

# TRI-STAR

A D V I S O R S



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This brochure provides information about the qualifications and business practices of Tri-Star Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 713-735-9217 or [www.tristaradvisor.com](http://www.tristaradvisor.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 Tri-Star Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

The last annual update of this brochure was March 26, 2018. Since the last annual update, the firm has had the following material changes:

- None.

## Table of Contents

Advisory Business .....	4
Fees and Compensation .....	6
Performance-Based Fees and Side-By-Side Management .....	8
Types of Clients .....	8
Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Disciplinary Information .....	9
Other Financial Industry Activities and Affiliations .....	9
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	9
Brokerage Practices .....	11
Review of Accounts .....	14
Client Referrals and Other Compensation .....	15
Custody .....	15
Investment Discretion .....	16
Voting Client Securities .....	16
Financial Information .....	16

## **ADVISORY BUSINESS**

### **Advisory Firm Description**

Tri-Star Advisors, Inc. (“TSA” or the “Firm”) has been in business since November 2009, and is based in Houston, Texas and incorporated under the laws of the State of Texas. The principal owners are William Thomas Payne and Jon Carter Vaughan.

### **Types of Advisory Services**

#### **Managed Account Service**

TSA provides a “managed account service” to individuals and entities wanting portfolio management. TSA also provides its “self-directed retirement plan asset management program” to plan sponsors requiring assistance with managing their retirement plans and educating the plan participants.

First, TSA meets with clients to determine the client’s investment objective. Then TSA places trades in the client’s account, choosing investments which TSA personnel believe to be appropriate for that client. Recommended investments may include cash, bonds, exchange traded funds (ETFs), mutual funds and stocks, with selection of specific securities providing proper diversification in order to meet the client’s stated investment objectives. Individual securities are selected to achieve the desired balance between expected risk and expected return.

TSA’s managed account service includes:

- Selecting investments and executing trades.
- Selecting and monitoring sub-advisors when appropriate.
- Periodic reporting.
- Re-balancing the portfolio when appropriate.
- Re-allocating the portfolio due to client’s investment objectives or investment strategy due to changes in economic or market conditions.
- Tax loss harvesting (where applicable).

The client has the option to sign up for TSA’s Manage Your Money option. This is free of charge. This service includes access to educational content plus access to the secure eMoney emX dashboard. With the dashboard, the client can automatically pull all accounts — 401(k), checking, savings, credit cards and more — into one consolidated view for a complete picture of the client’s finances, updated in real time. This option will help the client get organized. All employees of TSA are prohibited and using a client’s username and password for the emX dashboard system. This includes any usernames and passwords that the client uses to obtain access to the client’s outside accounts. Please contact the CCO, Kelly Durham, at (713) 735-9217 if the IAR requests this information.

#### **Self-Directed Retirement Plan Asset Management Program**

TSA’s self-directed retirement plan asset management program includes:

- Providing participant investment education services.
- Providing mutual fund analysis, objective selection and ongoing evaluation.
- Actively managing asset allocation within portfolios.
- Investing plan assets in accordance with the investment strategy.

- Monitoring performance of all selected assets or portfolios.
- Recommending changes when appropriate to any of the above.
- Preparing and presenting appropriate reports and handouts to sponsors and/or investment committees.

### **Sub-Advisory Services**

As part of our investment advisory services, we may recommend that you use the services of a sub-advisor to manage your entire, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we may recommend that you engage Betterment Institutional, LLC, an independently registered Securities and Exchange Commission Registered Investment Advisor, for discretionary asset management services. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the sub-advisor's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. TSA may select and/or terminate the services of sub-advisors. However the client must provide written authorization to move assets away from Betterment, LLC to a new sub-advisor. We will periodically monitor the sub-advisor's performance to ensure its management and investment style remains aligned with your investment goals and objectives. TSA will review the calculations on the client's quarterly statements for accuracy. TSA will assist clients in all paperwork including, but not limited to a risk tolerance or similar document, new account forms, and all other fact finding paperwork.

We do not charge you a separate fee for the selection of other advisers. Currently, we utilize the sub-advisory services of Betterment, LLC, and we will share in the advisory fee disclosed in this brochure (See Item 5 "Fees and Compensation" section). The advisory fee is generally automatically deducted by the custodian, and TSA compensates Betterment, LLC for their asset management services. We fully disclose to you the fees and compensation structure of Betterment, LLC should we recommend these services to you. You will be required to sign TSA's Investment Advisory Agreement as well as an Investment Advisory Agreement with Betterment, LLC, in addition to any new account forms in order for Betterment, LLC to provide these services. You may terminate your advisory relationship with Betterment, LLC according to the terms of Betterment's investment advisory agreement.

#### Unified Managed Account Program:

TSA offers discretionary investment management services in a managed account program through an Overlay Manager (the "UMA Program"). This UMA Program may consist of using model portfolio advisers, model portfolios or other investment options such as mutual funds and/or exchange-traded funds ("ETFs") to represent different investment strategies for managing your account. Each of these investment strategies is designed to meet a specific goal.

Prior to investing in the UMA Program, the client will execute a discretionary investment management agreement with TSA setting forth the terms and conditions of our management of your investments within the UMA Program. Depending on the management services the client selects, the client will grant TSA limited discretionary authority to manage the client account through selection of an overlay manager ("Overlay Manager"), third party strategist ("Strategist") and/or third party managers ("Managers"; collectively, "Third-Party Service Providers"). In addition, the client will authorize the custodian to follow our instructions as well as instructions given by

Overlay Manager to effect transactions, deliver securities, deduct fees and take other actions with respect to the client account. The client will not have a direct contractual relationship with the Overlay Manager or any other Third-Party Service Provider. The timing of trades in the client account will primarily depend upon the model or changes in the model and, generally, will not take into consideration how long a client may have held the position indicated by the model.

TSA will retain the right to replace any Strategist or Manager on a discretionary basis. Depending on the service a client has selected, we will separately provide the client with the firm brochure (Part 2 of Form ADV) for the applicable Third-Party Service Provider(s) which includes information about their services, model portfolios, and investment strategies at or before the execution of our discretionary investment management agreement.

### **Client Assets Under Management**

As of December 31, 2017, TSA had approximately \$157,000,000 of discretionary assets under management.

## **FEES AND COMPENSATION**

### **Managed Account Service Fees**

Compensation is provided to TSA for managed accounts by charging a percent of assets under management. The fee is a percentage of the market value of all assets in the client's account as valued by the custodian at the close of market on the last trading day of each calendar quarter. The management fee is payable quarterly in advance according to the following schedule and is usually deducted from the client's account. Otherwise a client may instruct TSA to invoice the client, in which case the fee is due within 30 days of the invoice date.

<b><u>Portfolio Assets</u></b>	<b><u>Quarterly</u></b>	<b><u>Annually</u></b>
Less Than \$500,000	.3750%	1.50%
\$500,001 – \$3,000,000	.3125%	1.25%
Over \$3,000,000	.1875%	1.15%

#### **Sub-Advisory Services:**

For clients utilizing the sub-advisory services of Betterment, LLC, .25% of the fee above will be provided to Betterment, LLC. The client does not incur any additional advisory fees for electing to utilize the sub-advisory services. In addition, clients with Betterment, LLC will be charged in arrears, rather than in advance. This means that the client will be charged at the beginning of the quarter, based on the account average for the quarter just ended.

Accounts in the same household will be aggregated to attain the lowest fee possible. The above fees are negotiable.

Certain clients of TSA may be charged fees which are less than those shown above. Quarterly fees may be less for certain employee or family accounts, depending on a number of factors including portfolio size, length of employment and relationship to the employee. Therefore, clients receiving the same service from TSA may be paying different fees.

The investment advisory agreement will continue in effect until terminated by either party by written notice to the other. Upon termination, any uncollected fees and expenses will be deducted from the account and the client will receive a refund of a prorated portion of the pre-paid advisory fee.

For Assets Custodied at Charles Schwab & Co.:

Fees are deducted from a designated account, quarterly in arrears. The value of the Assets Under Management is determined by the market value of the assets the last business day of the previous quarter.

For Assets Custodied at Betterment Securities LLC:

Fees are deducted from a designated account, quarterly in arrears. The value of the Assets Under Management is determined by the average daily market value of the assets during the previous quarter.

Additional expenses incurred by TSA for investment-related services will be billed to the plan separately. In the event of termination of this agreement, the fee will be adjusted, on a pro rata basis, to charge only for the portion of the final quarter in which termination occurs. A refund of prepaid unearned fees will be sent to the account or the client in a timely manner.

### **General Discussion Concerning Fees**

Billing of investment management fees will commence at the start of the first quarter after the client's money has been invested by TSA. To the extent that the initial investment occurs in a month that is not the quarter-end, the client will be billed in advance on a pro rata basis, using the account value at the month-end in which the investment occurred as the basis for the fee calculation. Lower fees for comparable services may be available from other sources.

To the extent mutual and money market funds are selected to fill components of the overall investment strategy, the annual advisory fee shown above does not include the customary fees and expenses associated with investing in mutual or money market funds or other costs of establishing and maintaining an account with mutual funds, including Rule 12b-1 fees and expenses. The client is advised that, in addition to the annual advisory fee shown above, each mutual or money market fund in which assets are invested will incur separate investment advisory fees and other internal expenses for which the client will bear a proportionate share. These fees are fully disclosed in each fund's prospectus which is provided to each client by the account custodian.

Transaction fees, exchange fees, custodial fees and other such fees are paid directly by the client account to the broker or custodian and are in addition to the investment management fees listed above.

### **Additional Compensation**

TSA personnel are also registered representatives of Calton & Associates, Inc., a FINRA member introducing broker-dealer. The registered representatives of Calton & Associates do business as ("d/b/a") Tri-Star Group ("TSG"). TSG may place trades for its clients through this broker/dealer, which then collects markups for those trades. A portion of these markups is paid to TSA personnel who are also Calton & Associates registered representatives. This affiliation with a broker/dealer creates a conflict of interest with clients, to the extent that TSA personnel may be recommending investments from which those same persons benefit.

Clients have the option to purchase investment products recommended by TSA personnel through other broker/dealers. Some TSA personnel receive less than 50% of their total compensation from markups on investments they recommend to TSA clients. TSA advisory fees are not reduced to offset the markups charged to TSA clients by the broker-dealer.

Please refer to the section titled Other Financial Industry Activities and Affiliations for more information.

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

TSA does not charge any of its clients performance-based fees, so this section does not apply.

## **TYPES OF CLIENTS**

TSA provides investment supervisory services and manages investment advisory accounts for:

- Individuals
- High net worth individuals
- Self-directed pension and profit sharing plans (other than plan participants)
- Corporations or other business not listed above
- Charitable organizations
- Insurance companies

TSA recommends a minimum account size of \$250,000. This amount is negotiable depending upon the nature of the relationship, potential for growth and other factors weighed by the associate.

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

TSA uses a combination of the following types of analysis in evaluating investments for client accounts:

- Fundamental—Analysis of financial attributes of a company, such as revenue growth, debt to equity ratio, inventory turnover, etc.
- Cyclical—Analysis based on business, industry, calendar or historical cycles

Investment strategies for separately managed accounts are structured to meet each client's objective. Asset allocation is the major differentiation between strategies. Diversification is accomplished within asset categories by varying sectors, time horizons and income production. Risks vary accordingly, although all accounts are subject to market risk. Investing in securities involves risk of loss that clients should be prepared to bear. TSA places a majority of its client assets in the fixed income market, which traditionally has held less risk than the equity market. In the past few years, credibility of credit rating agencies has been questioned in light of considerable conflicts of interest and state and municipal entities are threatening bankruptcy. Risks inherent in the fixed income market, therefore, have increased.

TSA uses the following sources of information in its analysis:

- Financial newspapers and magazines
- Research materials prepared by others



- Corporate rating services
- Timing services
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Company press releases

## **DISCIPLINARY INFORMATION**

August 6, 2015: The SEC and Tri-Star Advisors, Inc. settled SEC Proceeding No. 3-15627 Instituting Administrative and Cease-and-Desist Proceedings pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company Act of 1940. Tri-Star Advisors, Inc., William T. Payne and Jon C. Vaughan violated Sections 206(3) and (4) of the of the Investment Advisers Act of 1940 by failing to notify and receive consent prior to individual trades being placed through Tri-Star Financial prior to being placed in clients' accounts.

As a result of the Proceeding, TSA paid a civil money penalty in the amount of \$150,000. In addition, William T. Payne paid a disgorgement of \$142,500, which represents profits gained as a result of the described in the Proceeding, and Payne personally paid a civil money penalty on August 11, 2015 in the amount of \$50,000 and pre-judgment interest in the amount of \$3,235.21. The total payment by Payne was \$195,735.21.

Jon C. Vaughan paid a disgorgement of \$232,500, which represents profits gained as a result of the conduct described in the Proceeding, and Vaughan personally paid a civil money penalty on August 7, 2015 in the amount of \$50,000 and prejudgment interest in the amount of \$5,278.50. The total payment by Vaughan was \$287,778.50.

Payne and Vaughan were responsible for the firm's violations, and Payne and Vaughan were ordered to cease and desist from committing or causing any future violations.

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

Tri-Star Advisors utilizes the services of Calton & Associates, Inc. (d/b/a Tri-Star Group) for fixed income analysis, support and trade execution. Calton & Associates, Inc. is a broker/dealer registered with the U.S. Securities & Exchange Commission and is also a member of the Financial Industry Regulatory Authority ("FINRA").

Payne and Vaughan are registered representatives of Calton & Associates, Inc. and spend approximately 50% of their time on the broker/dealer side of the business. Ms. Durham is also a registered representative of Calton & Associates, Inc. and spends approximately 25% of her time on the broker/dealer side of the business.

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

### **Code of Ethics**

TSA has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as

“employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect the client: misuse of nonpublic information; personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm’s Code of Ethics which will be provided at no cost. The following basic principles guide all aspects of the Firm’s business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients’ interests come before employees’ personal interests and before the Firm’s interests.
- The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its employees’ interests on the one hand and client and the Firm’s interests on the other.
- Employees must operate on the Firm’s behalf and on their own behalf consistently with the Firm’s disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

#### Misuse of Nonpublic Information

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing securities trades, either for clients or on their own behalf.

#### TSA’s Personal Trading Policy:

- TSA personnel may not trade in personal accounts in anticipation of trades to be placed for clients.
- TSA personnel may trade in the same security simultaneously with clients (as long as the client obtains the same or better price) or the day after that security was purchased or sold on behalf of TSA clients.
- TSA prefers its personnel to trade all personal securities trades through Calton & Associates, Inc. on the Hilltop Securities (formerly Southwest Securities) custodial platform. TSA will allow accounts representatives to open personal accounts outside Hilltop Securities, Schwab or Betterment to be opened as long as they are approved by compliance prior to opening and duplicate statements and confirms are sent to TSA.
- Each personal trade and all trade reports are reviewed by the Chief Compliance Officer to ensure compliance with the Firm’s policies.
- TSA personnel must receive pre-approval from the Chief Compliance Officer before participating in an IPO or a Private Placement.

#### Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed.

Please see the section titled Other Financial Industry Activities and Affiliations for discussion of other interests in client transactions.

## **BROKERAGE PRACTICES**

### **Selecting Custodians and Broker/Dealers**

Tri-Star requires that its clients select qualified custodians to hold their managed accounts. A qualified custodian is a bona fide financial institution that sends at least quarterly statements directly to its clients. These statements should show all transactions during the reporting period and value of each asset at the period close.

TSA recommends clients open accounts with Charles Schwab & Co. (“Schwab”) or Hilltop Securities for the accounts TSA manages. When an account is located with Hilltop Securities, Calton & Associates, Inc., TSA’s broker/dealer, may serve as the introducing broker, effecting trades for clients and collecting the trade fees or markups from the account. TSA has selected Schwab as a recommended custodian for its clients because of its discounted commission structure, the range of no-transaction fee assets available, the quality of service and its financial stability.

TSA participates in the Schwab Institutional (SI) services program offered to independent investment advisors by Schwab, a FINRA-registered broker-dealer. Clients in need of brokerage and custodial services will generally have Schwab recommended to them due to Schwab’s:

- Discounted commission structure
- Arrangements with multiple mutual fund families to trade through Schwab
- Financial stability
- Provision of account information online to all clients
- Client service to TSA and its clients and
- Ease of reporting to TSA and its clients.

As part of the SI program, TSA receives benefits that it would not receive if it did not offer investment advice.

TSA recognizes its fiduciary duty to attain best execution for its client trades. As a general rule, TSA will select such brokers that can effect transactions at the best price and execution under the prevailing circumstances. TSA personnel may be putting themselves in a conflict of interest position when directing trades through Calton & Associates, Inc., to which clients may also be paying a commission or markup. Principals of TSA are registered representatives of Calton & Associates, Inc. TSA personnel monitor Calton & Associates’ pricing to ensure its continued competitiveness with the market. Clients with smaller bond positions may not be able to easily sell their positions in the secondary market or transfer them from other broker-dealers. A client wishing to sell a smaller bond position that cannot be sold in the secondary market may have to engage in a cross transaction with another client of TSA who is willing to purchase the bond.

Cross trades will be executed at the “bid price” (the price at which a dealer is willing to purchase the security) which generally gives the buyer in a cross transaction a much better price than they might ordinarily receive if the buyer were to purchase the security in the secondary market. Typically a buyer in the secondary market will

purchase the security at a higher “ask price”, which is the price at which a dealer is willing to sell the security.

Ancillary services furnished by Calton & Associates and its registered representatives to client accounts are not considered in evaluating the competitiveness of the cost of commissions or markups charged by Calton & Associates, Inc.

**Sub-Advisory Services:**

TSA may recommend that our clients use MTG, LLC d/b/a Betterment Securities (“Betterment Securities”), a registered broker-dealer, member SIPC, as the qualified custodian. TSA is independently owned and operated and is not affiliated with Betterment Securities. Betterment Securities will hold your assets in a brokerage account and buy and sell securities when we and/or you instruct them to. While TSA may recommend that you use Betterment Securities as custodian/broker, you will decide whether to do so and will open your account with Betterment Securities by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with Betterment Securities, then we cannot manage your account on Betterment Institutional (defined below).

For our clients’ accounts that Betterment Securities maintains, Betterment Securities generally does not charge you separately for custody services, but is compensated as part of the Betterment Institutional (defined below) platform fee, which is a percentage of the dollar amount of assets in the account in lieu of commissions. We have determined that having Betterment Securities execute trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How we select brokers/custodians”).

Betterment Securities serves as broker dealer to Betterment Institutional, an investment and advice platform serving independent investment advisory firms like TSA (“Betterment Institutional”). Betterment Institutional also makes available various support services which may not be available to Betterment’s retail customers. Some of those services help TSA manage or administer our clients’ accounts, while others help us manage and grow our business. Betterment Institutional’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. The following is a more detailed description of Betterment Institutional’s support services:

**Services That May Not Directly Benefit You:** Betterment Institutional also makes available to us other products and services that benefit us, but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts, such as software and technology that may:

- Assist with back-office functions, recordkeeping, and client reporting of our clients’ accounts. In
- Provide access to client account data (such as duplicate trade confirmations and account statements).
- Provide pricing and other market data.
- Assist with back-office functions, recordkeeping, and client reporting.

**Services That Generally Benefit Only TSA:** By using Betterment Institutional, TSA will be offered other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events.
- Consulting on technology, compliance, legal, and business needs.
- Publications and conferences on practice management and business succession.

## OUR INTEREST IN BETTERMENT SECURITIES' SERVICES

The availability of these services from Betterment Institutional benefits TSA because we do not have to produce or purchase them. In addition, we don't have to pay for Betterment Securities' services. These services are contingent upon us committing a certain amount of business to Betterment Securities in assets in custody. TSA may have an incentive to recommend that you maintain your account with Betterment Securities, based on our interest in receiving Betterment Institutional and Betterment Securities' services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Betterment Securities as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Betterment Securities' services (see "How we select brokers/custodians") and not Betterment Institutional and Betterment Securities' services that benefit only us.

## Research and Other Soft-Dollar Benefits

TSA has no soft-dollar arrangements in which fees generated by transactions are used directly to purchase products or services to be used by TSA. However, some brokers with which TSA executes trades provide TSA with research without a direct relationship to the amount of trading TSA conducts through them. There may be an incentive to place trades with brokers providing research to TSA, rather than attending only to most favorable execution of trades.

Schwab provides TSA with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon TSA committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For TSA's client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to TSA other products and services that benefit TSA but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of TSA's accounts.

Schwab's products and services that assist TSA in managing and administering clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide research, pricing and other market data
- Facilitate payment of TSA's fees from its clients' accounts
- Assist with back-office functions, recordkeeping and client reporting

Schwab Institutional also offers other services intended to help TSA manage and further develop its business enterprise. These services may include:

- Compliance, legal and business consulting

- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to TSA: Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to TSA. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of TSA personnel. In evaluating whether to require that clients custody their assets at Schwab, TSA may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Brokerage for Client Referrals**

TSA has not directed trades to particular brokers in exchange for receiving client referrals.

### **Directed Brokerage**

Instead of allowing TSA to select broker/dealers for their account, the client may direct TSA (in writing) to use a particular broker/dealer to execute all transactions for the client's account. In that case, the client will negotiate terms and arrangements for the account with that broker/dealer. TSA may be unable to attain best execution for that account and will be unable to aggregate that account with others when aggregating trades.

As a result, the 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.

### **Order Aggregation**

When appropriate, TSA may aggregate trades in the same securities across accounts. When such trades are effected, each account pays the same amount for each share. Partially executed aggregated orders will be filled on a pro rata or alternating rotational basis. TSA personnel may participate in blocks with clients, but will not receive allocations until all client orders are filled.

## **REVIEW OF ACCOUNTS**

Portfolio managers review each managed portfolio at least quarterly. They monitor the performance of each investment based on how similar investments have performed and make changes when necessary. The portfolio manager determines the investment strategies and parameters for each account. Review triggers would include factors such as changes in the economy, changes in the market place or changes in the client's goals or objective.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

TSA may effect fixed income securities transactions for its clients through Calton & Associates as broker for such parties. Please see the section Other Financial Industry Activities and Affiliations above for more details. There are no arrangements in which TSA compensates other parties for client referrals.

TSA receives a non-economic benefit from Betterment Institutional and Betterment Securities in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Betterment Securities. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices). The availability to us of Betterment Institutional and Betterment Securities' products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## **CUSTODY**

Custody is defined as an investment advisory firm, its related entities, and/or its personnel having direct access to client funds or securities.

Investment management fees are payable in advance by charging the account directly or by invoicing the client. When the investment management fee is deducted from the client's account, this deduction is deemed a form of custody by the Securities and Exchange Commission although all investments and funds are held by a qualified outside custodian. TSA may direct the movement of funds from one account in the client's name to another account with the same title, but has no access to client funds other than the fee deduction.

Clients receive monthly statements directly from their account custodian showing transactions, income, and asset positions, as well as copies of trading confirmations. Custodian sends clients statements for tax purposes annually. When clients receive account statements from their account custodian, clients should carefully review those statements and take the time to compare them with those they receive from TSA. If the client finds significant discrepancies, the client should notify the custodian and TSA immediately.

### **Sub-Advisory Services:**

Under government regulations, TSA is deemed to have custody of your assets if, for example, you authorize us to instruct Betterment Securities to deduct our advisory fees directly from your account. Betterment Securities maintains actual custody of your assets. Your statements will be available for you to review on the activity section of your Betterment Institutional account portal. You will also receive account statements directly from Betterment Securities at least quarterly at [www.bettermentsecurities.com](http://www.bettermentsecurities.com). You should carefully review those statements promptly.

## **INVESTMENT DISCRETION**

Where clients have designated TSA as agent and limited attorney-in-fact with respect to the client's account, when it deems appropriate, without prior consultation with the client, TSA may:

- Direct the purchase, sale, exchange, conversion, and otherwise trade in stocks, bonds, and other securities including money market instruments.
- Direct the amount of securities purchased, sold, exchanged, and otherwise traded.
- Place orders for the execution of such securities transactions with Calton & Associates, Schwab, Hilltop Securities or other third-party broker/dealers.
- Determine the commission rates paid.
- Retain sub-advisors.

Restrictions include when a client directs specific security transactions, security retention, brokers utilized or the commission rate in a particular account. Any limitations on this discretionary authority are addressed in the Investment Advisor Agreement.

Clients may change these limitations at any time.

## **VOTING CLIENT SECURITIES**

TSA does not vote client securities for clients. The account custodian for each client sends the proxy material directly to the client. Clients may call their account advisor with any questions concerning a particular solicitation.

## **FINANCIAL INFORMATION**

There is no existing financial condition that is reasonably likely to impair TSA's ability to continue to provide services to its clients.





## **Jon C. Vaughan, CFA**

### **Main Office:**

5718 Westheimer, Suite 950  
Houston, TX 77057

### **By Appointment Only:**

101 Parklane Boulevard #201  
Sugar Land, TX 77478

713-735-9217

[jvaughan@tristar.us](mailto:jvaughan@tristar.us)

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

October 29, 2018

This brochure supplement provides information about Jon C. Vaughan, CFA, that supplements the Tri-Star Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Kelly Durham at 713-735-9217 if you did not receive Tri-Star Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Jon C. Vaughan, CFA, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

### **Jon C. Vaughan, CFA, born 1971**

#### *Business Background:*

Calton & Associates, Inc., Registered Representative, 2015-present  
Tri-Star Advisors, Inc., President, Principal, Investment Advisor Representative, 2009-present  
Tri-Star Financial, Executive Vice President, Principal, Registered Representative, 1994-2014

#### *Education:*

Baylor University, Bachelor of Arts Degree in International Business & Finance, 1993  
Chartered Financial Analyst Designation, Awarded 1997

The Chartered Financial Analyst designation, or CFA charter, is a qualification for finance and investment professionals, particularly in the fields of investment management and financial analysis of stocks, bonds and their derivative assets.

To become a Chartered Financial Analyst, an individual must satisfactorily fulfill the following requirements:

- Education – Complete the CFA Program. The curriculum includes Ethical and Professional Standards, Quantitative Methods (such as the time value of money and statistical inference), Economics, Financial Reporting and Analysis, Corporate Finance, Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.), and Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.).
- Examinations – Pass the comprehensive exams required by the CFA Program, which is organized into three levels, each culminating in a six-hour exam. Completing the program takes most candidates between two and five years.
- Experience – Possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience.
- Ethics – Obligated to adhere to a strict Code of Ethics and Standards governing professional conduct.

## DISCIPLINARY INFORMATION

August 6, 2015: The SEC and Tri-Star Advisors, Inc. settled SEC Proceeding No. 3-15627 Instituting Administrative and Cease-and-Desist Proceedings pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company Act of 1940. Tri-Star Advisors, Inc., William T. Payne and Jon C. Vaughan violated Sections 206(3) and (4) of the of the Investment Advisers Act of 1940 by failing to notify and receive consent prior to individual trades being placed through Tri-Star Financial prior to being placed in clients' accounts.

As a result of the Proceeding, TSA paid a civil money penalty in the amount of \$150,000. In addition, William T. Payne paid a disgorgement of \$142,500, which represents profits gained as a result of the described in the Proceeding, and Payne personally paid a civil money penalty on August 11, 2015 in the amount of \$50,000 and pre-judgment interest in the amount of \$3,235.21. The total payment by Payne was

\$195,735.21.

Jon C. Vaughan paid a disgorgement of \$232,500, which represents profits gained as a result of the conduct described in the Proceeding, and Vaughan personally paid a civil money penalty on August 7, 2015 in the amount of \$50,000 and prejudgment interest in the amount of \$5,278.50. The total payment by Vaughan was \$287,778.50.

Payne and Vaughan were responsible for the firm's violations, and Payne and Vaughan were ordered to cease and desist from committing or causing any future violations.

#### **OTHER BUSINESS ACTIVITIES**

Mr. Vaughan is a registered representative of Calton & Associates, Inc. and spends approximately 50% of his time on the broker/dealer side of the business.

#### **ADDITIONAL COMPENSATION**

Mr. Vaughan does not receive any economic benefit from a non-client for providing advisory services.

#### **SUPERVISION**

The co-portfolio managers work in concert, and the portfolios are reviewed by Kelly Durham, the Chief Compliance Officer, in terms of the investment objective. Kelly can be reached at 713-735-9217.

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## **William T. Payne**

### **Main Office:**

5718 Westheimer, Suite 950  
Houston, TX 77057

### **By Appointment Only:**

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Sugar Land, TX 77478

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bpayne@tristar.us  
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October 29, 2018

This brochure supplement provides information about William T. Payne that supplements the Tri-Star Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Kelly Durham at 713-735-9217 if you did not receive Tri-Star Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about William T. Payne is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

### **William T. Payne, born 1956**

#### *Business Background:*

Calton & Associates, Inc., Registered Representative, 2015-present  
Tri-Star Advisors, Inc., Chief Executive Officer, Principal, Investment Advisor  
Representative, 2009-present  
Tri-Star Financial, President and Registered Representative, 1992-2014

#### *Education:*

Santa Monica Junior College, Business Administration, 1976

## DISCIPLINARY INFORMATION

August 6, 2015: The SEC and Tri-Star Advisors, Inc. settled SEC Proceeding No. 3-15627 Instituting Administrative and Cease-and-Desist Proceedings pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company Act of 1940. Tri-Star Advisors, Inc., William T. Payne and Jon C. Vaughan violated Sections 206(3) and (4) of the of the Investment Advisers Act of 1940 by failing to notify and receive consent prior to individual trades being placed through Tri-Star Financial prior to being placed in clients' accounts.

As a result of the Proceeding, TSA paid a civil money penalty in the amount of \$150,000. In addition, William T. Payne paid a disgorgement of \$142,500, which represents profits gained as a result of the described in the Proceeding, and Payne personally paid a civil money penalty on August 11, 2015 in the amount of \$50,000 and pre-judgment interest in the amount of \$3,235.21. The total payment by Payne was \$195,735.21.

Jon C. Vaughan paid a disgorgement of \$232,500, which represents profits gained as a result of the conduct described in the Proceeding, and Vaughan personally paid a civil money penalty on August 7, 2015 in the amount of \$50,000 and prejudgment interest in the amount of \$5,278.50. The total payment by Vaughan was \$287,778.50.

Payne and Vaughan were responsible for the firm's violations, and Payne and Vaughan were ordered to cease and desist from committing or causing any future violations.

## OTHER BUSINESS ACTIVITIES

Mr. Payne is a registered representative of Calton & Associates, Inc. and spends approximately 50% of his time on the broker/dealer side of the business.

## ADDITIONAL COMPENSATION

Mr. Payne does not receive any economic benefit from a non-client for providing advisory services.

## **SUPERVISION**

The co-portfolio managers work in concert, and the portfolios are reviewed by Kelly Durham, the Chief Compliance Officer, in terms of the investment objective. Kelly can be reached at 713-735-9217.

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## **Kelly Durham**

### **Main Office:**

5718 Westheimer, Suite 950  
Houston, TX 77057

### **By Appointment Only:**

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kdurham@tristar.us  
www.tristaradvisor.com

October 29, 2018

This brochure supplement provides information about Kelly Durham that supplements the Tri-Star Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Kelly Durham at 713-735-9217 if you did not receive Tri-Star Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Kelly Durham is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

### **Kelly Durham, born 1978**

#### *Business Background:*

Calton & Associates, Inc., Registered Representative, 2015-present  
Tri-Star Advisors, Inc., Chief Compliance Officer, Investment Advisor Representative, 2009-present  
Tri-Star Financial, Registered Representative, 2009-2014  
MDK Financial Group, Portfolio Manager 2008-2009  
Morgan Stanley, Associate Wealth Advisor, 1999-2007

#### *Education:*

University of California Davis, Economics, 1996

## DISCIPLINARY INFORMATION

There are no legal or disciplinary events material to a client's or prospective client's evaluation of Ms. Durham.

## OTHER BUSINESS ACTIVITIES

Ms. Durham is a registered representative of Calton & Associates, Inc. and spends approximately 25% of her time on the broker/dealer side of the business.

## ADDITIONAL COMPENSATION

Ms. Durham does not receive any economic benefit from a non-client for providing advisory services.

## SUPERVISION

The co-portfolio managers work in concert, and the work of the Chief Compliance Officer is reviewed by Jon Vaughan, President. Jon can be reached at 713-735-9200.



**TRI-STAR**  
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## **Jon Swanburg, CFP**

### **Main Office:**

5718 Westheimer, Suite 950  
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### **By Appointment Only:**

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October 29, 2018

This brochure supplement provides information about Jon Swanburg, CFP that supplements the Tri-Star Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Kelly Durham at 713-735-9217 if you did not receive Tri-Star Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Jon Swanburg, CFP is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

### **Jon Swanburg, CFP, born 1984**

#### *Business Background:*

Calton & Associates, Inc., Principal, Registered Representative, 2015-present  
Tri-Star Advisors, Inc., Investment Advisor Representative, 2009-present  
Tri-Star Financial, Institutional Specialist, Registered Representative, 2009-2014  
Dish Network, Business Development Intern, 2008  
Henry Schein, Medical Sales, 2007

#### *Education:*

Pepperdine University, Bachelor of Arts Degree in Economics, 2005  
Baylor University, Masters of Business Administration (MBA)/Juris Doctor (JD), 2009  
Certified Financial Planner CFP® Designation, Awarded 2013

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 71,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a

fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

#### **DISCIPLINARY INFORMATION**

There are no legal or disciplinary events material to a client's or prospective client's evaluation of Mr. Swanburg.

#### **OTHER BUSINESS ACTIVITIES**

Mr. Swanburg is a registered representative of Calton & Associates, Inc. and spends approximately 50% of his time on the broker/dealer side of the business. Mr. Swanburg also provides non-investment related legal advice, for no compensation, at his personal residence. Time spent will be minimal and will not be done during market hours.

#### **ADDITIONAL COMPENSATION**

Mr. Swanburg does not receive any economic benefit from a non-client for providing advisory services.

#### **SUPERVISION**

The co-portfolio managers work in concert, and the portfolios are reviewed by Kelly Durham, the Chief Compliance Officer, in terms of the investment objective. Kelly can be reached at 713-735-9217.



## **Thomas L. Payne**

### **Main Office:**

5718 Westheimer, Suite 950  
Houston, TX 77057

### **By Appointment Only:**

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Sugar Land, TX 77478

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October 29, 2018

This brochure supplement provides information about Thomas Payne that supplements the Tri-Star Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Kelly Durham at 713-735-9217 if you did not receive Tri-Star Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Thomas Payne is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Thomas Payne, born 1976**

*Business Background:*

Calton & Associates, Inc., Registered Representative, 2015 - present  
Tri-Star Advisors, Inc., Investment Advisor Representative,  
2011 – present Tri-Star Financial, Registered Representative,  
2002 – 2014

*Education:*

University of Houston, Accounting, 1996

## **DISCIPLINARY INFORMATION**

There are no legal or disciplinary events material to a client's or prospective client's evaluation of Mr. Payne.

## **OTHER BUSINESS ACTIVITIES**

Mr. Payne is a registered representative of Calton & Associates, Inc. and spends approximately 50% of his time on the broker/dealer side of the business.

## **ADDITIONAL COMPENSATION**

Mr. Payne does not receive any economic benefit from a non-client for providing advisory services.

## **SUPERVISION**

The co-portfolio managers work in concert, and the portfolios are reviewed by Kelly Durham, the Chief Compliance Officer, in terms of the investment objective. Kelly can be reached at 713-735-9217.



## AUSTIN GENTRY MARRS

**Main Office:**

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**By Appointment Only:**

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October 29, 2018

This brochure supplement provides information about Austin Marrs that supplements the Tri-Star Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Kelly Durham at 713-735-9217 if you did not receive Tri-Star Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Austin Marrs is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**Austin Gentry Marrs, born 1988**

*Business Background:*

Tri-Star Advisors, Inc., Investment Advisor Representative, 07/2018 – present  
Calton & Associates, Inc., Registered Representative, 01/2015 - present  
Parallax Investments, LLC, Investment Advisor Representative, 09/2011 – 07/2018  
Tri-Star Financial, Registered Representative, 09/2011 – 12/2014

*Education:*

Steven F. Austin, BA Finance

## DISCIPLINARY INFORMATION

There are no legal or disciplinary events material to a client's or prospective client's evaluation of Mr. Marrs.

## OTHER BUSINESS ACTIVITIES

Mr. Marrs is a registered representative of Calton & Associates, Inc. and an insurance agent with the state of Texas. He spends approximately 50% of his time on the broker/dealer and insurance business.

## ADDITIONAL COMPENSATION

Mr. Marrs does not receive any economic benefit from a non-client for providing advisory services.

## SUPERVISION

The co-portfolio managers work in concert, and the portfolios are reviewed by Kelly Durham, the Chief Compliance Officer, in terms of the investment objective. Kelly can be reached at 713-735-9217.



## **CRYSTAL ALLISON MCKEON**

### **Main Office:**

5718 Westheimer, Suite 950  
Houston, TX 77057

### **By Appointment Only:**

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October 29, 2018

This brochure supplement provides information about Crystal McKeon that supplements the Tri-Star Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Kelly Durham at 713-735-9217 if you did not receive Tri-Star Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Crystal McKeon is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

### **Crystal Allison McKeon, born 1981**

#### *Business Background:*

Tri-Star Advisors, Inc., Investment Advisor Representative, 07/2018 – present  
Calton & Associates, Inc., Registered Representative, 01/2015 - present  
Parallax Investments, LLC, Chief Compliance Officer & Investment Advisor  
Representative, 09/2009 – 07/2018  
Tri-Star Financial, Registered Representative, 07/2009 – 12/2014

#### *Education:*

University of Houston, BA Marketing

#### *Relevant Designations:*

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 71,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of*

*Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and

- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients. CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

#### **DISCIPLINARY INFORMATION**

There are no legal or disciplinary events material to a client's or prospective client's evaluation of Ms. McKeon.

#### **OTHER BUSINESS ACTIVITIES**

Ms. McKeon is a registered representative of Calton & Associates, Inc. and spends approximately 50% of her time on the broker/dealer side of the business.

#### **ADDITIONAL COMPENSATION**

Ms. McKeon does not receive any economic benefit from a non-client for providing advisory services.

#### **SUPERVISION**

The co-portfolio managers work in concert, and the portfolios are reviewed by Kelly Durham, the Chief Compliance Officer, in terms of the investment objective. Kelly can be reached at 713-735-9217.



## **JOHN P. BOTT II**

### **Main Office:**

5718 Westheimer, Suite 950  
Houston, TX 77057

### **By Appointment Only:**

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October 29, 2018

This brochure supplement provides information about John Bott that supplements the Tri-Star Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact Kelly Durham at 713-735-9217 if you did not receive Tri-Star Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about John Bott is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

### John P. Bott II, born 51

#### *Business Background:*

Tri-Star Advisors, Inc., Investment Advisor Representative, 07/2018 – present  
Calton & Associates, Inc., Registered Representative, 11/2014 - present  
Parallax Investments, LLC, President and Chief Investment Officer, 10/1998 – present  
Mutual Money Investments dba Tri-Star Group, Owner, 11/2014 – 07/2018  
Mutual Money Investments dba Tri-Star Financial, Principal, 07/1996 – 12/2014

#### *Education:*

University of Houston  
Southwest Texas State University

## DISCIPLINARY INFORMATION

In August 2015 an Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 was filed against Parallax Investments, LLC (“Parallax”), John P. Bott, II (“Bott”), and F. Robert Falkenberg (“Falkenberg”) (together, “Respondents”). Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 Against All Respondents (“Order”), as set forth below.

Parallax, an investment adviser registered with the Commission from March 2010 to November 2012, willfully violated the principal transaction prohibitions and the custody and compliance rules under the Advisers Act. From at least 2009 through 2011 (“relevant period”), Parallax: engaged in at least 2,000 securities transactions with advisory clients on a principal basis through a commonly-controlled affiliated broker-dealer, without providing prior written disclosure to, or obtaining consent from, the clients on a transaction by transaction basis; failed timely to provide pooled investment vehicle investors with audited financial statements as required by the Advisers Act custody rule; failed to adopt, implement, and annually review written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder; and failed to establish, maintain, and enforce a written code of ethics that met applicable regulatory requirements. (For additional information please go to the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)). See Part 2A, Item 9 Disciplinary Items for more information.

## OTHER BUSINESS ACTIVITIES

Mr. Bott is a registered representative of Calton & Associates, Inc. and an insurance agent with the state of Texas. He spends approximately 50% of his time on the broker/dealer and insurance business.

Mr. Bott is also a landlord and owner of rental properties as well as real estate resale. He is on the advisory board of Kodiak Gas Services.

### **ADDITIONAL COMPENSATION**

Mr. Bott does not receive any economic benefit from a non-client for providing advisory services.

### **SUPERVISION**

The co-portfolio managers work in concert, and the portfolios are reviewed by Kelly Durham, the Chief Compliance Officer, in terms of the investment objective. Kelly can be reached at 713-735-9217.