

## Strategic Balance, LLC

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April 25, 2014

This brochure provides information about the qualifications and business practices of Strategic Balance, LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Strategic Balance, LLC is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment advisor provide you with information you need to determine whether to hire or retain the advisor.

Additional information about Strategic Balance, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Strategic Balance, LLC

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Our previous annual update was dated February 4, 2014. Following is a summary of the material changes made to Part 2 since that amendment.

**Item 4:** We have \$13.1 million in discretionary assets under management as of April 24, 2014.

Please contact us at (804) 673-0893 or by e-mail at [scott@strategicbalancelc.com](mailto:scott@strategicbalancelc.com) if you would like a copy of our updated Part 2. Additional information about us is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 3

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## **ITEM 4: ADVISORY BUSINESS**

### Who we are

Strategic Balance, LLC (referred to as “we,” “our,” “us,” or “Strategic”) has been registered as an investment advisor since April, 2003. Our Principals are Scott Brown, Chief Investment Officer/Managing Member and Robert Brown, II, Director of Business Development and Investor Relations.

### Services we offer

We serve as the general partner and investment advisor to Strategic Balance Partners, L.P. (the “Fund”), a pooled investment vehicle. Our investments are tailored to comply with the investment guidelines disclosed in the offering materials for the Fund. Each potential investor in the Fund receives a complete set of offering materials prior to investing in the Fund.

### Assets under management

We have \$13.1 million in discretionary assets under management as of April 24, 2014. We do not manage assets on a non-discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

We receive both an asset-based fee and an incentive allocation for managing the Fund. The asset-based fee is 1% per year, billed quarterly in advance, based on the value of the Fund as of first day of the calendar quarter. For investors who do not meet the requirements to pay an incentive allocation, we charge an asset-based fee of 1.5%, with no incentive allocation. This asset-based fee will be billed on the same schedule as disclosed above.

For qualifying investors, we receive an incentive allocation of 10% of the realized and unrealized profits, subject to a high-water mark. The incentive allocation is calculated as of December 31st each year. All incentive allocations will be made in a manner that complies with Rule 205-3 of the Investment Advisers Act of 1940, as amended from time to time.

Incentive allocation arrangements could create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of the arrangement. In some circumstances, we may receive increased compensation as a result of unrealized appreciation as well as realized gains.

These fees may be reduced by agreement in limited circumstances.

Investors in the Fund are required to invest for a period of one year before making any withdrawals. After one year, investors may make withdrawals as of the last day of any calendar quarter by giving us 45 days written notice.

Because investors may only make withdrawals from the Fund as of the last day of a quarter, no refund of management fees is provided when withdrawals are made.

## Other Costs Involved

In addition to our advisory fees shown above, the Fund pays certain expenses associated with its investments. These fees include:

- management fees for ETFs and mutual funds. These are fees charged by the managers of the ETF or mutual fund and are a portion of the expenses of the ETF or mutual fund.
- brokerage costs and transaction fees for any securities or fixed income trades. These are generally charged by the Fund's custodian and/or executing broker.
- accounting and administrative expenses, and other operating expenses.

Additional information about brokerage costs and services is provided in "Item 12: Brokerage Practices."

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

As discussed in Item 5, the Fund charges performance fees in the form of the incentive allocation. We do not provide investment advice outside of the Fund.

## **ITEM 7: TYPES OF CLIENTS**

We provide investment advice solely to the Fund, which is a pooled investment vehicle. Investors are required to invest a minimum of \$500,000 with the Fund, however, we may waive this minimum in our sole discretion.

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

### Investment Strategy

The Fund invests primarily in publicly-traded equities based on fundamental analysis, market conditions and other quantitative and qualitative factors. The Fund also uses short positions as a hedge in an effort to make the Fund's returns less correlated with those of the overall equity market. The General Partner may purchase securities on margin and use other forms of leverage, and the Fund may invest in income-oriented or fixed income asset classes.

### Risk of Loss

**General Economic and Market Conditions.** The success of an investment in the Fund may be affected by general economic and market conditions such as: interest rates, availability of credit, inflation rates, economic uncertainty, changes in foreign and domestic laws, and national and international political circumstances.

**Changes in Investment Strategies.** The Fund allows broad discretion to expand, revise or contract the Fund's business without the consent of the Limited Partners. Thus, the Fund's investment strategies may be altered without prior approval by, or notice to, you.

**Small- and Medium-Capitalization Stocks.** The Fund may invest in stocks of companies with smaller market capitalizations. Stocks of such companies may be more volatile in price and have lower trading volumes than larger capitalized companies, which may result in higher transactional costs.

**Fixed-Income Securities Risks.** Fixed-income securities are susceptible to various risks. The most commonly anticipated risks are interest-rate risk, credit risk, call risk, and liquidity risk.

**Use of Leverage.** The use of leverage allows the Fund to trade securities having a substantial value for a comparatively small amount of money and therefore can increase the possibility of profit and the risk of loss. A relatively small change in the market price of the security can produce a disproportionately large profit or loss, and it is therefore possible for the Fund to gain or lose substantially more than the initial margin on a trade.

**Short Selling.** The Fund sells securities short as a regular part of its investing and trading activities. In a short sale, the Fund sells securities it does not own in the hope that the market price of such security will decline and that the Fund will be able to subsequently buy replacement securities at a lower price. Because the Fund must eventually deliver the security, a short sale theoretically involves the risk of unlimited loss because the price at which the Fund must buy the security could increase without limit. Short sales can, in some circumstances, substantially increase the impact of adverse price movements on the Fund's portfolio.

**Hedging Risks, Generally.** Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit.

**Risks of Derivatives.** The Fund may trade and invest in a variety of derivative instruments. Derivatives, such as options, are financial instruments or arrangements in which risk and return are related to changes in the value of other assets (such as stocks or currencies), reference rates or indices. A change in the market price of the underlying asset or index will cause a much greater change in the price of the derivative contract.

**Portfolio Turnover.** The Fund's investment and trading strategies may involve a high level of trading, and the turnover of its portfolio may generate substantial transaction costs.

**Tax Liability Without Distributions.** Partners will be liable to pay taxes on their allocable shares of the Fund's taxable income. However, the General Partner does not intend to make significant distributions to the Limited Partners corresponding to profits, but instead intends to reinvest substantially all of the Fund's income and gains for the foreseeable future.

All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment advisor and each investment advisor representative providing investment advice to you. We have no information of this type to report.

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

As a registered investment advisor, we are required to disclose when we, or any of our principals, have any other financial industry affiliations. Robert Brown is the owner of Encore Partners, a firm that advises financial advisors on marketing and practice management issues, and spends approximately 50% of his time engaged in these activities.

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

### Code of Ethics

We have adopted a Code of Ethics, which describes unacceptable conduct by Strategic and our associated persons. Associated persons include officers, directors, employees and independent contractors that have access to client information. Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using non public information gathered when providing services to you for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us if you would like to receive a full copy of this Code of Ethics.

### Personal Trading for Associated Persons

Strategic and its associated persons may trade in the same securities traded for the Fund. They may also buy or sell securities for their own accounts, based on personal investment considerations, that they do not consider appropriate to buy or sell for the Fund.

It is our policy that neither Strategic nor our employees or other associated persons are to benefit from price movements that may be caused by transactions in the Fund account. Trading by Strategic, our employees or other associated persons for our own accounts may be restricted in recognition of impending investment decisions on behalf of the Fund and other factors. We maintain “blackout” periods during which Strategic, our employees or other associated persons may not:

- buy securities for their own account in advance of a purchase of the same or related security by any client account;
- sell securities for their own account in advance of a sale of the same or a related security by any client account;
- sell securities for their own account after a purchase of the same or a related security by any client account; or
- buy securities for their own account after a sale of the same or a related security by any client account.

In addition, employees may not buy or sell a security in their own accounts on any day when there is pending for the Fund a buy or sell order in the same security until the Fund's order is executed or withdrawn. Investment-level employees may not buy and sell (or sell and buy) securities within 5 days if, at any time during that period the Fund owns the security or we has information relating to potential Fund transactions. Certain securities that are not related to our investment style or as to which Strategic's investment activities would not be expected to affect market prices are excluded from these restrictions.

All employees are required to report all personal securities transactions to us quarterly.

We are the general partner of, and investment advisor to, the Fund. We do not expect to be engaged to advise investors as to the appropriateness of investing in the Fund, and we will not receive any compensation for doing so, or for selling interests in the Fund.

## **ITEM 12: BROKERAGE PRACTICES**

### **Selection of Brokers**

In selecting brokers to execute portfolio transactions for the Fund, we make a good faith judgment as to which broker would be appropriate. The primary elements related to our choice of brokers are cost and execution capability.

When we select the broker/dealer for a transaction, we may cause the Fund to pay a higher commission for effecting a transaction than another broker/dealer would have charged for effecting that transaction. We do this if we determine in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and any other services provided by the broker-dealer. The determination is viewed in terms of either the particular transaction or our overall responsibilities with respect to the Fund.

### **Soft Dollars**

#### **General Information**

The Fund's organizational documents allow the General Partner to use the Fund's soft dollars to acquire a wide range of services and products. We generally do not accept soft dollar benefits, and we do not accept client referrals in exchange for brokerage services. We have a fiduciary duty to our clients to obtain best execution, on an overall basis, for any securities transactions. When determining whether we have obtained best execution, we rely on the safe harbor described Section 28(e) of the Securities Exchange Act of 1934 and related SEC discussion of soft dollar practices.

#### **Prime Brokerage**

We obtain certain services for the Fund, including such services as custodial, recordkeeping, clearing and related services, through what is known as a "prime brokerage" relationship. Under this relationship, a single brokerage firm that we generally select provides the following services:

- maintains custody of the Fund's assets (either directly or through clearing firms),
- provides margin credit,
- locates securities to borrow to facilitate short sales,
- provides related services, but allows the Fund to use other brokers to execute transactions,

- arranges for the delivery of securities bought, sold, borrowed and lent,
- makes and receives payments for securities,
- provides trading software and support, and
- provides trading, portfolio and related reports.

This relationship allows us to access research and to compare execution quality and commission rates, while maintaining only one custodial relationship. By using a brokerage firm, we also may avoid paying custodial fees that banks charge other institutional investors. The prime broker receives interest on credit balances, margin borrowings, stock loans and brokerage commissions as compensation.

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

Scott E. Brown, the Chief Investment Officer, monitors the fund routinely to assess the performance of individual investments within the fund as well as the volatility of the overall fund.

On a monthly basis investors receive capital account statements and a letter that contains an update of performance and market issues. On an annual basis investors receive audited financial statements for the fund.

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

We do not compensate third parties for client referrals.

### **ITEM 15: CUSTODY**

As the general partner for the Fund, we have custody of the Fund's assets. We have implemented the following procedures for the Fund:

- We have retained a third party which receives detailed information for each requested withdrawal from the Fund. Withdrawals include, but are not limited to, expenses, advisory fees, and investor withdrawals. The third party reviews all withdrawal requests and directs the custodian to process the withdrawals.
- We distribute audited financial statements, prepared in accordance with generally accepted accounting principles, to all beneficial owners of the Fund within 120 days of fiscal year end.
- We send a monthly statement to each investor in the Fund which lists the investor's capital account balance in the Fund.
- We send investors a quarterly report showing total additions to, withdrawals from, and opening and closing values for the Fund as a whole and for the individual investor.
- Investors receive a quarterly report that lists the long and short positions on the closing date of the report in accordance with Financial Accounting Standards Board rule Accounting Standards Codification (ASC) 946-210-50, including disclosure of individual long and short positions representing more than 5.0% of the Fund's net assets.

- As related to the deduction of advisory fees, our only account is the Fund described above.

## **ITEM 16: INVESTMENT DISCRETION**

We manage the Fund on a discretionary basis and do not allow for any limitations to be placed on our investment authority. Our investment philosophy is summarized above, and more completely described in the offering materials for the Fund.

## **ITEM 17: VOTING CLIENT SECURITIES**

We vote all proxies that, in our reasonable judgment alone, we determine affect the value of the Fund. In so doing, we generally cast proxy votes in favor of proposals that increase shareholder value and generally cast against proposals having the opposite effect. You may not provide direction regarding any particular proxy solicitation.

## **ITEM 18: FINANCIAL INFORMATION**

We do not charge or solicit pre-payment of more than \$500 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.

## **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

### **Principal Executive Officers and Management Persons**

Our principal executive officers are Scott Brown and Robert Brown, II. Additional information regarding the education and business background of these individuals is provided on their respective Part 2B.

**BROCHURE SUPPLEMENT**  
**ITEM 1: COVER SHEET**

**Scott E. Brown**

**Strategic Balance, LLC**

6800 Paragon Place, Suite 201

Richmond VA 23230

(804) 673-0893

April 25, 2014

This Brochure Supplement provides information about Scott E. Brown that supplements the Strategic Balance, LLC Brochure. You should have received a copy of that Brochure. Please contact Scott Brown, Managing Member at (804) 673-0894 or [scott@strategicbalancelc.com](mailto:scott@strategicbalancelc.com) if you did not receive Strategic Balance, LLC's Brochure or if you have any questions about the content of this supplement.

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

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**ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

Scott E. Brown was born in 1965. He received a BS in Commerce from the University of Virginia in 1988.

**Employment Background**

Employment Dates: 4/2003 - Present  
Firm Name: Strategic Balance, LLC  
Type of Business: Investment Advisor  
Job Title & Duties: Chief Investment Officer

**Professional Designations**

Chartered Financial Analyst (CFA) - 1994

The CFA Charterholder designation is issued by the CFA Institute. In order to receive this designation, a candidate must have either: 1) an undergraduate degree and 4 years of professional experience involving investment decision-making, or 2) 4 years qualified work experience (full time, but not necessarily investment related). Each candidate must complete a self-study program of 250 hours of study for each of the 3 levels. Once a candidate passes each of the three 6-hour exams and meets the appropriate

experience requirements the CFA charterholder designation may be used. There are no continuing education requirements.

### **ITEM 3: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. There is no information of this type to report.

### **ITEM 4: OTHER BUSINESS ACTIVITIES**

Mr. Brown is not involved in any other business activities.

### **ITEM 5: ADDITIONAL COMPENSATION**

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

### **ITEM 6: SUPERVISION**

Scott Brown, Managing Member, is responsible for the supervision of all investment personnel. His telephone number is (804) 673-0893.

### **ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

Investment advisors who are registered with a state regulatory agency rather than the SEC are required to provide information about a wider range of disciplinary information than that described above. Mr. Brown has not filed for personal bankruptcy and no disciplinary information to report.

**BROCHURE SUPPLEMENT**  
**ITEM 1: COVER SHEET**

**Robert L. Brown II**

**Strategic Balance, LLC**

6800 Paragon Place, Suite 201

Richmond, VA 23230

(757) 564-7226

April 25, 2014

This Brochure Supplement provides information about Robert L. Brown II that supplements the Strategic Balance, LLC Brochure. You should have received a copy of that Brochure. Please contact Scott E. Brown, Chief Investment Officer at (804) 673-0893 or [scott@strategicbalancelc.com](mailto:scott@strategicbalancelc.com) if you did not receive Strategic Balance, LLC's Brochure or if you have any questions about the content of this supplement.

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

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**ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

Robert L. Brown II was born in 1961. He received a BS in Economics and Business from Randolph-Macon College in 1983.

**Employment Background**

Employment Dates: 5/2012 - Present  
Firm Name: Strategic Balance, LLC  
Type of Business: Investment Advisor  
Job Title & Duties: Director of Business Development and Investor Relations

Employment Dates: 11/2011 - Present  
Firm Name: Encore Partners  
Type of Business: Consulting  
Job Title & Duties: Owner/Consultant

### **Employment Background (continued)**

Employment Dates: 6/2011 - 11/2011

Firm Name: ING Financial Partners, Inc.

Type of Business: Investment Advisor and Broker-Dealer

Job Title & Duties: Chief Operating Officer

Employment Dates: 6/2009 - 6/2011

Firm Name: Self-Employed

Type of Business: Consulting

Job Title & Duties: Consulted with financial advisors and their firms on business development topics

Employment Dates: 7/1998 - 6/2009

Firm Name: Scott & Stringfellow, Inc.

Type of Business: Investment Advisor and Broker-Dealer

Job Title & Duties: Managing Director, Investments

### **ITEM 3: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. There is no information of this type to report.

### **ITEM 4: OTHER BUSINESS ACTIVITIES**

Robert Brown is the owner of Encore Partners, a firm that advises financial advisors on marketing and practice management issues, and spends approximately 50% of his time engaged in these activities.

### **ITEM 5: ADDITIONAL COMPENSATION**

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

### **ITEM 6: SUPERVISION**

Scott E. Brown, Chief Investment Officer, is responsible for the supervision of all investment personnel. His telephone number is (804) 673-0893.

### **ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

Investment advisors who are registered with a state regulatory agency rather than the SEC are required to provide information about a wider range of disciplinary information than that described above. Mr. Brown has not filed for personal bankruptcy and has no disciplinary information to report.