



CLEAR ADVICE :: INTELLIGENT INVESTING

SEC File Number: 801 – 68164

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

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This brochure provides information about the qualifications and business practices of ClearRock Capital, LLC (“ClearRock”). If you have any questions about the contents of this brochure, please contact us at (208) 726-8858 or [jeveritt@clearrockcapital.com](mailto:jeveritt@clearrockcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

References herein to ClearRock as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **ITEM 2: MATERIAL CHANGES**

The information contained in this section relates only to material changes that have occurred since our last update. We define a material change as any change that an average client would consider important to know prior to making an investment decision. The following are short summaries of the material changes that have occurred since our annual update on March 4<sup>th</sup>, 2016 with regard to our services or business operations.

Items 12 Brokerage Practices & Item 14 Client Referrals and Other Compensation: On September 1<sup>st</sup>, 2016, ClearRock ended their participation in the Schwab Advisor Network program and are no longer accepting new Charles Schwab clients through the referral program.

Consistent with the rules, we will ensure you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

To obtain our firm brochure supplements (information regarding each of our financial advisors), and/or our Code of Ethics please e-mail us at [info@clearrockcapital.com](mailto:info@clearrockcapital.com) or call (208) 726-8858.

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## ITEM 4: ADVISORY BUSINESS

ClearRock is a limited liability company formed on June 2, 2007 in the State of Idaho, which became registered as an Investment Adviser Firm with the Securities and Exchange Commission on July 20, 2007. ClearRock is principally owned by James Everitt and Mark Eshman, who are also ClearRock's Managing Members.

As discussed below, ClearRock offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, business entities, etc.) the following services: investment advisory services, financial planning services, retirement plan consulting services, and business consulting services.

ClearRock provides services specific to the needs of each client. Before providing investment advisory services, consulting, financial planning services, retirement plan consulting services or business consulting services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, ClearRock will allocate investment assets consistent with the designated client's investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on ClearRock's services.

ClearRock does not participate in a wrap fee program.

As of December 31, 2016 ClearRock had \$365,158,338 in assets under management on a discretionary basis.

### A. INVESTMENT ADVISORY SERVICES

The client can engage ClearRock to provide discretionary investment advisory services on a *fee only* basis. ClearRock's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under ClearRock's management. Before engaging ClearRock to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with ClearRock setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

ClearRock's annual investment advisory fee will include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and/or consulting services.

ClearRock provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Then, ClearRock will either allocate or recommend that the client allocate investment assets consistent with the designated client's investment objectives. ClearRock primarily allocates client investment assets among various exchange traded funds ("ETFs"), individual equity (stocks), and fixed income (bonds) securities and/or mutual funds.

ClearRock may also allocate investment advisory assets of its client accounts, on a discretionary basis, among one or more of its model asset allocation programs comprised primarily of ETFs (i.e. Diversified Income, Diversified Conservative Growth, Diversified Moderate Growth, and

Diversified Aggressive Growth). Once allocated, ClearRock provides ongoing monitoring and review of account and model performance, asset allocation and client investment objectives.

## **B. FINANCIAL PLANNING AND CONSULTING SERVICES**

ClearRock may also provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Before engaging in this capacity, clients are required to enter into a *Financial Planning and/or Consulting Agreement* with ClearRock setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to ClearRock commencing services. If requested by the client, ClearRock may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from ClearRock. **Please Note:** It remains the client's responsibility to promptly notify ClearRock if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising ClearRock's previous recommendations and/or services.

## **C. RETIREMENT PLAN CONSULTING SERVICES**

ClearRock also provides non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans and defined benefit plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants will choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, ClearRock will also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement will generally be set forth in a *Retirement Plan Consulting Agreement* between ClearRock and the plan sponsor. ClearRock may act as a fiduciary for plan participants who provide us with ClearRock's general financial questionnaire.

## **D. BUSINESS CONSULTING SERVICES**

ClearRock may determine to provide business consulting services (including investment and non-investment related matters) on a stand-alone separate fee basis. Before engaging ClearRock to provide business consulting services, clients are generally required to enter into a *Consulting Agreement* with ClearRock setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to ClearRock commencing services. If requested by the client, ClearRock may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from ClearRock. **Please Note:** It remains the client's responsibility to promptly notify ClearRock if there is ever any change in his/her/its financial situation or investment

objectives for the purpose of reviewing/evaluating/revising ClearRock's previous recommendations and/or services.

## **E. OTHER SERVICES**

### **1. Independent Managers**

For those clients that require an enhanced and/or specialized level of investment management services, ClearRock may also recommend that certain clients authorize ClearRock to allocate, on a non-discretionary basis, the active discretionary management of a portion or all of their assets by and/or among certain independent investment manager[s] to be selected by ClearRock (the "Independent Manager[s]"), based upon the stated investment objectives of the client. ClearRock will continue to render ongoing and continuous advisory services to the client relative to the monitoring and review of account performance, client investment objectives, and asset allocation, for which ClearRock will receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager[s].

Factors which ClearRock will consider in recommending Independent Manager[s] include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. ClearRock generally has the authority to determine the broker-dealer/custodian to be used by the designated Independent Manager[s] relative to those accounts for which the Independent Manager[s] provide discretionary investment management services for ClearRock's clients.

### **2. Non-Managed Investment Consulting/Implementation Services**

To the extent requested by the client, ClearRock may provide consulting services regarding non-investment related matters, such as business matters, estate planning, and tax planning etc. Neither ClearRock, nor any of its representatives, serves as an attorney or accountant, and no portion of ClearRock's services should be construed as the same. To the extent requested by a client, ClearRock may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.).

The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from ClearRock. **Please Note:** It remains the client's responsibility to promptly notify ClearRock if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising ClearRock's previous recommendations and/or services.

## ITEM 5: FEES AND COMPENSATION

### A. INVESTMENT ADVISORY SERVICES

If a client engages ClearRock to provide discretionary investment advisory services on a fee only basis, ClearRock's negotiable annual investment advisory fee will be billed quarterly in advance based upon a percentage (%) of the market value and type of assets placed under ClearRock's management (between negotiable and 1.00%) as follows:

#### Equity and Balanced Accounts:

Market Value of Household Assets	Fee Based on % of Assets**
On the first \$2,000,000	1.00%
On the next \$3,000,000	0.75%
On the next \$5,000,000	0.50%
On the next \$10,000,000	0.40%
Over \$20,000,000	Negotiable

#### Fixed Income Accounts (accounts comprised entirely of fixed income securities):

Market Value of Household Assets	Fee Based on % of Assets**
On the first \$5,000,000	0.375%
On the next \$5,000,000	0.25%
Over \$10,000,000	Negotiable

\*\* All client fees are negotiable but will not exceed the fee table above; however, ClearRock may charge a minimum management fee of \$2,250 that could effectively be higher than the fee that would be generated using our standard fee schedule above. This would generally apply to client relationships that are under ClearRock's stated minimum asset level. The presence of a minimum fee would be fully disclosed to the client prior to signing an investment advisory agreement with ClearRock.

**Please Note:** Fixed Income accounts are accounts that are comprised entirely of fixed income securities. All other accounts (those comprised of all equities or both equities and fixed income) will be billed quarterly under the fee schedule for Equity and Balanced Accounts.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, ClearRock will generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to ClearRock's investment advisory fee, brokerage commissions

and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. advisory fees and other fund expenses).

## **B. FINANCIAL PLANNING CONSULTING SERVICES**

To the extent specifically requested by a client, ClearRock may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. ClearRock's planning and consulting fees are negotiable, but generally range from \$1,500 to \$3,000 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Fees are payable upon completion of negotiated services and no advanced retainer is required.

## **C. RETIREMENT PLAN CONSULTING SERVICES**

ClearRock provides non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans and defined benefit plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants will choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, ClearRock will also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. ClearRock charges a negotiable annual fee for Retirement Consulting Services which generally range from 0.15% to 1.00% of plan assets depending on the services requested and the size of the plan. Fees may be collected in advance or arrears on a quarterly basis, as determined by the plan sponsor.

ClearRock is deemed to be a fiduciary to clients that are defined contribution plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, ClearRock may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions, 12b-1 or sub-TA fees.

## **D. BUSINESS CONSULTING SERVICES**

ClearRock may determine to provide business consulting services (including investment and non-investment related matters) on a stand-alone flat fee. Before engaging ClearRock to provide business consulting services, clients are generally required to enter into a *Consulting Agreement* with ClearRock setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to ClearRock commencing services. ClearRock's planning and consulting fees are negotiable, but generally range from \$10,000 to \$100,000 annually on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).



Clients may elect to have ClearRock's consulting fees deducted from their investment account. ClearRock's *Agreement* with the client may authorize the custodian to debit the account for the amount of ClearRock's consulting fee and to directly remit that fee to ClearRock in compliance with regulatory procedures. In the event ClearRock bills the client directly, payment is due upon receipt of ClearRock's invoice. ClearRock will deduct fees and/or bill clients quarterly, either in advance or in arrears, based upon the services rendered and negotiated and approved by the client.

## **E. OTHER COMPENSATION**

### **1. Sub-Advisor Compensation**

The sub-advisory fees charged by the designated advisor, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, ClearRock's ongoing investment advisory fee. Fees charged by ClearRock pursuant to the use of sub-advisors may be either in advance or arrears depending upon the specific sub-advisors relationship, and will be disclosed to the client at the point of entering into the advisory relationship.

The sub-advisors fees are determined by the fee scale below.

#### **Equity and Balanced Accounts:**

<b>Equity and Balanced Accounts:Market</b>	<b>Fee Based on % of Assets**</b>
On the first \$250,000	1.00%
On the next \$250,000	0.85%
On the next \$500,000	0.80%
On the next \$1,000,000	0.75%
On the next \$3,000,000	0.70%
Over \$5,000,000	0.65%

#### **Fixed Income Accounts (accounts comprised entirely of fixed income securities):**

<b>Market Value of Household Assets</b>	<b>Fee Based on % of Assets**</b>
On the first \$250,000	0.65%
On the next \$500,000	0.60%
On the next \$1,000,000	0.55%
On the next \$3,000,000	0.50%
Over \$5,000,000	0.45%

## 2. Sub-Advisor Compensation – Strategas Asset Management

ClearRock has entered into an agreement to license *Model Portfolio Concept(s)* provided by Strategas Asset Management. The Strategas Asset Management fees, in addition to ClearRock's management fees, may exceed ClearRock's traditional compensation schedule. This fee will be bundled with ClearRock's management fee and will be charged to the client quarterly based on assets under management. Fees charged by ClearRock for this Sub-Advisor relationship will be charged in advance. Strategas Asset Management's quarterly remuneration fee shall be equal to .35% of the assets under management in the *Model Portfolio Concept(s)* provided by Strategas Asset Management. At ClearRock's discretion, the Strategas asset management fee may be waived for clients. Fees will be disclosed to the client at the point of entering into the advisory relationship.

### Equity Accounts utilizing Strategas Asset Management as sub-advisor.

<b>Market Value of Household Assets</b>	<b>Fee Based on % of Assets**</b>
On the first \$2,000,000	1.35%
On the next \$3,000,000	1.10%
On the next \$5,000,000	0.85%
On the next \$10,000,000	0.75%
Over \$20,000,000	Negotiable

## 3. Non-Managed Investment Consulting/Implementation Services

ClearRock does not receive any compensation for these complimentary services.

## F. TERMINATING YOUR ACCOUNT

The applicable form of *Agreement* between ClearRock and the client will continue to remain in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, ClearRock will refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter after the effective date of termination. The effective termination date will be 30 days from when written notice is received.

## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Neither ClearRock nor any supervised person of ClearRock accepts performance based fees.

## ITEM 7: TYPES OF CLIENTS

ClearRock's clients generally include: individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, and business entities. ClearRock generally requires a

minimum asset level of \$1,000,000.00 for investment advisory services. ClearRock, in its sole discretion, may charge a lesser advisory fee and/or waive or modify its minimum asset level based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. ClearRock may utilize the following methods of security analysis:

1. **Fundamental** - Analysis performed on historical and present data, with the goal of making financial forecasts.
2. **Technical** - Analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices.
3. **Cyclical** - Analysis performed on historical relationships between price and market trends, to forecast the direction of prices.

B. ClearRock may utilize the following investment strategies when implementing investment advice given to clients:

1. **Long Term Purchases** - Securities held at least a year.
2. **Short Term Purchases** - Securities sold within a year.
3. **Trading** - Securities sold within thirty (30) days.

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by ClearRock) will be profitable or equal any specific performance level(s).

C. ClearRock's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis, ClearRock has access to current/new market information. ClearRock has no control over the dissemination rate of market information; therefore, unbeknownst to ClearRock, certain analyses may be compiled with outdated market information, severely limiting the value of ClearRock's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

ClearRock's primary fundamental investment strategy is long term purchases. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time

period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

To a limited extent ClearRock may also engage in trading practices. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period, and therefore may incur higher overall trading costs.

Currently, ClearRock primarily allocates client investment assets among various ETFs, individual equity (stocks), and fixed income (bonds) securities, and/or mutual funds on a discretionary basis in accordance with the client's designated investment objective(s).

ClearRock may also allocate investment advisory assets of its client accounts, on a discretionary basis, among one or more of its model asset allocation programs (i.e. Diversified Income, Diversified Conservative Growth, Diversified Moderate Growth, and Diversified Aggressive Growth). ClearRock's asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as ClearRock's asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to ClearRock's management of client assets:

1. Initial Consultation – prior to opening a client account, ClearRock, through its Investment Advisors, shall obtain from the client information sufficient to understand the client's financial situation and investment objectives;
2. Ongoing account service – clients' accounts will be managed based on the client's financial situation which will be updated annually or upon material changes;
3. Annual Notice – at least annually ClearRock will send a letter to clients requesting any changes to their financial situation or investment objective, and/or if the client elects to modify any reasonable restrictions on the management of their account;
4. Consultation Available – ClearRock will be available to consult with clients upon request;
5. Performance Reporting – a client may be given access to a secure client portal where they will have the ability to review historical performance data;
6. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct ClearRock not to purchase certain stocks, bonds, mutual funds and/or ETFs;
7. No Pooling – the client's beneficial ownership in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial ownership in the securities which are held in a client's account;
8. Separate Account – a separate account is maintained for the client with the Custodian;

9. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

ClearRock believes that its annual investment advisory fee is reasonable in relation to: (1) the advisory services provided under the Investment Advisory Agreement; and (2) the fees charged by other investment advisers offering similar services/programs. However, ClearRock's annual investment advisory fee may be higher or lower than that charged by other investment advisers offering similar services/programs. In addition to ClearRock's annual investment advisory fee, the client may also incur internal costs associated with mutual funds, exchange traded funds, custodians and/or trading partners (e.g., advisory fees and other fund expenses).

#### **ITEM 9: DISCIPLINARY INFORMATION**

ClearRock has not been the subject of any disciplinary actions.

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

- A. Neither ClearRock, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither ClearRock, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Currently ClearRock has two relationships that may be viewed as a conflict of interest between its advisory business and its clients.
  1. One of ClearRock's managing members is invested with Greyhawk Capital Management in which its general partner is also a ClearRock client. The managing member involved is a silent limited partner and has no knowledge or influence of day to day investment decisions. ClearRock does not recommend this investment to any of its clients.
  2. In addition, one of ClearRock's managing member's immediate family members serves on a non-profit board whose endowment is managed by ClearRock. This individual does not participate in any discussions pertaining to the management of the endowment.
- D. ClearRock does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. ClearRock maintains an investment policy relative to personal securities transactions. This investment policy is part of ClearRock's overall Code of Ethics, which serves to establish a standard of business conduct for all of ClearRock's Representatives that is based upon

fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, ClearRock also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by ClearRock or any person associated with ClearRock.

- B. Neither ClearRock nor any related person of ClearRock recommends, buys, or sells for client accounts, securities in which ClearRock or any related person of ClearRock has a material financial interest.
- C. ClearRock and/or representatives of ClearRock may buy or sell securities that are also recommended to clients. This practice may create a situation where ClearRock and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation may create a potential conflict of interest. ClearRock has adequate policies in place to detect such activities such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation). In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of ClearRock’s clients) and other potentially abusive practices.

ClearRock has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of ClearRock’s “Access Persons”. ClearRock’s securities transaction policy requires that Access Persons of ClearRock must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date ClearRock selects.

- D. ClearRock and/or representatives of ClearRock *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where ClearRock and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, ClearRock has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of ClearRock’s Access Persons.

## **ITEM 12: BROKERAGE PRACTICES**

In the event that a client requests that ClearRock recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct ClearRock to use a specific broker-dealer/custodian), ClearRock generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging ClearRock to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with ClearRock setting forth the terms and conditions under which ClearRock

will manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

For accounts of ClearRock's clients held in custody at *Schwab*, *Schwab* will not charge the client separately for custody but may receive compensation from ClearRock's clients in the form of commissions or other transaction-related compensation on security trades executed through *Schwab*. *Schwab* also may receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades. ClearRock nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts may be executed through *Schwab* or an alternative broker-dealer. Thus, trades for client accounts may be executed at different times and different prices.

Factors that ClearRock considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with ClearRock, financial strength, execution capabilities, pricing, research, service, and security. Although the commissions and/or transaction fees paid by ClearRock's clients will comply with ClearRock's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where ClearRock determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although ClearRock will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, ClearRock's investment advisory fee. ClearRock's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

## **AGGREGATION "BUNCHING" AND ALLOCATIONS**

To the extent that ClearRock provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless ClearRock decides to purchase or sell the same securities for several clients at approximately the same time. ClearRock may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among ClearRock's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day.

### **A. Soft Dollar Arrangements**

As a matter of policy and practice, ClearRock does not have any formal arrangements, but does have informal arrangements or commitments to utilize research, research-related

products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

In return for effecting securities transactions through a designated broker-dealer/custodian, ClearRock may receive certain investment research products or services which assist ClearRock in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a “soft-dollar” arrangement). Investment research products or services received by ClearRock may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by ClearRock's clients will comply with ClearRock's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where ClearRock determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. Although the investment research products or services that may be obtained by ClearRock will generally be used to service all of ClearRock's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by ClearRock that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, ClearRock will make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to ClearRock's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by ClearRock with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, ClearRock's investment advisory fee.

In addition to the relationship ClearRock has with *Schwab*, we also have an informal “soft-dollar” arrangement with Strategas Research Partners.

**ClearRock's Chief Compliance Officer, James Everitt, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

### **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, ClearRock may receive from *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist ClearRock to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by ClearRock may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by ClearRock in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist ClearRock in managing and administering client accounts. Others do not directly



provide such assistance, but rather assist ClearRock to manage and further develop its business enterprise.

ClearRock's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of the above arrangement. There is no corresponding commitment made by ClearRock to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**ClearRock's President & Chief Compliance Officer, James Everitt, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

## **B. Schwab Referrals**

ClearRock previously participated in the Schwab Referral Program where ClearRock paid *Schwab* a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. On September 1st, 2016, ClearRock ended its participation in the Schwab Advisor Network program and are no longer taking on new Schwab clients through the program. However, ClearRock will continue paying a participation fee for current Schwab Advisor Network clients. ClearRock pays *Schwab* the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is paid by ClearRock and not by the client. ClearRock has agreed not to charge clients referred through the Schwab Referral Program, fees or costs greater than the fees or costs ClearRock charges clients with similar portfolios (pursuant to ClearRock's standard fee schedule as in effect from time to time) who were not referred through the Service. ClearRock is not currently participating in any other referral programs offered from any custodian.

**ClearRock's President & Chief Compliance Officer, James Everitt, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

## **C. Directed Brokerage**

ClearRock will accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client may negotiate terms and arrangements for their account with that broker-dealer. ClearRock does not seek better execution services or prices from other broker-dealers and may not be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by ClearRock maintained at other broker-dealers. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs ClearRock to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly

acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through ClearRock.

**ClearRock's President & Chief Compliance Officer, James Everitt, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

#### **ITEM 13: REVIEW OF ACCOUNTS**

- A. For those clients to whom ClearRock provides investment supervisory services, account reviews are conducted on an ongoing basis by the ClearRock's Principals and/or Advisors. All investment supervisory clients are advised that it remains their responsibility to advise ClearRock of any changes in their investment objectives and/or financial situation. All clients (in person, via telephone, or email) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with ClearRock at least annually.
- B. ClearRock may conduct account reviews on other than a periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request. Currently all relationships are reviewed at least annually and documented in ClearRock's CRM software.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. ClearRock may also provide a written periodic report summarizing performance.

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

- A. As referenced in Item 12.1 and 12.2 above, ClearRock may receive an indirect economic benefit from *Schwab* or another broker-dealer/custodian. ClearRock, without cost (and/or at a discount), may receive support services and/or products from *Schwab* and/or another broker-dealer/custodian.

**ClearRock's President & Chief Compliance Officer, James Everitt, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. ClearRock does not currently utilize the service of any solicitors. If our firm should engage in a solicitor arrangement, we will update this section to reflect disclosures our firm and its solicitors will provide to clients.

## ITEM 15: CUSTODY

ClearRock will have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. ClearRock may also provide a periodic report summarizing performance or upon client request.

**Please Note:** To the extent that ClearRock provides clients with periodic reports, the client is urged to compare any statement or report provided by ClearRock with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of ClearRock's advisory fee calculation.

**Please Also Note:** ClearRock does not consider itself a custodian, nor does it hold custody of client's assets, and therefore is not subject to an annual surprise CPA examination in accordance with the requirements of Rule 206 (4)-2 under the Investment Advisers Act of 1940. ClearRock's Chief Compliance Officer, James Everitt, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

## ITEM 16: INVESTMENT DISCRETION

The client can determine to engage ClearRock to provide investment advisory services on a discretionary basis. Prior to ClearRock assuming discretionary authority over a client's account, client will be required to execute an *Investment Advisory Agreement*, naming ClearRock as client's investment advisor, granting ClearRock full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage ClearRock on a discretionary basis may, at any time, impose restrictions, **in writing**, on ClearRock's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe ClearRock's use of margin, etc.).

## ITEM 17: VOTING CLIENT SECURITIES

Unless the client directs otherwise in writing, ClearRock is responsible for voting client proxies (**However**, the client will maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). ClearRock will vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. ClearRock will monitor corporate actions of individual issuers and investment companies consistent with ClearRock's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which ClearRock will consider when determining how it will vote differ on a case by case basis, they may, but are not be limited to, include the following a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation.

With respect to ERISA accounts, ClearRock does not vote proxies on their behalf.

With respect to individual issuers, ClearRock may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), ClearRock may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. ClearRock will maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how ClearRock voted on any specific proxy issue is also available upon written request. Requests should be made by contacting ClearRock's President & Chief Compliance Officer, James Everitt.

#### **ITEM 18: FINANCIAL INFORMATION**

- A. ClearRock does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. ClearRock is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. ClearRock has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: ClearRock's President & Chief Compliance Officer, James Everitt, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**