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# FIRM DISCLOSURE BROCHURE

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LOGO

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## **DISCLAIMER:**

This *FIRM BROCHURE* provides information about the qualifications and business practices of Sample Advisors, LLC. If you have any questions about the contents of this *FIRM BROCHURE*, please contact us at (800) 123-4567 or at *www.samplewebsite.com*. The information in this *FIRM BROCHURE* has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Addition information about Sample Advisors, LLC is available on the SEC's website at *www.adviserinfo.sec.gov* (the CRD number for Sample Advisor, LLC is XXXXXX).

## **NOTE:**

While Sample Advisor, LLC may refer to itself as a "registered investment advisor" or "RIA" Clients should be aware that registration itself does not imply any level or skill or training.

## **MATERIAL CHANGES FROM PREVIOUS VERSION:**

As this is the first *FIRM BROCHURE* (Form ADV Part 2A) prepared by Sample Advisor, LLC, no material changes exist since there have been no previous versions.

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# **ADVISORY BUSINESS**

## ***INTRODUCTION***

**Sample Advisor, LLC** (hereafter “Sample Advisor”), is a fee-based investment adviser that offers two types of advisory services: *Portfolio Management Services* and *Financial Planning Services*.

Sample Advisor is a newly formed investment advisory firm, but the experience, education, and background of its principals and investment adviser representatives (hereafter “IA Reps”) can be found in the accompanying *BROCHURE SUPPLEMENT* document.

Sample Advisor’s principal owners are: **John A. Sample** (hereafter “Sample”) and **Jane Soandso** (hereafter “Soandso”). Sample owns 60 percent and Soandso owns 40 percent of Sample Advisor.

## ***INITIAL CONSULTATION***

Sample Advisor will begin by providing the Client a free initial consultation. Sample Advisor uses the initial consultation to:

- Introduce the Client to Sample Advisor’s firm, its services, and staff;
- Gather information about the Client’s investment objectives, financial condition, and risk tolerance, which Sample Advisor uses in forming its investment advice; and
- Reach an agreement on the terms of service and compensation arrangements.

The consultation must be completed before Sample Advisor will make any specific recommendations about the Client’s asset allocation or securities to buy or sell.

At the conclusion of the initial consultation, the Client will sign Sample Advisor’s *Investment Advisory Agreement*, which serves as the contract between the Client and Sample Advisor, specifying the precise nature of services to be rendered by Sample Advisor and fees to be paid by the Client.

## ***PORTFOLIO MANAGEMENT SERVICES***

If the Client elects *Portfolio Management Services*, the Client will have the choice of whether the portfolio management is performed on a discretionary or non-discretionary basis. Sample Advisor primarily seeks to manage Client accounts on a discretionary basis, but will also offer non-discretionary management services to those Clients that choose to enter their own transactions.

Whether discretionary or non-discretionary, Sample Advisor will evaluate the Client’s financial condition and risk tolerance in order to tailor its securities recommendations to meet the Client’s investment objectives and individual needs. Sample Advisor also allows the Client to impose any restrictions on investing in certain securities or types of securities.

Sample Advisor will make ongoing recommendations primarily involving: exchange-listed stocks, mutual funds, index funds, exchange-traded funds (ETFs), stock options, and bonds. However, in rare instances, Sample Advisor may recommend investments in private placement offerings. Sample Advisor will not use margin or leveraged products. Given that the market will affect the value of these securities, Sample

Advisor will monitor Client accounts on a daily basis so that it may make any necessary transactions in discretionary accounts or make any necessary recommendations to Clients in non-discretionary accounts.

The securities mentioned above reflect a broad range of investment risk, including some securities that entail high degrees of risk, such as stock options. Private placement offerings also involve a high degree of risk that may not be suitable for the average investor.

Sample Advisor does not provide any “wrap programs” (programs that bundle brokerage and advisory services under a single comprehensive fee) so all securities recommended by Sample Advisor may include additional transaction charges by the Client’s broker-dealer/custodian separate from Sample Advisor’s advisory fees.

## **DISCRETIONARY PORTFOLIO MANAGEMENT**

For discretionary accounts, the Client will grant Sample Advisor limited trading authority (discretionary authority) in the Client’s brokerage account by executing the appropriate documents with the Client’s broker-dealer/custodian. The discretionary authority will allow Sample Advisor to enter securities transactions on the Client’s behalf, determining which securities and the amount of securities to buy or sell. Clients will be notified of all transactions by trade confirmations from their broker-dealer/custodian and through communication with Sample Advisor.

Sample Advisor will also request the Client provide written authorization to allow Sample Advisor to automatically deduct its advisory fee from the Client’s account (discussed at greater length in the “FEES AND COMPENSATION” section on page 5 of this *FIRM BROCHURE*); however, Sample Advisor will not have the authority to make any other withdrawals from the Client’s account(s) under management.

As all Clients will be recommended discretionary portfolio management, Sample Advisor anticipates the vast majority of its *Portfolio Management Services* will be rendered on a discretionary basis. With regard to current discretionary accounts, Sample Advisor had no discretionary assets under management at the time this document was prepared (10 January 2011) since it had not yet started operation at that time.

Sample Advisor recommends the Client grant discretionary authority to Sample Advisor so that it may execute recommendations in a timely fashion, but Clients should always review their brokerage account statements to verify the trading activity and withdrawals that occur in their account(s).

## **NON-DISCRETIONARY PORTFOLIO MANAGEMENT**

For non-discretionary accounts, Sample Advisor will prepare securities recommendations as it does for discretionary accounts, but will provide these recommendations to the Client directly so that the Client may enter the transaction on their own.

Since Sample Advisor will recommend all Clients grant it discretionary authority, Sample Advisor anticipates very little of its *Portfolio Management Services* to be rendered on a non-discretionary basis. With regard to current non-discretionary accounts, Sample Advisor had no non-discretionary assets under management at the time this document was prepared (10 January 2011) since it had not yet started operation at that time.

Since Sample Advisor merely recommends securities transactions for non-discretionary accounts, Clients should take measures to ensure that recommendations are executed in a timely fashion and should review their account(s) to ensure that transactions were entered properly.

## ***FINANCIAL PLANNING SERVICES***

If the Client elects *Financial Planning Services*, Sample Advisor may extend the initial consultation to include discussions necessary to begin creating a financial plan or may arrange a follow-up meeting to review additional information about the Client's finances. In any case, the Client will have the choice to:

- (a) Consult with Sample Advisor on the Client's overall financial situation and obtain a comprehensive, written financial plan; or
- (b) Consult with Sample Advisor on a specific topic or an individual security.

As the *Comprehensive Financial Plan* option would include the opportunity to discuss any specific topic or any individual security, Sample Advisor recommends this option for all new Clients. For returning Clients that need to consult with Sample Advisor on a specific topic or individual security, they can do so during an *Annual Financial Plan Review* or engage Sample Advisor for a *Separate Financial Planning Consultation*.

### **COMPREHENSIVE FINANCIAL PLAN**

Sample Advisor will review all aspects of the Client's finances to prepare a written financial plan that makes comprehensive recommendations to help the Client meet their financial objectives. These areas of analysis include: overall asset allocation, securities recommendations, insurance needs, mortgage planning, consumer debt, retirement planning, college planning, trust & estate planning, savings & budgeting, and tax planning.

Sample Advisor will compile this financial information and use it to construct a *Comprehensive Financial Plan* tailored to the Client's specific financial situation. The written financial plan will typically be constructed within a month, but will never take longer than six months.

Clients can execute the *Comprehensive Financial Plan* on their own or Sample Advisor can assist in implementation. If *Portfolio Management Services* are recommended in the *Comprehensive Financial Plan*, Clients may engage Sample Advisor for those *Portfolio Management Services* as described above.

### **ANNUAL FINANCIAL PLAN REVIEW**

As financial conditions or objectives change over time, Clients should engage Sample Advisor to review their financial plan annually. Largely, this review merely confirms the Client's financial information is accurate, evaluates whether the financial plan is reaching its goals, and makes any revisions needed. However, at this annual review, Clients may also raise new objectives or discuss other financial topics of their choice. Also, if Clients experience life-changing events, they may initiate an *Annual Financial Plan Review* earlier than the typical annual time frame.

### **SEPARATE FINANCIAL PLANNING CONSULTATION**

If Clients need to consult with Sample Advisor outside of the initial consultation(s) that led to their *Comprehensive Financial Plan* and before their *Annual Financial Plan Review*, Clients may engage Sample Advisor on a limited basis. Sample Advisor is available through a *Separate Financial Planning Consultation* to make changes to a *Comprehensive Financial Plan*, discuss a specific financial topic, or evaluate a specific securities investment.

# **FEES AND COMPENSATION**

## ***MANAGEMENT FEE FOR PORTFOLIO MANAGEMENT SERVICES***

Whether *Portfolio Management Services* are performed on a discretionary or non-discretionary basis, Sample Advisor charges the same management fee based on a percentage of assets under management. The percentage of assets charged per year (annum) is listed in the following table by assets level.

Asset Level	Percentage of Assets Under Management per Annum
Under \$100,000	2 percent per annum
\$100,001 to \$500,000	1.75 percent per annum
Above \$500,001	1.5 percent per annum

Sample Advisor does not negotiate its management fee, but does offer discounts to select friends, employees and family.

Sample Advisor charges the above management fee at the end of each calendar quarter. As the management fees are charged in arrears, Sample Advisor does not offer refunds as services have already been performed. For the first quarter a Client engages Sample Advisor or if a Client terminates the service during the quarter, the fee will be prorated for only those days that Sample Advisor rendered its services.

For Clients that provide written authorization to their broker-dealer/custodian, Sample Advisor will arrange to have its management fee automatically deducted from the Client's brokerage account. In this case, the Client's broker-dealer/custodian will send statements, at least quarterly, to the Client that will reflect the advisory fee paid to Sample Advisor, but the Client should verify the accuracy of fees paid.

Sample Advisor requests all Clients allow for the direct deduction of fees, but for those Clients that do not, Sample Advisor will send directly to the Client an invoice for Sample Advisor's fees. This invoice will require payment within thirty days after the mailing date on the invoice.

## ***PLANNING FEES FOR FINANCIAL PLANNING SERVICES***

For *Comprehensive Financial Plans* and *Annual Financial Plan Reviews*, Sample Advisor charges a fixed fee; however, for *Separate Financial Planning Consultations*, Sample Advisor charges an hourly fee.

Financial Planning Service	Fee Type and Amount
Comprehensive Financial Plan	\$1,500 fixed fee
Annual Financial Plan Review	\$500 fixed fee
Separate Financial Planning Consultations	\$150 hourly fee

Sample Advisor may negotiate its fixed fee amount for *Comprehensive Financial Plans* based on the complexity of the financial plan. Typically, the standard financial plan takes 10 hours; those plans that take significantly less time may negotiate a lower fee while those financial plans that take significantly longer may be charged a slightly higher amount. Additionally, Sample Advisor may offer discounts to select friends, employees and family. The final amount will be specified in the *Investment Advisory Agreement*.

The fixed fees for *Annual Financial Plan Reviews* and the hourly rate for *Separate Financial Planning Consultations* are both non-negotiable. If the *Annual Financial Plan Review* or *Separate Financial Planning Consultation* finds that a new *Comprehensive Financial Plan* needs to be prepared and Clients engage Sample Advisor to do so, Clients will be charged for a new *Comprehensive Financial Plan* minus either the \$500 paid for the *Annual Financial Plan Review* or the total hourly fees charged for the *Separate Financial Planning Consultation*.

Sample Advisor charges the above financial planning fees upon delivery of the *Comprehensive Financial Plan* or the *Annual Financial Plan Review*. Hourly fees are charged at the conclusion of the *Separate Financial Planning Consultation*. As all the financial planning fees are charged in arrears, Sample Advisor does not offer refunds as services will have already been performed. If a Client chooses to terminate *Financial Planning Services* before the product is delivered or service is complete, Sample Advisor will charge a prorated amount for the work completed and will deliver any work product completed.

If Financial Planning Clients have been recommended *Portfolio Management Services* and provide written authorization to their broker-dealer/custodian so that Sample Advisor can deduct its management fees directly from their brokerage account, those Clients may also opt to have their financial planning fees deducted from their brokerage account as well. In that case, the Client's broker-dealer/custodian will send statements, at least quarterly, to the Client that will reflect the advisory fees paid to Sample Advisor, but the Client should verify the accuracy of fees paid.

Otherwise, Sample Advisor will include an invoice upon delivery of the *Comprehensive Financial Plan* or *Annual Financial Plan Review* or at the conclusion of the *Separate Financial Planning Consultation*. This invoice will require payment within thirty days after delivery.

## ***OTHER COMPENSATION***

In addition to the management and financial planning fees described above, individual IA Reps of Sample Advisor may also be licensed as insurance agents to sell insurance products and may receive insurance commissions for the sale of those insurance products.

This creates a conflict of interest and may offer IA Reps an incentive to recommend insurance products that produce insurance commissions for the IA Rep. When any such recommendations are made, IA Reps will disclose their commissions prior to completing any transaction and will obtain specific consent from the Client before purchasing any insurance product. Additionally, Clients always have the option to purchase insurance products through other agents not affiliated with Sample Advisor.

Such insurance commissions will be a marginal part (approximately 10 percent) of the IA Reps' business as their primary focus will be the investment advisory business rather than their insurance business. Any insurance commissions will be charged separately through the insurance company or agency and remitted to the IA Rep in their capacity as an insurance agent. Sample Advisor will not receive any insurance commissions paid to its IA Reps.

Any insurance commissions will be in addition to the advisory fees and Sample Advisor will **not** reduce advisory fees for Clients that purchase insurance products through Sample Advisor's IA Reps.

Aside from the insurance compensation described above, neither Sample Advisor nor any of its IA Reps will accept any compensation for the sale of securities or other investment products.

# PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Sample Advisor does not charge performance-based fees (fees based on gains) and so none of its Clients' accounts will ever be managed side-by-side any performance-based accounts.

## TYPES OF CLIENTS

Sample Advisor will provide advisory services to various types of Clients, including:

- **Individuals:** The majority of Sample Advisor's Clients will be individuals seeking financial planning and management services for their personal accounts. While *Financial Planning Services* can be provided regardless of account values, *Portfolio Management Services* will be restricted to individual accounts (or multiple accounts in one household) with a minimum value of \$20,000. Note: Sample Advisor may waive the minimum for select friends and family.
- **Small Businesses and Non-Profits:** Occasionally, Sample Advisor will provide advisory services to small businesses and non-profits seeking financial planning or management services for their organization's interests. While *Financial Planning Services* can be performed for small businesses and non-profits with any amount of assets, *Portfolio Management Services* will be restricted to small businesses and non-profits with a minimum asset value of \$50,000. Note: Sample Advisor may waive the minimum for select non-profits at Sample Advisor's discretion.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

For *Financial Planning Services*, Sample Advisor analyzes the Client's financial goals and objectives, income and spending, savings and investments, risks and insurance needs, asset allocation, and tax implications. This analysis seeks to ensure that the Client's needs are addressed while making progress toward their financial goals and objectives.

For *Portfolio Management Services*, Sample Advisor uses fundamental and technical analysis to determine the investments in a given portfolio.

In its fundamental analysis, Sample Advisor seeks to determine the intrinsic value of equities based on a thorough analysis of the fundamental business factors of the given stock(s) at issue. This includes: analysis of financial statements, earnings, dividends, management structure, competitive advantages, product offerings, competitors and markets. In essence, this method of analysis evaluates the overall condition of the company (or companies in a mutual fund or ETF) to determine whether it is a sound investment. Despite the fundamental analysis performed by Sample Advisor, any investment in securities carries market risk and investors may lose their principal investment.



In its technical analysis, Sample Adviser seeks to determine the future direction of prices through the study of past market data, primarily price and volume. This is done by charting the movement of investments to identify trends and patterns used in the selection of securities to purchase and price points to buy and sell. Sample Adviser uses a number of stock screeners and other software to chart and analyze the movement of various investments. Despite the technical analysis performed by Sample Adviser, any investment in securities carries market risk and investors may lose their principal investment.

For *Portfolio Management Services*, the investment strategies used will vary depending on the Client's financial goals and risk tolerance. Generally, Clients seeking capital preservation with limited risk will be managed with passive strategies using fixed income products (e.g. bonds) and index funds whereas Clients seeking growth with greater risk will be managed with active strategies using stocks, mutual funds, ETFs, and stock options.

While Sample Adviser will not engage in day-trading, active strategies may entail additional risk due to a greater frequency in transactions, which may involve additional brokerage fees, transaction costs, and taxes. Also, strategies that use options may entail additional risk as losses may exceed those seen in the underlying stock. Lastly, strategies that include private placement offerings entail greater risk as these offerings have limited regulatory oversight, have less liquidity, and depend on the due diligence of the investor or investment adviser.

## **DISCIPLINARY INFORMATION**

Neither Sample Adviser nor any of its related persons (including management and IA Reps) have had any legal or disciplinary events in their past. Clients and prospective Clients can always view the CRD records (registration records) for Sample Adviser or any of its IA Reps through the SEC's Investment Adviser Public Disclosure (IAPD) website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or through FINRA's BrokerCheck database online at [www.finra.org/brokercheck](http://www.finra.org/brokercheck) if the IA Rep is also a broker-dealer agent. The CRD number for Sample Adviser is XXXXXX and the CRD numbers for management and IA Reps are listed alongside their biographical information in the accompanying *BROCHURE SUPPLEMENT* document.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

While Sample Adviser is not an insurance agency, IA Reps of Sample Adviser may be licensed as independent insurance agents and have affiliations with the various insurance companies whose products they sell. Specifically, John A. Sample and Jane Soandso are both licensed as independent insurance agents in Utah. As IA Reps of Sample Adviser, Sample and Soandso may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to Clients. When such recommendations or sales are made, a conflict of interest exists as Sample and Soandso earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. Sample Adviser requires that all IA Reps disclose this conflict of interest when such recommendations are made. Also, Sample Adviser requires IA Reps to disclose that Clients may purchase recommended insurance products from other insurance agents not affiliated with Sample Adviser.

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

## ***CODE OF ETHICS***

Pursuant to SEC Rule 204A-1, Sample Advisor has a Code of Ethics that promotes the fiduciary duty of Sample Advisor and its IA Reps. The Code of Ethics articulates the importance of trust as a foundation to the relationship between an investment adviser and its Clients and establishes policies and procedures to ensure that Sample Advisor and its IA Reps place the interests of the Clients first. The Code of Ethics requires that Sample Advisor and its IA Reps adhere to all applicable securities and related laws and regulations. The Code of Ethics also requires Sample Advisor and its IA Reps follow industry “best practices” involving: confidential information, suitability of investments, personal trading on the part of Sample Advisor and its IA Reps, outside business activities of IA Reps, and the disclosure of conflicts of interest.

A copy of the Adviser’s Code of Ethics is available upon request for any Client or prospective Client.

## ***PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING***

While Sample Advisor has no proprietary interest in Client transactions, its IA Reps may have a financial interest in those recommended transactions that involve the purchase of an insurance product. As explained in the “OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS” section (page 9), Sample and Soandso are both licensed as independent insurance agents in Utah. As IA Reps of Sample Advisor, Sample and Soandso may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to Advisory Clients. When such recommendations or sales are made, a conflict of interest exists as Sample and Soandso will earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. Sample Advisor requires that all IA Reps disclose this conflict of interest when such recommendations are made. Also, Sample Advisor requires IA Reps to disclose that Advisory Clients may purchase recommended insurance products from other insurance agents not affiliated with Sample Advisor.

Additionally, IA Reps of Sample Advisor may have an interest in Client transactions insofar as they may personally invest in the same securities recommended to Advisory Clients. These transactions involve a conflict of interest as Sample Advisor or IA Reps may benefit from an increase in price from subsequent purchases by Advisory Clients. To address this conflict of interest, Sample Advisor and its IA Reps will adhere to the following procedures regarding their personal trading:

- (1) Client transactions will always be placed ahead of those for Sample Advisor, its management, and its IA Reps;
- (2) Sample Advisor and its IA Reps will mostly recommend investments that are widely traded;
- (3) In the rare instance where private placement offerings are recommended to Clients and an IA Rep also has an ownership interest in the private offering, full disclosure will be given so the Client fully understands that conflict of interest; and
- (4) Neither Advisory Clients nor IA Reps will have enough funds invested in any given security to move the market in that particular security.

## **BROKERAGE PRACTICES**

Sample Advisor will recommend Some Discount Broker, LLC (hereafter “SDB”) to all Advisory Clients using Sample Advisor’s *Portfolio Management Services* and other Advisory Clients that request a recommended broker-dealer and custodian. Sample Advisor recommends SDB primarily for its relatively low transaction costs and Sample Advisor’s familiarity with its trading platform.

Clients have no obligation to use SDB for the broker-dealer and custodian, but if Clients seek to have Sample Advisor manage their accounts on a discretionary basis, the Client’s chosen broker-dealer and custodian must allow Sample Advisor to have trading authority within the account.

### ***RESEARCH AND OTHER SOFT DOLLAR BENEFITS***

While not a factor in Sample Advisor’s recommendation of SDB, SDB does offer proprietary research tools and publications created by SDB to their account holders. Sample Advisor will have access to these research tools and publications, which may be considered “soft dollar benefits” and constitute a conflict of interest. As Sample Advisor and its IA Reps have accounts at SDB, the benefits of the research tools and publications are already available to Sample Advisor regardless of the Client’s decision to invest with SDB. Sample Advisor will use SDB’s research tools and publications to service all Advisory Clients regardless of the broker-dealer/custodian they choose to use, but Clients who invest with SDB will also have their own access to the research tools and publications as SDB account holders. Again, Clients have no obligation to use SDB for their broker-dealer and custodian.

### ***DIRECTED BROKERAGE AND AGGREGATED ORDERS***

Sample Advisor will rely on SDB (or the broker-dealer/custodian selected by the Client) for the execution of transactions and will not direct trades to specific brokers. As such, Clients may not receive the lowest price possible if they were to have their trades directed to specific brokers.

While Sample Advisor may make the same recommendations for similarly-situated Clients, Sample Advisor will not aggregate Clients’ orders.

## **REVIEW OF ACCOUNTS**

For Portfolio Management Clients, Sample Advisor reviews all Clients’ account holdings daily, but reviews individual Client accounts on a quarterly basis in conjunction with calculating their management fees. *Portfolio Management* Clients are encouraged to meet with Sample Advisor at least once per year to review their account as a whole, ensuring that the management aligns with their current financial condition, goals and objectives.

For Financial Planning Clients, Sample Advisor reviews the Client’s account in the initial preparation of a *Comprehensive Financial Plan* and may review the Client’s account during a *Separate Financial Planning Consultation*, but does **not** review those accounts again unless engaged for an *Annual Financial Plan Review*. Financial Planning Clients are encouraged to meet with Sample Advisor at least once per year to review their account as a whole, ensuring that their financial plan aligns with their current financial condition, goals and objectives.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

Sample Advisor may compensate other financial professionals (e.g. accountants, tax preparers) to refer their Clients to Sample Advisor for investment advisory services. The use of referral compensation may constitute a conflict of interest. For referrals that engage Sample Advisor for investment advisory services, Sample Advisor will compensate the financial professional a portion of Sample Advisor's fees. Generally, this portion will be a one-time payment of 15 percent of the total fees initially collected. This would be 15 percent of the first quarter's management fee, 15 percent of the total fixed fee amount for a *Comprehensive Financial Plan*, or 15 percent of the total hourly charges for a *Separate Financial Planning Consultation*. Clients may not negotiate this compensation, but Clients will not be charged any higher fees when referred by a third party than when engaging Sample Advisor directly. Sample Advisor will only compensate financial professionals that are licensed as investment advisers or investment adviser representatives or demonstrate some exemption from licensing.

## **CUSTODY**

Clients will engage an independent broker-dealer and custodian to maintain their accounts and so Sample Advisor will not have *physical* custody of Clients' assets, monies, or securities. However, since Sample Advisor may withdraw advisory fees directly from Clients' accounts (as described in the "FEES AND COMPENSATION" on pages 6 and 7 of this C), Sample Advisor is considered to have custody in a limited capacity. Again, this custody is due solely to the direct withdrawal of fees and does not entail all of the same legal and regulatory requirements as an investment adviser with physical custody of Clients' assets, monies, or securities. Accordingly, Clients will only receive account statements from their broker-dealer and custodian (though Sample Advisor may send invoices or other communication).

## **INVESTMENT DISCRETION**

As described in the "ADVISORY BUSINESS" section (pages 3-5 of this *FIRM BROCHURE*), Sample Advisor will have investment discretion for those Advisory Clients that elect *Discretionary Portfolio Management Services*. Clients will select this option specifically in Sample Advisor's *Investment Advisory Agreement* and will sign a trading authorization form with their broker-dealer/custodian.

When Advisory Clients grant discretionary authority to Sample Advisor, Clients may still place restrictions on the advisor, such as a prohibition on investing in specific securities, industries, or markets that the Client chooses. Additionally, unless specifically instructed otherwise by the Client, Sample Advisor seeks to maintain diversified investment portfolios for its Portfolio Management Clients and will not concentrate more than 15 percent of a Client's investable assets into any ETF or non-diversified product (e.g. stock, bond, options contract) and will not concentrate more than 50 percent of a Client's investable assets into any diversified products (e.g. mutual funds, index funds).

## **VOTING CLIENT SECURITIES**

For any security that entails a voting right in the underlying company, Sample Advisor will not have or accept authority to vote Client securities. All voting issues, proxies, and solicitations will be communicated to Advisory Clients through the Client's broker-dealer/custodian. Upon request, however, Sample Advisor may help explain or answer questions regarding a given voting issue.

## **FINANCIAL INFORMATION**

Sample Advisor would be required to disclose additional financial information if it were to charge fees in advance, but as described in the "ADVISORY BUSINESS" section (pages 3-5 of this *FIRM BROCHURE*), Sample Advisor charges all advisory fees in arrears, upon delivery of a plan, or at the conclusion of a consultation. In any case, Sample Advisor, its management and IA Reps have no material financial information (e.g. bankruptcies, liens, judgments) in their backgrounds.

## **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Sample Advisor has only two principal executive officers (or management persons): John A. Sample and Jane Soandso. Their biographical information is given on the attached *BROCHURE SUPPLEMENT* document.

Under the "FEES AND COMPENSATION" section of this *FIRM BROCHURE*, the subsection titled "*OTHER COMPENSATION*" explains that IA Reps of Sample Advisor may also be licensed as insurance agents and may receive insurance commissions for the sale of insurance products. This activity and the conflicts of interest associated with it are discussed at greater length in the "*OTHER COMPENSATION*" subsection on page 7 of this *FIRM BROCHURE*.

Sample Advisor would be required to disclose additional information if it: were to charge performance-based fees; had any other relationship or arrangement with any issuer of securities; or was ever found liable in either: (a) an arbitration, or (b) a civil, self-regulatory organization, or administrative proceeding. As none of these apply to Sample Advisor, its management persons, or IA Reps, Sample Advisor has no information to disclose in these regards.