Wrap Program Brochure
Form ADV Appendix 1

THE STERLING GROUP

Registered Investment Advisor

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March 30, 2020

This wrap fee program brochure provides information about the qualifications and business practices of The Sterling Group. If you have any questions about the contents of this brochure, please contact us by telephone at 626-440-5995 or email at contact@tsgadvisor.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about The Sterling Group also is available on the SEC's website at www.adviserinfo.sec.gov.

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

Item 2 - Material Changes

This Wrap Program Brochure is dated March 30, 2020. The following are the material changes that have been made to the Wrap Program Brochure since the last annual update on March 1, 2019. Item 4, Other Important Considerations, was updated to disclose a conflict of interest related to IRA rollovers.

Item 3 - Table of Contents

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Item 4 - Services, Fees and Compensation

Services:

The Sterling Group is an investment advisory firm comprised of a team of professionals who oversee clients' assets and provide a range of comprehensive wealth management services. Our team has the skill and expertise to offer exceptional economic advice and market analysis, as well as a strong network of professionals to refer to for legal and tax advice, enhancing our ability to assist clients in achieving their financial goals. The Sterling Group has been helping clients in formulating and implementing complex wealth management strategies and managing their assets for over two decades.

The Sterling Group was established in 1990 and co-founded by Anita Chalmers. Ms. Chalmers led the firm for ten years before merging with the current owners, C. Hunt Salembier and Michael Hatch.

Mr. Salembier and Mr. Hatch began their careers as financial advisors at American Express Financial Advisors. In 1998 they left American Express to create their own independent wealth management firm. They subsequently merged their firm with The Sterling Group in 2000. Ms. Chalmers retired in 2008 and Mr. Hatch and Mr. Salembier remain the sole principals. While Mr. Hatch left The Sterling Group as an advisor in 2019, as of the date of this brochure he and Mr. Salembier remain co-owners of the firm.

As of December 31, 2019, The Sterling Group provides advice to client accounts with a total market value of $387,136,663 broken down as follows:

- $235,329,150 Management of client assets on a discretionary basis
- $9,697,277 Management of client assets on a non-discretionary basis
- $32,959,023 Advice with respect to LPL and/or third party managed platforms

In addition, our advisors, acting as advisors through LPL Financial LLC (LPL), also provide discretionary management services on $89,370,708 of client assets.

Our advisors also act as registered representatives of LPL Financial in the sale of securities. In this role, our advisors have provided guidance with respect to approximately $19,780,465 worth of client investments.

The Sterling Group offers a wrap program that provides investment strategies that are tailored to our client's specific needs. Management services may be provided on a discretionary or non-discretionary basis. Each portfolio is designed to meet the particular investment goal, which we determine to be suitable to the client's circumstances. We select from a wide array of investment vehicles, such as stocks, options, fixed income securities, mutual funds, real estate investment trusts, exchange traded funds, and in certain situations we may choose hedge funds, high yield debt, managed futures, and other more complex or specialized instruments. Although the selection of investments is at the discretion of the advisor, each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Once the appropriate portfolio has been determined, we monitor the investments regularly, conduct account reviews periodically and rebalance the portfolio if necessary, based upon the client's individual needs, stated goals and objectives. The Sterling Group takes a calm and measured approach to managing client's assets that is supported by the belief that over the long term, a consistent strategy that is meticulously followed will provide the best opportunity for the best return. Clients may choose to engage The Sterling Group on a non-discretionary basis. Changes in non-discretionary accounts will only be implemented with the client's authorization.

Client assets managed by The Sterling Group are held in accounts at a registered broker/dealer and qualified custodian, who will provide clearing, custody and other brokerage services for client accounts. At the present time The Sterling Group has custodial relationships with LPL Financial, LLC and Charles Schwab & Co. While The Sterling Group may assist the client in completing the custodian's paperwork, the client is ultimately responsible for providing all of the necessary information to establish the account. Clients will retain all rights of ownership in the accounts, including the right to withdraw securities and cash, vote proxies, and receive transaction confirmations.

On an accommodation basis, The Sterling Group may also agree to handle certain accounts on a non-managed basis. In such cases, The Sterling Group will not be responsible for providing management on either a discretionary or non-discretionary basis.

The Sterling Group also offers additional investment advisory services to clients. For more information about The Sterling Group's other investment advisory services, please contact your advisor for a copy of The Sterling Group Firm Brochure or go to www.adviserinfo.sec.gov.

Fees and Compensation:

Clients pay The Sterling Group a single annual advisory fee for advisory services and the execution of transactions. Clients do not pay brokerage commissions, markups or transaction charges for execution of transactions in addition to the advisory fee.

Fees are paid quarterly in advance and billed on a pro-rated annualized basis. Fees are calculated as a percentage of the market value of all assets on the last trading day of the month of the previous quarter, including cash holdings. The fee may be higher than the fee charged by other investment advisors for similar services. Our fees are generally not negotiable. Below is the schedule of fees for our asset management service:

Assets Under Management	Annual Fee Percentage:
$0 to $999,999	0.95 - 1.75%
$1,000,000 to $5,000,000	0.85 - 1.50%
$5,000,000 to $10,000,000	0.65 – 1.00%
$10,000,000 to $20,000,000	0.55 – 0.70%
Over $20,000,000	0.25 – 0.55%

The advisory fee is shared between The Sterling Group and its advisors. In such cases where a custodian other than LPL is selected by the client, The Sterling Group will pay a modest fee to LPL for oversight. This presents a conflict of interest in that The Sterling Group has a financial incentive to recommend LPL as a custodian. Notwithstanding, The Sterling Group takes its responsibility to clients seriously, and will recommend a custodian to clients only if it believes it is in the client's best interest.

In order to hire The Sterling Group to provide management services, clients will be asked to enter into a written investment advisory agreement with The Sterling Group. This agreement will set forth the terms and conditions of the relationship, including the amount of the investment advisory fee.

In the event, the advisory agreement is terminated in writing to The Sterling Group before the end of the quarterly period, clients are entitled to a pro-rated refund of any pre-paid quarterly advisory fee based on the number of days remaining in the quarter after the termination date.

Although clients do not pay a transaction charge in the wrap program account, clients should be aware that The Sterling Group pays the account's custodian for trading costs. With respect to accounts held at LPL and certain accounts held at Schwab, The Sterling Group pays a single asset based fee to cover the cost of transactions placed in client account. With respect to certain other accounts held at Schwab, The Sterling Group pays a transaction charge to the custodian for each transaction in the account. The transaction charges vary based on the type of transaction (e.g., mutual fund, equity or fixed income security). The decision of whether to set up the account for asset based pricing or per transaction pricing is made by The Sterling Group at the time you establish an account with the custodian. The Sterling Group attempts to select the least expensive option and considers such factors as estimated transactions per year and the estimated cost per transaction. When The Sterling Group pays transaction charges rather than an asset based fee, there is a conflict of interest. There is a financial incentive for The Sterling Group to avoid transactions in the client's account, or to place such trades less frequently. Clients should also understand that the amount of the transaction charges paid by The Sterling Group may be a factor that The Sterling Group considers when deciding which securities to select, how frequently to place transactions, and the level of advisory fee to charge the client.

Other Types of Fees and Charges:

Client accounts will incur additional fees and charges from parties other than The Sterling Group as noted below. These fees and charges are in addition to the advisory fee paid to The Sterling Group. The Sterling Group does not share in any portion of these third party fees.

The custodian and broker-dealer providing brokerage and execution services on client accounts will impose certain fees and charges. The custodian notifies clients of these charges at account opening and generally makes available a list of these fees and charges on its website. The custodian will deduct these fees and charges directly from the client's account.

Some of these fees and charges are described below:

- If a client account invests in mutual funds or ETFs, please note that as a shareholder of the fund, a management fee will apply, in addition to paying us an advisory fee for managing the assets. As many of the funds available may be purchased directly, the second layer of fees could be avoided by not using The Sterling Group's management services and by the client making their own fund investment decisions.

- Certain mutual funds impose fees and charges such as contingent deferred sales charges, early redemption fees and charges for frequent trading. These charges will apply if a client transfers into or purchases such a fund in the account.

- Although only no-load and load-waived mutual funds can be purchased in a client's account, clients should understand that some mutual funds pay asset based sales charges or service fees (e.g., 12b-1 fees) to the custodian.

- If a client holds a variable annuity as part of an account, there are mortality, expense, and administrative charges. The annuity Sponsor may also impose fees for additional contract riders, and charges for excessive transfers within a calendar year.

- Certain retirement accounts - IRA and qualified retirement plan fees.

- Certain trust accounts - Administrative servicing fees for trust accounts.

- Unit investment trusts ("UIT") - creation and development fees or similar fees imposed by UIT sponsors.

- Alternative investments - Hedge fund and managed future investment management fees, managed futures investor servicing fees, and business development company fees.

- Sweep money market funds and cash balances – 12b-1 fees or other fees based on average daily deposit balances.

- Other charges required by law and imposed by the executing broker/dealer or custodian.

Further information regarding fees assessed by a mutual fund or variable annuity is available in the appropriate prospectus, which is available upon request from The Sterling Group or from the product sponsor directly.

Within the wrap program, The Sterling Group uses mutual funds that the custodian makes available within their platform. Mutual funds may offer multiple share classes for purchase in a fee-based investment advisory program. In certain instances, a mutual fund company may offer only Class A shares, while another similar mutual fund may be available in an institutional or fee-based advisory share class. When an asset management account holds Class A shares, the custodian may receive a portion of the 12b-1 fees charged by the mutual fund. The Sterling Group does not receive any portion of these 12b-1 fees. Institutional or fee-based advisory share classes generally are not subject to 12b-1 fees. Of the various share classes that may be offered by a particular custodian, Class A shares are generally more expensive for a client to own, as compared to an institutional or fee-based advisory share class. An investor in an institutional or fee-based advisory share class will typically pay a lower expense ratio than they would in a Class A share, allowing the investor to retain more of the investment returns. While The Sterling Group strives to identify share classes with the lowest available expense ratio, clients should not assume that they will always be invested in most inexpensive share class. There may be times when a Class A share is deemed to be in the best interest of the client. In an advisory program, the appropriateness of a particular mutual fund share class should be determined based on a variety of different considerations, including but not limited to: the advisory fee that is charged; whether transaction charges are applied and the amount of the transaction charges applied to the purchase or sale of mutual funds; the anticipated frequency of transactions; the size of the account; the holding period for the mutual funds; the overall cost structure of the advisory program; share class eligibility requirements; and potential tax consequences.

While clients in the wrap program will not pay transaction fees, as outlined in the Fees and Compensation section of this Brochure, there are certain accounts at Schwab where The Sterling Group will pay a transaction charge for each transaction. The transaction charge level varies depending on the amount of 12b-1 fees and/or sub transfer agent recordkeeping fees that Schwab receives from the mutual fund. The Sterling Group generally does not pay a transaction charge for Class A share mutual fund transactions, but generally does pay a transaction charge for institutional and fee-based advisory share class transactions. The Sterling Group works diligently to select the lowest share class available for its clients; however, the opportunity exists for The Sterling Group to consider its overall costs when deciding which mutual funds to select and whether or not to place transactions in the account. This represents a conflict of interest between The Sterling Group and the client. Clients should understand this conflict and consider the additional indirect expenses that exist as a result of the mutual fund fees when establishing a wrap program account.

Other Important Considerations:

- The advisory fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. The fee may cost the client more than purchasing the program services separately. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the type and size of the account, historical and or expected size or number of trades for the account, and number and range of supplementary advisory and client-related services provided to the client.

- The advisory fee may also cost the client more than if assets were held in a traditional brokerage account. In a brokerage account, a client is charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a commission-based brokerage account rather than a wrap fee program account.

- The Sterling Group is recommending the advisory account to the client and receives compensation as a result of the client's participation. This compensation includes the advisory fee and may also include other compensation, such as bonuses, awards or other things of value offered by our custodians to The Sterling Group or its advisors. The amount of this compensation may be more or less than what The Sterling Group would receive if the client participated in other advisory programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. Therefore, The Sterling Group may have a financial incentive to recommend a wrap program account over other programs and services. The Sterling Group takes its responsibilities seriously and will only recommend that clients hire The Sterling Group for management services if The Sterling Group believes it is appropriate and in the client's best interests.

- Most investment products available to be purchased in the client account can be purchased by clients outside of the account, through broker-dealers or other investment firms not affiliated with The Sterling Group.

- A conflict of interest exists for clients of The Sterling Group who participate in an employer-sponsored retirement plan. Upon reaching a distribution event, a plan participant may withdraw funds from their employer retirement plan and rollover the proceeds into an IRA. In the event of an existing relationship with The Sterling Group, it would be reasonable for the plan participant to request the assistance of The Sterling Group. A conflict of interest exists because The Sterling Group will be compensated only if the plan participant rolls over the proceeds into an IRA that is then managed by The Sterling Group. As a result, it can be construed that The Sterling Group has a financial incentive to recommend one option over another. Therefore, a plan participant should include in his/her decision-making process, a thorough review of all options available when reaching a distribution event.

Item 5 - Types of Clients and Account Requirements

The Sterling Group provides services to Individuals, High-Net-Worth Individuals, Trusts, Estates, Charitable Organizations, Pension and Profit Sharing Plans, as well as Corporations, Limited Liability Companies and/or other types of businesses. In general, the minimum investment for new clients is $1,000,000 subject to a minimum annual fee of $9,500.

Item 6 - Portfolio Manager Selection and Evaluation

The Sterling Group does not select, review or recommend other investment advisors or portfolio managers to provide services in its wrap fee program. All management within a client's account is conducted by The Sterling Group and its advisors. For more information about the advisor managing the account, the client should refer to the Brochure Supplement for the advisor, which should be received along with this Wrap Program Brochure.

The account custodian provides a periodic account statement to clients. Clients are encouraged to review these statements to determine account performance. The Sterling Group does not independently calculate account performance.

Methods of Analysis and Investment Strategies:

We are committed to helping clients achieve their financial goals and objectives. After developing a thorough understanding of a client's risk tolerance and their short and long-term goals, we work to create and implement a customized investment portfolio. To accomplish this, we utilize our investment consulting process, which is designed to help determine how best to address a client's financial goals and objectives. We examine the many factors that determine our clients' needs, such as financial situation, tax situation, income, investment time horizon and risk tolerance.

We carefully examine a client's needs and goals to ensure they are assigned an appropriate investment objective. An appropriate asset allocation is then chosen to realize a client's desired rate of return with an acceptable amount of risk. We utilize our experience to ensure client accounts are properly diversified and not subject to the volatility of a single sector, industry or asset class. We monitor our clients' managed accounts and rebalance as necessary, to ensure that they are aligned with their account objective.

When selecting mutual funds and ETFs, we examine the experience, expertise, investment philosophies, and past performance of the manager. We do this to determine if that manager has successfully demonstrated an ability to invest over a period of time and in different economic or market conditions. With mutual funds or ETFs we look at the underlying assets in an attempt to determine if there is a significant overlap in the underlying investments held in another fund in the client's portfolio.

It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

As stated, we generally use the following types of investments: stocks, options, fixed income securities, mutual funds (including asset allocation funds, index funds, international funds, emerging market funds, real estate funds, high yield bond funds and funds that short the market), real estate investment trusts, exchange traded funds (including commodity funds, precious metal funds and agricultural funds), and in certain situations hedge funds, high yield debt, managed futures, and other more complex or specialized instruments may be used. The particular investments selected for a client's account will depend upon the investment objective, level of risk tolerance, sensitivity to taxes, and other factors.

There are risks associated with investing in securities. The following highlights some of the risks associated with the types of investments that may be purchased for your account:

- Investing in any security involves some level of risk; stocks, which represent equity or ownership in a company, are considered inherently risky and no return is predictable or guaranteed when investing in any stock or stock-based fund.

- Investing in international markets presents additional risks including currency fluctuations, the potential for diplomatic and political instability, regulatory and liquidity risks and foreign taxation among others. The risks of foreign investing are generally greater in emerging markets.

- High yield bonds carry greater risks than bonds rated as investment grade. For example, they are issued by organizations that do not qualify for an investment grade rating by one of the rating agencies because of the potential for higher default by the issuer. Further financial difficulties experienced by the issuer may result in a decrease in the market value of the bond, and this may make it impossible to liquidate the bond prior to maturity.

- ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. The difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.

- Business development companies ("BDCs") are operated for the purpose of making investments in small and developing businesses, as well as financially troubled businesses. BDCs may also make managerial assistance available to certain companies in its portfolio. BDCs are only required to disclose net asset value on a quarterly basis. BDCs are often characterized as a publicly traded venture capital or private equity firm that is subject to certain provisions of the Investment Company Act. BDCs can be speculative investments because of the types of investments they make. These risks include, but are not limited to, portfolio company credit and investment risk, leverage risk, market and valuation risk, price volatility risk, liquidity risk, capital markets risk, interest rate risk, dependence on key personnel, and structural and regulatory risk.

- Managed futures funds, hedge funds and non-traded real estate investment trusts may be purchased within client accounts on a non-discretionary basis by clients meeting certain standards. Investing in these funds involves additional risk including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing tax information. You should be aware that many of these funds are illiquid, as there is no secondary trading market available.

- Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher return to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product does not have a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

Performance Based Fees and Side-By-Side Management:

We do not charge performance based fees to clients.

Item 7 - Client Information Provided to Portfolio Managers

The Sterling Group, through its advisors, is responsible for account management; there is no separate portfolio manager involved. The Sterling Group obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. This information is obtained through detailed discussions and by having the client complete a written investment advisory agreement and other documentation. Clients are encouraged to contact The Sterling Group if there have been any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. Clients should be aware that the investment objective selected for the account is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. Clients should be aware that achievement of the stated investment objective is a long-term goal for the account.

Item 8 - Client Contact with Portfolio Managers

Clients should contact The Sterling Group at any time with questions regarding their account(s).

Item 9 – Additional Information

Disciplinary Information:

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Other Financial Industry Activities and Affiliations:

The Sterling Group only provides investment advice as described above. However, advisors of The Sterling Group are registered representatives of LPL Financial or AXA Advisors, LLC, both SEC registered broker/dealers and members of the Financial Industry Regulatory Authority. In this capacity the advisor can sell securities to clients and receive normal and customary compensation in the form of commissions. However, such compensation will not be received in connection with investments made in wrap fee program accounts. Clients purchasing securities from an advisor outside of a managed account will receive disclosure documents (e.g., prospectus, brokerage account agreement) when conducting such transactions.

As a result of the relationship with LPL Financial and AXA Advisors, LPL Financial and AXA Advisors may have access to certain confidential information (for example, financial information, investment objectives, transactions and holdings) about The Sterling Group's clients, even if the client does not establish any account through LPL Financial or AXA Advisors. If you would like a copy of LPL Financial's or AXA Advisors' privacy policies, please contact The Sterling Group to request copies.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading:

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high code of ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, personal securities transactions for all associates are routinely reviewed.

Furthermore, our firm has established a Code of Ethics which applies to all associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each client at all times. We have a fiduciary duty to all clients, and it is this fiduciary duty that is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. It is required that all supervised persons conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with the Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect the duty of complete loyalty to all clients. Our Code of Ethics was adopted pursuant to SEC rule 204A-1. This disclosure is provided to give all clients a summary of the Code of Ethics. However, if a client or a potential client wishes to review the Code of Ethics in its entirety, a copy will be provided promptly upon request.

LPL Financial's parent company, LPL Investment Holdings Inc. (ticker symbol LPLA), is a publicly traded company. AXA Advisor's parent company, AXA Group (ticker AXAHY), is a publicly traded company. The Sterling Group does not recommend or solicit orders of LPL Investment Holdings Inc. or AXA Group stock in Asset Management accounts.

Brokerage Practices:

The Sterling Group has entered into a relationship with LPL Financial and Charles Schwab & Co. to serve as custodian and executing broker/dealer for asset management accounts. In some cases, clients may choose to select another qualified custodian to execute asset management transactions. The Sterling Group requires that clients select and direct the custodian as the sole and exclusive broker/dealer to execute transactions for asset management accounts. All asset management transactions will be processed without commissions. While The Sterling Group believes that these custodians have execution procedures that are designed to obtain the best execution possible, there can be no assurance that best execution can be obtained. By selecting a particular custodian, clients may not achieve the most favorable execution.

As stated under Item 4 – Services, Fees and Compensation, in such cases where a custodian other than LPL is selected by the client, The Sterling Group will pay a modest fee to LPL for oversight. This presents a conflict of interest in that The Sterling Group has a financial incentive to recommend LPL as a custodian. Notwithstanding, The Sterling Group takes its responsibility to clients seriously, and will recommend a custodian to clients only if it believes it is in the client's best interest.

We seek to make available only custodians who will hold client assets and execute transactions on terms that we feel are most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, but not limited to the following:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody).
- Capability to execute, clear and settle trades (buy and sell securities for your account).
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.).
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds ("ETF"s), etc.).
- Availability of investment research and tools that assist in making investment decisions.
- Competitive pricing of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them.
- Reputation, financial strength and stability of the provider.
- Prior service to The Sterling Group and its clients.
- Availability of other products and services that benefit us, as discussed below.

Our firm has a non-soft-dollar arrangement with the custodians from which services are received, such as research and administrative functions, including portfolio pricing, account statement generation and fee calculations, software and other technology that provide access to client account data, and attendance at conferences, meetings and other educational and/or social events. These services are intended to support our firm in conducting business and in serving the best interests of our clients. Our firm does not receive client brokerage commissions (or markups or markdowns) in exchange for research or other products or services. Our recommendation of a qualified custodian to our clients is based on our clients' interests in receiving the best execution and the level of competitive, professional services that the qualified custodians provide.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm. Although such concurrent authorizations could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds, using price averaging, proration and consistently non-arbitrary methods of allocation.

The Sterling Group typically aggregates orders. The advantages to aggregating are that the orders are handled in a way that mitigates market impact (as applicable and possible) and that each client gets the same (average) execution price. We may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities, and the discretionary or non-discretionary nature of the trades. If orders are not aggregated, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that the practice of not aggregating may cost clients more money.

Review of Accounts:

Asset management accounts are reviewed individually on a periodic basis. The nature of these reviews is to determine whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Among the factors which may trigger an off-cycle review are major market or economic events, a client's life events, requests by a client, etc. Reviews are conducted by our advisors. We provide written reports to clients as requested.

In addition to the review conducted at the account level, individual positions held in client accounts are also regularly reviewed. We monitor each investment's relative performance versus its peers and relevant benchmarks. Individual positions will be replaced, as necessary, due to performance or market conditions.

Any activity in an asset management account will be reflected on the monthly or quarterly statement from the custodian, showing account activity as well as positions held in the account at month end. Additionally, clients will receive a confirmation of each transaction that occurs, unless the transaction is the result of a systematic purchase, redemption or exchange.

Client Referrals and Other Compensation:

As a result of our relationship with LPL Financial, we may receive production bonuses, stock options to purchase shares of LPL Financial's parent company, and other things of value such as free or reduced-cost attendance at events hosted by LPL Financial. As a result of our relationship with Schwab, we may receive things of value such as free or reduced-cost attendance at events hosted by Schwab. Such compensation may be based on overall revenue produced and/or on the amount of assets serviced through the custodian. Thus, there is a financial incentive for us to recommend establishing an account at LPL Financial or Schwab. We take our responsibilities to clients very seriously and will only recommend that clients use LPL Financial or Schwab for custody and hire us for management services if we believe it is appropriate and in the client's best interests.

We receive an economic benefit from Schwab in the form of products and services. These products and service and the related conflicts of interest are described under Brokerage Practices.

Custody:

We do not maintain custody of client funds or securities. All clients receive at least quarterly account statements directly from their custodian. If The Sterling Group sends account statements directly to clients, the account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm. We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The account custodian will send clients independent account statements listing account balance(s), transaction history and any fees debited from accounts.

We will not have access to client funds or securities with the exception of having advisory fees deducted from client accounts and paid to us by the custodian. Any fee deductions will be done pursuant to client's written authorization provided to the custodian.

Investment Discretion:

We accept discretionary authority over the management of client accounts. Discretionary authority is limited only to affecting trades in client accounts. We will determine the type and the amount of securities that are bought or sold without obtaining client consent for each trade. Clients must sign a discretionary investment advisory agreement with our firm for the management of an account. Clients may also elect to have us maintain accounts on a non-discretionary or non-managed basis.

Voting Client Securities:

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

Financial Information:

The Sterling Group does not have any financial commitments that impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.