically no change in the assets classes utilized in this type of strategy.

**Tactical:** A strategy that takes a more active trading approach to investing and makes tactical market trades in portfolios in an attempt to take advantage of perceived market opportunities. This could mean a complete replacement of a poor performing asset class to an assets class expected to perform better.

Prior to investing with any portfolio manager, you are encouraged to ask questions and make sure you understand the investment strategies recommended for you by your RIA firm and/or Financial Advisor.

## **RISK OF LOSS**

### General Risk

Investing in securities involves risk of loss that you, as the investor, should be prepared to bear. SAS does not represent or guarantee that it can predict future results, successfully identify market tops or bottoms, or insulate Client portfolios and investments from losses. The prices of, and the income generated by, equities and other securities held in your portfolio may decline in response to certain events taking place around the world, including those directly involving the issuers whose securities you own. Conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate and commodity price fluctuations are all risk factors that can affect the valuation of your investments.

SAS cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. The value of your investments will be subject to a variety of factors, such as the liquidity and volatility of the securities markets. Portfolio transactions may give rise to tax liability, for which you are responsible.

### Asset Allocation Risk

Asset allocation risk is the risk that your portfolio may be allocated to an asset class that underperforms other asset classes. For example, fixed-income securities may underperform equities. Accordingly, asset allocation risk will be influenced by the allocation of your portfolio among equities, fixed income, alternative and money market securities.

### Investment and Market Risk

Securities purchased in your account(s) are subject to investment risk, including the possible loss of the entire principal amount invested. A recommendation to invest in securities and other instruments may also involve market risk, which is the risk that the value of these positions, like other investments, may move up or down, sometimes rapidly and unpredictably due to adverse market conditions and not necessarily based on the individual merits of the investment. Investment holdings in your account, at any point in time, may be worth less than the original investment, even after taking into account any reinvestment of dividends.

**Interest Rate Risk.** Fluctuations in interest rates may cause the value of investments to fluctuate. For *example*, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Conversely, as interest rates fall, the market value of fixed income instruments tends to increase. This risk will be greater for long-term securities than for short-term securities.

**Counterparty Risk.** Certain assets will be exposed to the credit risk of the counterparties when engaging in exchange-traded or off-exchange transactions as such counterparties could fail to deliver or otherwise default on their obligations. There may also be a risk of loss of assets on deposit with or in the custody of a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearinghouse.

**Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. When investing in illiquid securities, it may not be possible to sell such securities at the most opportune times or at prices approximating the value at which they were purchased.

#### Exchange Traded Funds (ETFs)

While investing in ETFs has similar risks as investing in individual equities, ETFs typically invest in a diverse group of securities. The level of diversification varies by ETF. While ETFs reduce the effects of concentration risk as compared to investing in a single security, certain ETFs are susceptible to industry, commodity or country risk. Investing in a diverse selection of ETFs may help to reduce this risk. Another important factor to consider with ETFs is that the portfolio of securities in which they invest are typically not actively managed. Leveraged and Inverse ETFs bear unique risks that investors who wish to trade in these should understand. It's important to read the appropriate prospectus or disclosure document specific to the leveraged or inverse ETF before investing.

#### Fixed Income Investments

One of the most important risks associated with fixed-income securities is interest rate risk, the risk encountered in the relationship between bond prices and interest rates. The price of a bond will change in the opposite direction of movements in prevailing interest rates. For example, as interest rates rise, bond prices will generally fall. If an investor has to sell a bond prior to the maturity date, an increase in interest rates could mean that the bondholder will experience a capital loss (i.e., selling the bond below its original purchase price).

Reinvestment risk is the risk that the interest rate at which the interim cash flows can be reinvested will decline and thus reinvestments will receive a lower interest rate. Reinvestment risk is greater for longer holding periods.

Default risk is commonly referred to as "credit risk" and is based on the probability that the issuer of the debt obligation may default. Default risk is rated by quality ratings assigned by commercial rating companies.

Call risk is the risk related to call provisions on debt obligations. You should be aware of four risks associated with call provisions.

- 1) The cash flow patterns of callable bonds are not known with certainty.
- 2) Since the issuer will typically exercise their right to call the bonds when interest rates have dropped, you may be exposed to reinvestment risk. You would have to reinvest the proceeds after the bond is called at relatively lower interest rates.
- 3) The potential for capital appreciation of a callable bond is reduced relative to that of a non-callable bond, because its price may not rise much above the price at which the issuer can call the issue.
- 4) If the issue is purchased at a premium, you may lose the difference between the purchase price and call price.

Inflation risk arises because the value of the cash flows being received from a debt obligation may actually lose purchasing power over the course of time due to the effects of inflation.

Liquidity risk depends on the ease with which an asset can be sold at or near its current value. The best indicator to measure an issue's liquidity is the size of the spread between the bid price and the ask price quoted by a dealer. A wider spread on the asset indicates a greater liquidity risk. If you plan on holding a bond until its maturity date, liquidity risk is less of a concern.

Finally, exchange rate risk, which is encountered in non-dollar denominated bonds or bonds whose payments occur in a foreign currency, has unknown U.S. currency cash flows. The dollar cash flows are dependent on the exchange rate at the time the payments are received. For example, consider a bond whose coupon payment is paid out in Japanese yen. If the yen depreciates relative to the U.S. dollar, fewer net dollars will be received. Conversely, if the yen should appreciate relative to the U.S. dollar, the investor will benefit by receiving more net dollars.

#### Alternative or Illiquid Investments

Some portfolio managers and some strategies utilize "illiquid investments." These are securities and other financial instruments that are not actively or widely traded and generally have a limited or non-existent secondary market (i.e., non-traded REITs, Hedge Funds, Managed Futures Funds, Business Development Companies and other "Reg-D" unregistered offerings). As a result of the limited or non-existent secondary market, it can be difficult, if not sometimes impossible, for SAS or a third-party portfolio manager to dispose of such investments rapidly and/or at a reasonable value when you make a liquidation or withdrawal request. This is particularly true during times of adverse market conditions. Adverse market conditions have, in the past, lead to a "liquidity crisis" (i.e., the inability to sell many securities at expected values). Neither SAS nor any portfolio manager make any assurance or guarantee that future market conditions will not result in similar liquidity issues. Investors in Illiquid Investments should carefully consider the unique risks these types of securities present before making any investment decisions. Affiliated organizations, in certain instances, are sometimes compensated for the distribution or sales of these investment vehicles, which creates a conflict of interest for SAS. Additionally, affiliated organizations may be the issuer of such Illiquid Investments and may be involved in the valuation of such investments. This presents a conflict of interest for SAS when such investments are held within an advisory account and billed on.

#### International Investing

Investing in the global market can assist with diversification of a portfolio but it is important to consider some of the unique risks with such a strategy. Each country has unique rules and regulations covering corporations and their stock markets which offer investors varying degrees of protection. Additionally, investing in foreign markets subjects your investment to currency risk.

Additional risk information may be available in a product's prospectus, offering circular or on the product sponsor's web site. Additional product specific risk information is available through the investor section of [www.sec.gov](http://www.sec.gov). Please review these resources for more detailed information on the risks related to the specific investments in your portfolio.

## **ITEM 9 - DISCIPLINARY INFORMATION**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to Client's evaluation of the Registered Investment Adviser or the integrity of its management. Neither SAS, its owners, nor its management have been involved in any legal or disciplinary events that would have a material impact on a Client's evaluation of SAS's advisory business or the integrity of management.

Your Financial Advisor should provide, along with this brochure, a supplement that describes his or her education, business experience, professional designations and material legal or disciplinary history, if any.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **GENERAL DESCRIPTION OF OWNERSHIP STRUCTURE**

SAS is wholly owned by SAS Capital Partners, LLC. 25% of SAS Capital Partners is owned by Argentus Holdings, LLC, which is controlled by Larry Anders and Michael Lester, SAS's President. 75% of SAS Capital Partners is owned by SCA Holdings, LLC. Ronald Robertson, Tim Feehan, and Aequitas Capital Opportunities Fund, LP, are the controlling owners of SCA Holdings LLC., which exists to hold ownership interests in one or more entities providing services to independent registered investment advisers, and is located in Gig Harbor, WA. Gary Price is a non-controlling owner of SCA Holdings LLC.

Aequitas Management, through its subsidiaries, has indirect ownership in SAS and several of SAS's affiliates listed on SAS's ADV1 filing with the SEC, which can be found at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). Ron Robertson and Gary Price, who have indirect ownership in SAS, also have an ownership interest in and are control persons for Genesis Capital Partners (a registered investment advisor) and RP Capital (a registered broker/dealer).

Tim Feehan, who has indirect ownership in SAS, also has a minor ownership stake in Alternative Capital Advisors, LLC.

### **BROKER-DEALER REGISTRATION**

Certain members of SAS's management team, as well as several of its affiliate, Argentus Advisors' Financial Advisors are also registered representatives of broker-dealers. As registered representatives, these persons will sometimes receive separate, yet customary, commission compensation and/or trailing commissions resulting from the sale of securities products and services they may recommend.

Transactions in securities, such as fixed income securities, non-traded real estate investment trusts (REITs), preferred stock, and private placements, are sometimes executed by SAS's associated broker-dealer, RP Capital, on behalf of a RIA firm's advisory clients. RP Capital charges commissions or markups or receives other compensation for effecting these securities transactions. This compensation is in addition to the fees noted above. Management persons and employees of SAS that are also licensed as registered representatives of RP Capital receive a portion of this compensation. Clients should be aware that this creates an incentive for SAS to recommend investment products based on the receipt of additional compensation to RP Capital, rather than the needs of the client or the quality of the investment, which creates a conflict of interest. SAS endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser. SAS receives written consent from each client or the client's authorized representative where such transactions are proposed. Additionally, SAS and RP Capital provide such clients with a written confirmation for each such transaction, prior to settlement which includes, but is not limited to, a description of the nature of the transaction, the date the transaction took place and any remuneration received by either RP Capital or SAS for the transactions. SAS and RP Capital provide such clients or the client's authorized representative an annual report that summarizes all such transactions and the total remuneration receive for the year. Finally, SAS and RP Capital remind such clients that they may revoke their consent, in writing, at any time. Clients are not under any obligation to engage RP Capital when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Additionally and as noted in Item 4 above, SAS provides services to certain mutual fund complexes. Among the services provided are trading services in which securities trades are directed to a broker-dealer which then shares the commission generated with RP Capital, the affiliated broker-dealer of SAS. This

arrangement presents a conflict of interest. A list of funds that are currently under this arrangement are provided in Item 4 of this brochure.

RIA Financial Advisors providing investment advice on behalf of SAS, who are registered representatives of a broker-dealer, will sometimes recommend their broker-dealer for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from their broker-dealer unless the broker-dealer provides the Financial Advisor with written authorization to do so. Therefore, these individuals may be limited to conducting securities transactions through their broker-dealer. In some cases such broker-dealer's charge higher transaction fees and/or custodial fees than other broker-dealers charge for the same services. Also, if transactions are executed through these broker-dealers, these Financial Advisors (in their capacity as registered representatives of the brokerage firm) will sometimes earn commission-based compensation as a result of placing the recommended securities transactions through their broker-dealer. This practice presents a conflict of interest because the Financial Advisor has an incentive to effect transactions for the purpose of generating a commission rather than solely based on your best interest. Additionally, this practice can preclude SAS from achieving best execution within such an advisory account. You may utilize the broker-dealer of your choice, however, if you want your Financial Advisor to be the Financial Advisor of record for your account and you do not choose the broker-dealer your Financial Advisor is a Registered Representative of, we may not be able to accept your account.

#### **INSURANCE AGENTS AND AGENCIES**

Certain members of SAS's management team, as well as several of its affiliate Argentus Advisors' Financial Advisors are also licensed insurance agents and/or operate insurance agencies unaffiliated with SAS. As insurance agents and agencies, these persons receive separate, yet customary, commission compensation and/or trailing commissions resulting from the sale of insurance products and services they may recommend.

Currently, the insurance agencies operated by our affiliate, Argentus Advisors' Financial Advisors include: Kitsman Investment Management, Wealth Innovations, and Leveraged Solutions, LLC.

#### **GENERAL DISCLOSURE REGARDING REGISTERED REPRESENTATIVES AND INSURANCE AGENTS**

Commission based sales may incentivize a person to recommend a commissionable product based on the compensation received, rather than based on your needs. Offering such products and services to advisory clients may present a conflict of interest. You should be aware of this conflict and should inquire further if necessary.

Each Financial Advisor is required to provide you this disclosure document along with a personal disclosure document which describes whether they are registered representatives or insurance agents, operate insurance agencies and/or other outside business activities they may be involved in which may present a conflict of interest. Providing these disclosure documents to you is an important requirement for mitigating these inherent conflicts.

#### **STRATEGIC CAPITAL ALTERNATIVES, LLC.**

SCA Holdings, LLC owns a controlling interest in SAS Capital Partners, LLC. SAS Capital Partners, LLC owns 100% of SAS. SCA Holdings, LLC also owns Strategic Capital Alternatives, LLC (SCA), an SEC registered investment adviser. Our partnership with SCA is a strategic one, in that, through SAS we provide SCA a state of the art platform through which SCA is able to offer its advisory services. Not all arrangements created through our relationship with SCA present the same revenue stream to the company, therefore,

a conflict could exist as we offer advisory services to our customers. The RIA firms offering services on SAS's platform do not receive any more or less compensation based on what advisory services or TPMs are made available to their clients. This fact, along with the requirement to provide this disclosure brochure to you, describing the arrangement we have with SCA are among the methods we use to help mitigate this conflict. SAS and SCA share some of the same investment policy committee members and many of the same employees. We may occasionally trade the same or similar securities in our clients' portfolios that are traded by SCA and GC in their clients' portfolios. When this occurs, our clients may receive a better or worse price or execution than SCA and/or GC clients depending on the order of trade execution, the type of security traded, and the broker-dealer used. SCA utilizes the services of other third-party investment advisers, who provide specific security recommendations to SCA, which are ultimately incorporated into the SCA portfolio management offerings and are generally used to manage the equity portion of client accounts. As of the date of this Firm Brochure, SCA had sub-advisory relationships with four investment advisers for this purpose: Chilton Capital Management LLC; Granite Investment Partners, LLC; Berkshire Asset Management, LLC; and Bridge City Capital, LLC. You can find more detailed information about SCA at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

#### **ALTERNATIVE CAPITAL ADVISORS, LLC.**

ACA is majority owned by Christopher Lagrego and is minority owned by Andrew Formato, Gilbert Dunham and SAS's CEO, Tim Feehan. ACA performs due diligence on and recommends the services of third party investment advisers who primarily recommend equity and debt investments. Additionally, ACA and/or affiliates of ACA sponsor and serve as the investment adviser to private investment funds that operate as funds of funds (i.e., ACA-Master Select Series Trust). These private investment funds are or may be recommended to SAS's clients as part of the Alternative Investments portion of their portfolio. Clients invested in ACA's private investment funds will pay management fees and may pay performance-based fees, if certain conditions are met. ACA's fees are separate and independent of any fees that SAS may charge to clients. Consequently, clients invested in these private investment funds will pay three or more layers of management fees, including one fee paid to SAS, one fee paid to ACA, and one fee paid to underlying investment advisers or investment issuers. SAS and ACA have entered into a referral agreement in which SAS compensates ACA for business and clients ACA refers to the SAS platform. Additionally, ACA compensates SAS for business and clients SAS refers to the ACA portal. This arrangement creates a conflict of interest which investors should be aware of, since both SAS and ACA are incentivized to recommend each other's services. Clients should also be aware that a conflict of interest exists when SAS makes available the products or services of ACA due to Tim Feehan's minority ownership. You can find more detailed information about ACA at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

#### **GENESIS CAPITAL, LLC., & GENESIS GENERAL PARTNERS, LLC.**

Gary Price and Ron Robertson are also managing members of Genesis Capital LLC ("GC") and Genesis General Partner LLC ("GGP"), also affiliated entities of SAS. GC is a SEC registered investment adviser which provides advisory services to private investment funds and registered investment companies. Private investment funds managed by GC may have previously been recommended to clients but are currently in the process of liquidation. GGP serves as the general partner or managing member of one or more of these private investment funds. Clients invested in private investment funds will pay management fees and may pay performance-based fees, if certain conditions are met, that are in addition to SAS's fees. Consequently, clients invested in these private investment funds will pay two or more layers of management fees, including one fee paid to SAS and one fee paid to GC.

GC is also the investment adviser to the Granite Harbor Alternative Fund and Granite Harbor Tactical Fund (the "Funds"), which are series of the Northern Lights Fund Trust. SAS may make investing in the funds available on its advisory platform. GC receives a management fee as the investment manager to the Funds in the amount of 1.95% for the Granite Harbor Alternative and Tactical of each fund's average daily net asset value. Neither GC nor SAS is affiliated with Northern Lights Fund Trust. Investments of these types may involve certain additional degrees of risk and should only be recommended by an RIA when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability. A conflict of interest is created when SAS makes these mutual funds available on its advisory platform. Clients choosing to invest in mutual funds affiliated with GC should refer to the mutual fund's prospectus for full details regarding the mutual fund's services and fees. You can find more detailed information about GC at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

#### **AEQUITAS CAPITAL OPPORTUNITIES FUND, LP.**

As an owner of SCA Holdings LLC, Aequitas Capital Opportunities Fund, LP ("ACOF"), indirectly receives a share of SAS's net annual revenue. ACOF and/or its affiliates may refer prospective clients to SAS and in doing so, a conflict of interest exists as such referrals may result in increased revenue to ACOF, which in turn, may be shared with ACOF's affiliates. SAS addresses this conflict of interest by providing disclosure of the conflict and reminding prospective clients that they have a choice in whether they engage SAS's advisory services or not. Additionally, SAS may report on various private securities, including but not limited to promissory notes, issued and/or sponsored by ACOF and/or its affiliates ("Aequitas Products"). Conflicts of interest arise when SAS reports on Aequitas Products and receives a fee for such reporting as ACOF and/or its affiliates may receive various monetary and non-monetary benefits when Aequitas Products are purchased. Additionally, RP Capital, an associated entity of SAS may also receive compensation in the form of commissions, transaction fees, and/or solicitation/finders' fees from ACOF and/or its affiliates. SAS addresses these conflicts of interest by disclosing their existence, reminding clients that they are not obligated to purchase such investment products. Furthermore, the Funds which are managed by GC, which may be recommended to SAS's clients, may invest in Aequitas Products. As noted above, a conflict of interest also exists when SAS makes such Funds available on its platform.

#### **ARGENTUS ADVISORS, LLC.**

Argentus Advisors, LLC., a firm registered with the SEC as an investment adviser, is a "related person" of SAS due to the fact that both companies are owned by SAS Capital Partners, LLC. Argentus Advisors' main investment advisory business is to manage the investment portfolios of individuals, corporations, and other businesses through its investment adviser representatives (Financial Advisors) and through the use of TPMMs. Argentus Advisor's investment advisory services are tailored to the individual needs of its clients and are based on the client's goals, investment objectives, time horizon and risk tolerance. In this capacity, Argentus Advisors and its Financial Advisors act as fiduciaries to the client.

Argentus Advisor's Financial Advisors provide continuous investment advice to their clients regarding the investment of funds based on the individual needs of each client. The Financial Advisor will discuss your particular financial situation and will help you establish your financial goals, investment objectives, time horizons and risk tolerance. The Financial Advisor also reviews and discusses with you, your prior investment experience, all in an effort to properly advise you to ensure that the advisory services provided are appropriate.

### **RP CAPITAL, LLC.**

Gary Price is the Managing Member and CEO, and Ron Robertson is a Member of RP Capital, LLC, a FINRA member broker-dealer selling tax shelters or limited partnerships in primary distributions and private placement securities. RP Capital also offers and effects transactions in corporate debt securities, U.S. government securities, municipal securities, and mortgage securities. RP Capital, LLC is an associated entity of SAS, and, to the extent it engages in business dealings with SAS, conflicts of interest will be present and will need to be managed by SAS. Such business dealings could be in the form of RP Capital, LLC being used to transact corporate and municipal bond trades for SAS's advisory clients. RP Capital, LLC earns compensation for providing these services, such as markups/markdowns for debt securities and commissions for private placements. Markups or markdowns on corporate and municipal bond transactions for SAS clients are typically under two points. Management persons and employees of SAS that are licensed as registered representatives of RP Capital, LLC may receive a portion of the compensation received by RP Capital, LLC for executing securities transactions on behalf of SAS advisory clients. SAS has a heightened fiduciary duty to its clients when it effects securities transactions on behalf of its clients with or through its affiliates or associated entities. As a result, SAS and RP Capital have implemented policies and procedures that address these conflicts of interest and endeavors to ensure that it achieves best execution for all client transactions. To the extent that SAS engages in principal or agency cross transactions with or through RP Capital on behalf of its advisory clients, such transactions will be consummated in accordance with Rule 206(3) of the Advisers Act and, as applicable. RP Capital receives remuneration from ACOF when it refers customers to ACOF and such referrals purchase ACOF issued promissory notes or other instruments issued by ACOF. This arrangement presents a conflict of interest, as RP Capital is incentivized to make such referrals.

### **PRIVATE ADVISORY GROUP, LLC.**

Private Advisory Group, LLC. (PAG), is an SEC registered investment adviser which is indirectly owned by Aequitas Management, LLC., and is an associated entity of SAS. PAG is also a client of SAS. As a result of these relationships, a conflict of interests exists as SAS may have an incentive to favor Private Advisory Group LLC over its other client accounts. SAS addresses this potential conflict of interest by endeavoring to treat all clients equally and fairly and by disclosing the existence of this conflict of interest.

### **ASPEN GROVE EQUITY SOLUTIONS, LLC.**

Aequitas Capital Opportunities Fund, LP owns 60% of Aspen Grove Equity Solutions, LLC., an Oregon limited liability company. Gary Price, Ronald Robertson, and Tim Feehan are also minority owners of Aspen Grove Equity Solutions, LLC. This makes Aspen Grove an associated entity of SAS due to the common controlling ownership of Aequitas Capital Opportunities Fund, LP. Aspen Grove, LLC owns 68% of Private Advisory Group LLC, a SEC registered investment adviser, which is also a client of SAS. As a result of these relationships, a conflict of interests exists as SAS may have an incentive to favor Private Advisory Group LLC over its other client accounts. SAS addresses this potential conflict of interest by endeavoring to treat all clients equally and fairly and by disclosing the existence of this conflict of interest.

## **W. E. DONOGHUE & CO., INCORPORATED (WEDCO)**

W. E. Donoghue & Co., Incorporated (WEDCO) is an SEC Registered Investment Advisor. WEDCO is not an affiliate of SAS. WEDCO serves as the Investment Advisor to the Power Income Funds, a registered mutual fund. SAS has a business relationship with WEDCO, in that SAS provides trading and back-office administrative services to WEDCO for its Power Income Funds and receives compensation for these services, some of which is based on the value of assets in the Power Income Funds.

To mitigate the conflicts of interest presented by this arrangement, SAS does not offer introducing RIA firms or their Financial Advisors any additional compensation, such as bonuses or higher pay rates, for recommending investments in mutual funds for which SAS has a material financial interest. In addition, SAS provides this disclosure brochure to all advisory clients, prior to or at the time of, entering into an advisory agreement.

## **OTHER INVESTMENT ADVISERS**

SAS provides a platform by which introducing RIA firms (RIAs) can recommend and select other Third-Party Money Managers (referred to as TPMMs throughout this brochure) to manage all or a part of your portfolio. These TPMMs assess a “program fee” for their services, for which SAS collects and shares in. This arrangement may present a conflict of interest, depending on the fee collected by SAS. In order to help mitigate this conflict, SAS institutes several policies. First, SAS has a documented and measurable process for vetting TPMMs before they can be added to the platform and for ongoing review to determine if they should remain on the platform. The amount of compensation received by SAS is not a part of the decision making process. Additionally, RIA’s do not receive any more or less compensation based on what TPMMs they recommend or select. SAS does not condone or promote any particular TPMM over another. Last, SAS requires the delivery of this disclosure document to all advisory clients, prior to or at the time they enter into an advisory agreement with the firm or the RIA firm.

## **GENERAL STATEMENT ON CONFLICTS PRESENTED BY AFFILIATES**

Clients should be aware that the receipt of additional compensation by SAS and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when offering advisory services. SAS endeavors at all times to put the interest of its clients first. As part of our fiduciary duty as a registered investment adviser; we take the following steps to address the conflicts of interest noted above:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client’s financial goals, objectives and risk tolerance for those clients contracted directly with SAS;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients; and
- we monitor the personal trading of the employees we’ve deemed “access persons” (as that term is defined under the Advisers Act) so as to reasonably ensure the prevention of abusive trading practices such as front-running and insider trading.

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

### **CODE OF ETHICS**

As a fiduciary, SAS has established a Code of Ethics under which all of the firm's employees and Financial Advisors must comply. SAS accepts its fiduciary responsibility to (1) place the interests of its clients first at all times, (2) act with the utmost good faith (3) provide full and fair disclosure of all material facts and conflicts of interest to clients, and (4) conduct all personal securities transactions consistent with its Code of Ethics. SAS's associated persons are held to a professional standard that requires they avoid any abuse of an individual's position of trust and responsibility, not take inappropriate advantage of their positions; comply with applicable securities laws and regulations; and maintain confidentiality of client's financial circumstances. You may request a full copy of our Code of Ethics from SAS.

### **PERSONAL TRADING**

From time to time, associated persons, will invest in the same securities that are going to be, or have already been, bought or sold for clients' accounts. Transactions for the associated persons could be effected at or about the same time they are effected for a client's account. Because of this, a conflict of interest could arise in that it is possible for the associated person to place their order ahead of a client's order. While SAS does allow its associated persons to invest in these securities, it does not allow orders to be placed ahead of clients. Placing the client's order ahead of any associated person's does not ensure a better price, however, it does ensure that the client's trade will occur at or before that of the associated person. Whenever possible, SAS will aggregate the trades so that all the positions are filled at the same price.

### **ADVISING INVESTMENT COMPANIES**

As mentioned in Item 5 and Item 10 of this brochure, SAS does advise and provide services to several registered mutual funds. Additionally, trades for these funds are often directed to a broker/dealer, which in turn shares that revenue with our associated broker/dealer, RP Capital. This is a conflict of interest in that it can incentivize SAS to recommend one of these funds to a client for the purpose of additional compensation to RP Capital, rather than to act in the client's best interest. In order to mitigate this conflict, RIAs are not compensated any more or less for recommending these funds over other mutual funds available in the advisory program. Neither Argentus Advisors nor SAS promote these funds to the RIAs or incentivize them, in any way, to recommend these funds over other available funds. Additionally, SAS maintains a policy that all clients must receive this disclosure brochure at the time of or prior to entering into an advisory agreement with the firm or an introducing RIA, to ensure that proper disclosure is provided.

## **ITEM 12 - BROKERAGE PRACTICES**

SAS considers factors such as speed, reliability, cost, quality of trade execution, and the availability of services and products when selecting broker/dealers or custodians to execute your transactions. The fees and commissions that you may pay for such services may be higher than the fees and commissions available at other broker/dealer or custodian firms. SAS believes the overall benefits and features of recommended broker/dealer and/or custodial firms are of sufficient value to warrant the fees and commissions such firms charge.

SAS makes various broker/dealers and/or custodians available to its prospective RIA firms. Accounts are opened and carried by the broker/dealer or custodian selected by the RIAs. SAS reserves the right not to accept an account at its sole discretion.

From time to time, recommended broker/dealers may refer prospective clients to SAS. Such referrals could provide an incentive for us to direct business their way. SAS does not pay for such referrals and does not charge such referred clients any more or less than what would be charged if the prospective client learned of our services any other way.

SAS does not receive what is known as “soft dollars” from any broker/dealer or custodian. This means that SAS does not pay brokerage commissions to obtain research or other products or services from broker/dealers or account custodians.

When possible, SAS, through its trading desk, will try to aggregate the purchase or sale of securities for various client accounts. This can sometimes provide for better execution of trades more level execution across client accounts.

SAS may permit directed brokerage arrangements in which you, the client, would select the broker/dealer or custodian to be utilized. This practice is known as “directed brokerage.” If you direct us to use a broker/dealer or custodian other than those which we recommend, SAS may not be able to achieve most favorable execution and you may pay more or less for account transactions.

### *REGISTERED REPRESENTATIVES*

Some Financial Advisors are also registered representatives of unaffiliated broker/dealers. This fact will be disclosed to you via the Financial Advisors ADV2B “bio brochure” which you should receive on or before account opening. Although the broker/dealer for which the Financial Advisor is registered is unaffiliated with SAS, your account may still be held or cleared through that broker/dealer. When this is the case, your Financial Advisor may also be the registered representative of record for your account. As a registered representative, your Financial Advisor may be entitled to other compensation such as 12b-1 fees and or a portion of the ticket charges assessed for advisory programs. This arrangement creates a conflict of interest that you should be aware of. SAS provides this disclosure brochure and this explanation in order to inform you of this conflict so that you can make an informed decision as you establish your advisory account.

### **ITEM 13 - REVIEW OF ACCOUNTS**

Your introducing RIA firm, through their Financial Advisor, is responsible to ensure that the recommended advisory service you are subscribed to is suitable for you. Our advisory offerings are managed to meet a wide range of risk tolerances, so indicating an appropriate risk level or risk tolerance for your account and services is an important step in the account review process. Upon opening your account on SAS's platform, your RIA firm will gather pertinent information from you in order to help assess your risk tolerance and help establish your investment goals. Subsequently, and at least annually, a Financial Advisor from your RIA firm should meet with you to re-assess your situation and make sure nothing has changed that would require an adjustment to your portfolio strategy. This assessment, at a minimum, will include a review of your established investment objectives and financial situation, as well as an inquiry as to whether you would like to include any restrictions on management of your account.

Your account custodian will provide you with account statements at least quarterly, which will show your account holdings, securities valuations and any trading activity that occurred during the statement period. Upon request, your Financial Advisor may also provide certain account holdings, trading and performance reporting. All securities valuations are done by your custodian or directly from the product sponsor. SAS does not provide valuations on securities.

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

From time to time, SAS may pay a referral fee to a person or to another investment advisory firm for a client referral under the Investment Advisers Act of 1940, Rule 206(4)-3. The referring party must enter into a Solicitor's Agreement with SAS and clients who are introduced under this arrangement receive a Solicitor's Disclosure Statement. The Solicitor's Disclosure Statement provides certain information to the introduced client, including but not limited to, the fact that the solicitor/introducer is receiving compensation, the nature of the compensation being received and whether or not the introduced client is paying any more or less for advisory services because of this referral fee arrangement.

## **ITEM 15 - CUSTODY**

SAS does not take custody of assets in any client account. SAS has arrangements in place to do business with several different custodial firms, including but not limited to Charles Schwab and TD Ameritrade. SAS will allow a client, under certain circumstances, to choose their own broker/dealer and/or account custodian (please see further explanation of “directed brokerage” under Item 12 above). The custodian is responsible for sending out account statement on at least a quarterly basis which will itemize each of the current account holdings, their values and all transactions that have occurred in the client’s account. Upon request from you, SAS will also prepare a quarterly performance statement. You are strongly advised to compare the custodial statement with the quarterly performance report each quarter. In the event of a discrepancy, the custodian's statement will prevail. Any discrepancies, errors, or questions should be brought to the attention of your RIA firm.

## **ITEM 16 - INVESTMENT DISCRETION**

Although SAS does not prohibit non-discretionary advisory services, in almost all situations the services provided to you and your account are discretionary in nature. Discretion may mean that your RIA firm has the authority to buy and sell securities inside of your account, without consulting you prior to placing such trades. It is also considered discretion when SAS and/or your RIA firm can hire or fire Third-Party Money Managers (TPMMs) on your behalf in the management of your portfolio. When you sign your client management agreement, you are providing SAS and your introducing RIA firm a “limited” power-of-attorney, permitting us to take such discretionary action. The authority is limited in that, neither SAS nor your RIA firm ever assume the authority to withdraw funds or securities from your account.

## **ITEM 17 - VOTING CLIENT SECURITIES**

SAS is an “advisory platform.” As such, SAS provides advisory and administrative services to its many RIA clients. SAS offers its RIA clients proxy voting services. It is up to each individual RIA client as to whether they elect to use SAS to vote its client’s proxies.

SAS provides proxy voting and asset recovery services to its RIA clients who choose to subscribe to such services.

SAS utilizes ProxyEdge platform, a service provided by Broadridge Investor Communication Solutions, Inc. (“Broadridge”) to assist with its proxy voting and asset recovery services. Through the ProxyEdge platform, SAS employs the services of a “Recommendation Provider” which is a third party proxy research and due diligence firm. The Recommendation Provider assesses and analyzes corporate governance and proxy issues and makes independent recommendations as to how to vote securities proxies in the client’s best interest. By utilizing a Recommendation Provider, SAS avoids any conflict of interest it might have with any particular proxy voting event.

The ProxyEdge platform is preprogrammed to vote all authorized client proxies in accordance with the recommendation provided by the Recommendation Provider. If a client or RIA firm requests, in writing, that we vote a particular proxy event a particular way, SAS will access the ProxyEdge platform and vote the proxy as requested.

At least annually, SAS will conduct a review of the Recommendation Provider’s activities and voting history. The review is designed to identify any conflicts of interests the Recommendation Provider might have and to document their competency and independence.

All proxy voting records and history will be maintained on the ProxyEdge platform for a minimum of five years.

If you would like to request a free copy of SAS’s proxy voting procedures or would like to request a free copy of how SAS voted a particular proxy for you, please contact us at (972) 663-6300 or email us at [compliance@sas-3.com](mailto:compliance@sas-3.com)