

# Avalan, LLC

## Form CRS Relationship Summary (06/2020)

There are different ways you can get help with your investments. You should carefully consider which types of accounts and services are right for you. *Free and simple tools are available to research firms and financial professionals at [www.Investor.gov/CRS](http://www.Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.*

*We are an investment adviser registered with the Securities and Exchange Commission that offers advisory accounts and services rather than brokerage accounts and services. This document gives you a summary of the types of services we provide and how you pay. Please ask us for more information. There are some suggested questions to ask us at the end of each section.*

### RELATIONSHIPS AND SERVICES

#### WHAT INVESTMENT SERVICES AND ADVICE CAN YOU PROVIDE TO ME?

We offer asset management, financial planning and automated portfolio management services to retail investors.

##### **Asset Management Services**

- We will provide you advice on a regular basis. We will discuss your investment goals and help you design a strategy to achieve your investment goals.
- We will regularly monitor your account.
- You can choose an account that allows us to buy and sell investments in your account without asking you in advance (a “discretionary account”) or we may give you advice and you decide what investments to buy and sell (a “non-discretionary account”). If you choose a non-discretionary account, you will make the ultimate decision to buy or sell an investment.
- We will review your account at least quarterly and contact you by phone or email at least annually to discuss your portfolio.
- We have no minimum investment amount to obtain our asset management services, but we do have a minimum annual management fee of \$10,000, which may be lower for some long-term clients of Avalan and may also be reduced on a case by case basis.

##### **Financial Planning Services**

- We offer financial planning services that involve preparing a financial plan for you based on information and documentation you provide to us including your financial objectives, risk tolerance, financial resources, family situation, and future financial goals. The plan will include general recommendations for a course of activity or specific actions for you to take. You decide to implement any recommendations.
- Once we deliver your financial plan, we do not monitor your financial situation on an ongoing basis. You must contact us if you have any significant changes in your financial situation and we will update your plan upon your request.

##### **Automated Portfolio Management Services**

- We offer portfolio management services using an automated investment platform. We will build a diversified portfolio of exchange-traded funds (ETFs) based on your investment goals and monitor your portfolio on an ongoing basis.
- Based on the information you provide to us, we will recommend a portfolio via the automated system. You may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio; however, we will make the final decision and select a portfolio based on all the information that you have provided. We will then manage your portfolio on an ongoing basis through automatic rebalancing.
- We review your portfolio no less than quarterly and will reach out to you via email at least annually to discuss your portfolio.
- Our investment advice will cover a limited selection of investments. Other firms could provide advice on a wider range of choices, some of which might have lower costs.
- We require that you invest at least \$100 to obtain our automated portfolio management services.

Our investment advice will cover a limited selection of investments. Other firms could provide advice on a wider range of choices, some of which might have lower costs.

**FOR ADDITIONAL INFORMATION**, please see our Form ADV Part 2A at <https://adviserinfo.sec.gov/> brochure Items 4, 7, and 13.

### **QUESTIONS TO ASK US:**

- ▶ *Given my financial situation, should I choose an investment advisory service? Why or why not?*
- ▶ *How will you choose investments to recommend to me?*
- ▶ *What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?*

## **FEES, COSTS, CONFLICTS, AND STANDARD OF CONDUCT**

### **WHAT FEES WILL I PAY?**

Fees and costs affect the value of your account over time. The following summarizes the fees and costs you will pay for our advisory services.

#### **Asset Management and Automated Portfolio Management Fees**

- The amount you pay to our firm and your financial professional generally does not vary based on the type of investments we select on your behalf. The asset-based fee reduces the value of your account and will be deducted directly from your account.
- Our fees vary and are negotiable. The amount you pay will depend, for example, on the services you receive and the dollar value of assets in your account.
- For **asset management accounts** you will sometimes pay a transaction fee when we buy and sell an investment for you. This fee is paid to the custodian.
- You may also pay fees to a broker-dealer or bank that will hold your assets such as custodian fees and account maintenance fees.
- For **automated portfolio accounts**, you do not pay a transaction fee when we buy and sell an investment for you or a custody fee to the broker-dealer that holds your assets. However, the broker-dealer earns other revenue in connection with the automated investment program such as the profit earned when your cash is swept into a bank account at an affiliated entity.
- Some investments (such as mutual funds and variable annuities) impose additional fees that will reduce the value of your investment over time.
- The more assets you have in the advisory account, including cash, the more you will pay us. Therefore, we have an incentive to increase the assets in your account to increase our fees. You pay our fee quarterly even if you do not buy or sell.
- An asset-based fee may cost more than a transaction-based fee, but you may prefer an asset-based fee if you want continuing advice or want someone to make investment decisions for you.

#### **Financial Planning Fees**

- We generally charge a fixed fee whereby one-half of the fee is collected at the time the agreement is signed and the second half at the completion of the plan. Our fees vary and are negotiable. The amount you pay will depend on the complexity of your situation and your needs.

*You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.*

### **WHAT ARE YOUR LEGAL OBLIGATIONS TO ME WHEN ACTING AS MY INVESTMENT ADVISER? HOW ELSE DOES YOUR FIRM MAKE MONEY AND WHAT CONFLICTS OF INTEREST DO YOU HAVE?**

We are held to a fiduciary standard that covers our entire investment advisory relationship with you including monitoring your portfolio, investment strategy, and investments on an ongoing basis, among other requirements.

*When we act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means.*

- We can make extra money if you act on our financial planning recommendations and you choose to open an advisory account through us.

- We retain a third-party vendor that misuses or fails to protect your confidential information.
- We charge clients different fees for the same investment strategy.

### **HOW DO YOUR FINANCIAL PROFESSIONALS MAKE MONEY?**

- We may compensate our financial professionals with a salary and bonuses based on their added value to the firm. We may also compensate them based on the amount of client assets they service. Therefore, it is possible that the more assets you have in the advisory account, including cash, the more you will pay us and the more your financial professional will earn. Therefore, your financial professional has an incentive to increase the assets in your account to increase the amount he or she earns (i.e., recommending that you rollover your retirement plan account or transfer assets to our firm).
- Avalan, LLC and its principals, Rich Schuette and Kathryn Courain, do hold California Life Insurance licenses. At times there may be a need for life insurance based on a client's goals. Avalan, LLC may receive compensation in the form of insurance commissions if you choose to purchase such products.
- Your financial professional can earn very small, non-cash benefits from certain product sponsors such as software or marketing support. Therefore, your financial professional has an incentive to invest in those products whose sponsors provide the non-cash benefits.

**FOR ADDITIONAL INFORMATION**, please see our Form ADV Part 2A at <https://adviserinfo.sec.gov/> brochure Items 4, 5, and 10 and any brochure supplement your financial professional provides.

#### **QUESTIONS TO ASK US:**

- ▶ Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?
- ▶ How might your conflicts of interest affect me, and how will you address them?

### **DISCIPLINARY HISTORY**

#### **DO YOU OR YOUR FINANCIAL PROFESSIONALS HAVE A LEGAL OR DISCIPLINARY HISTORY?**

**NO.** Please visit [www.Investor.gov/CRS](http://www.Investor.gov/CRS) for a free search tool to research us and our financial professionals.

#### **QUESTIONS TO ASK US:**

- ▶ *Do you or your financial professionals have a disciplinary history? For what type of conduct?*

### **ADDITIONAL INFORMATION**

#### **HOW DO I GET ADDITIONAL INFORMATION ABOUT YOUR FIRM AND SERVICES?**

**FOR ADDITIONAL INFORMATION ABOUT OUR SERVICES**, see our Form ADV brochure on [www.Investor.gov/CRD](http://www.Investor.gov/CRD), [www.adviserinfo.sec.gov/IAPD](http://www.adviserinfo.sec.gov/IAPD), and any brochure supplement your financial professional provides.

Call us at 805-962-7725 to request up-to-date information and request a copy of the relationship summary.

#### **QUESTIONS TO ASK US:**

- ▶ Who is my primary contact person?
- ▶ Is he or she a representative of an investment adviser or a broker-dealer?
- ▶ Who can I talk to if I have concerns about how this person is treating me?

**ITEM 1. COVER PAGE FOR  
PART 2A OF FORM ADV:  
FIRM BROCHURE**

**AVALAN, LLC  
233 E CARILLO, SUITE B  
SANTA BARBARA, CA 93101**

**FIRM CONTACT: RICHARD SCHUETTE, CHIEF COMPLIANCE OFFICER**

**FIRM WEBSITE ADDRESS: WWW.AVALANWEALTH.COM**

**This brochure provides information about the qualifications and business practices of Avalan, LLC. If you have any questions about the contents of this brochure, please contact by telephone at (805) 962-7725 or email at rich@avalanwealth.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 Avalan, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that the use of the term “registered investment adviser” and description of Avalan, LLC and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.**

March, 2020

**ITEM 2. MATERIAL CHANGES TO OUR PART 2A OF FORM ADV:**

**FIRM BROCHURE**

**Avalan, LLC** is required to advise you of any material changes to our Firm Brochure (“Brochure”) from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Avalan has no material changes since the last ADV update.

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#### **Item 4. Advisory Business**

We are a federally registered investment advisor specializing in the following types of services: asset management, financial planning and consulting, referrals to independent money managers. Our total assets under management as of December 31, 2019 are approximately \$210,391,000 on a discretionary basis, and \$23,342,000 on a non-discretionary basis.

#### **Description of our advisory firm, including how long we have been in business and our principal owner(s).**

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed in the State of California. Our firm has been in business as a registered investment adviser since 2011 and is owned as follows:

Richard Schuette – 88.9% Owner

Kathryn Courain – 11.1% Owner

#### **A. Description of the types of advisory services we offer.**

##### **(i) Asset Management:**

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds (“ETFs”), options, mutual funds and other public and private securities or investments. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client’s individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

We may utilize Independent Money Managers, where we may design an investment portfolio and provide ongoing corresponding asset management services on a fee-only basis for a percentage of assets in conjunction with another investment advisory firm. Before selecting other advisers, we make sure that the other advisers are properly licensed or registered.

We offer an automated program that is an online investment platform to assist clients in meeting their savings and retirement goals. The online investment platform will provide the following:

1. Risk assessment for client to determine appropriate investment model for their goal(s).
2. Portfolio rebalancing at least quarterly.
3. Online planning tools for savings and retirement goals.
4. Access to a financial advisor at Avalan for up to one hour per year.

(ii) Financial Planning and Consulting:

We provide a variety of financial planning and consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

In accordance with CCR Section 260.235.2 we are required to furnish a written statement to our financial planning clients when a conflict of interest exists between our interests and the interests of our client. In accordance with the aforementioned Section, we disclose that:

- (a) a conflict exists between our interests and the interests of our client,
- (b) our client is under no obligation to act upon our recommendation, and
- (c) if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through our firm.



We hereby disclose that all material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding our firm, our representatives or any of our employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

B. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients, whether clients may impose restrictions on investing in certain securities or types of securities.

(i) Individual Tailoring of Advice to Clients:

We offer individualized investment advice to clients utilizing the following services offered by our firm: Asset Management. Additionally, we offer general investment advice to clients utilizing the following services offered by our firm: Financial Planning and Consulting and Portfolio Monitoring.

(ii) Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities:

We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. In the rare instance that we would allow restrictions, it would be limited to the following services: Asset Management. We do not manage assets through our other services.

C. Participation in wrap fee programs.

We do not offer wrap fee programs.

## **Item 5. Fees and Compensation**

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally not negotiable. In accordance with CCR Section 260.238(j), our firm hereby discloses that lower fees for comparable services may be available from other sources.

A. Description of how we are compensated for our advisory services provided to you.

**Asset Management:**

Our maximum annual fee will not exceed 2.0% of Assets under Management. However, for new clients as of January 1, 2020, a minimum annual management fee of \$10,000 will be assessed regardless of the account balance. Fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. The minimum annual fee may be lower for some clients that have been long-term clients of Avalan. Avalan can waive minimum fees on a case by case basis. Please read the advisory contract for more details.

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Additionally, we do have certain clients that are billed on a pro-rata annualized basis quarterly in arrears based on the value of the account on the last day of the previous quarter.

We do participate in solicitation arrangements with third-party money managers. Avalan does receive a portion of the management fee for referring business.

#### Online Platform

Client shall pay Avalan an annual fee of 50 - 100 basis points or .50% - 1.0% (Prorated Monthly and billed in arrears) per account with no minimum fee for the services outlined in section 4. Please read the advisory contract for more details.

#### Financial Planning and Consulting:

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees range from \$250 to \$500. Our flat fees will range from \$500-\$10,000 but may be higher in certain circumstances based on complexity and resources used for a plan. All fees will be outlined in the contract for financial planning and/or consulting services.

#### Business Services

We do have business services that include retirement, financial and other services available that can be bundled and are normally based on a flat fee. Please see our contract for more information about this type of pricing.

#### B. Description of whether we deduct fees from *clients'* assets or bill *clients* for fees incurred.

##### **Asset Management:**

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Additionally, we do have clients with legacy billing arrangements that are billed in arrears based on the value of the account on the last day of the previous quarter.

Fees will generally be automatically deducted from your managed account\*. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;

- b) You provide authorization permitting us to be directly paid by these terms;
- c) If we send a copy of our invoice to you, we send a copy of our invoice to the independent custodian at the same time we send the invoice to you;
- d) If we send a copy of our invoice to you, our invoice includes a legend as required by relevant state statutes and rules.\*\*

\*In rare cases, we will agree to directly bill clients.

\*\*The legend urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.

(ii) Financial Planning and Consulting:

A deposit of 50% of the estimated fee is due upon engaging Avalan. The remaining 50% of the financial planning or consulting fee is due and payable upon delivery.

C. Description of any other types of fees or expenses *clients* may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Our clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

D. Client's advisory fees are due quarterly in advance.

We charge some advisory fees quarterly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

E. Client's advisory fees are due quarterly in arrears.

We charge some advisory fees quarterly in arrears. In the event that you wish to terminate our services, you will be billed for the pro-rated portion that the firm has earned for the quarter. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will process the pro-rated fee and collect it prior to processing the closing of your account.

F. Client's advisory fees are due monthly in arrears.

We charge some advisory fees monthly in arrears. In the event that you wish to terminate our

services, you will be billed for the pro-rated portion that the firm has earned for the month. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will process the pro-rated fee and collect it prior to processing the closing of your account.

### **Item 6. Performance-Based Fees and Side-By-Side Management**

We do not charge performance fees to our clients.

### **Item 7. Types of Clients and Account Requirements**

We have the following types of clients:

- Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations, limited liability companies and/or other business types

### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

#### A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

##### Methods of Analysis:

- Fundamental;
- Technical;
- Cyclical.

##### Investment Strategies we use:

- Long term purchases (securities held at least a year);
- Short term purchases (securities sold within a year);
- Trading (securities sold within 30 days);
- Short sales;
- Margin transactions;
- Option writing, including covered options, uncovered options or spreading strategies.

#### **Please note:**

Investing in securities involves risk of loss that *clients* should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the

stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

- B. Our practices regarding cash balances in *client* accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management service, as applicable.

### **Item 9. Disciplinary Information**

Mr. Jon W. Courtney, Jr. has 2 customer disputes that are pending. To learn more you can visit <http://brokercheck.finra.org/>

### **Item 10. Other Financial Industry Activities and Affiliations**

- A. Some advisors may be a licensed life and/or health and/or disability agents. As an agent, they may offer various insurance products. Commissions may be earned if the insurance products are purchased through our firm. Our clients are under no obligation to purchase insurance products recommended or offered by our firm.

Clients are under no obligation to purchase or sell insurance products through our firm. However, if our clients choose to implement the plan, commissions may be earned in addition to any fees paid for advisory services. Advisors may have a conflict of interest in having our firm's clients purchase products and services through them as they may earn a higher compensation.

- D. If we recommend or select other investment advisers for our *clients* and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

Please see Item 4A (i) of this Brochure. Prior to referring clients to Independent Money Managers, we will ensure that third party advisors are licensed or notice filed with the Department of Corporations.

### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. We recognize that the personal investment transactions of members and employees of our

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

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>2</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

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

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<sup>2</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

B. If our firm or a *related person* invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a *related person* recommends to *clients*, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A of this Brochure.

C. If our firm or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for our firm's (or the *related person's* own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this Brochure.

## **Item 12. Brokerage Practices**

A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

1. Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Our firm has an arrangement with Fidelity Brokerage Services LLC (“Fidelity”) which provides our firm with Fidelity’s “platform” services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients but that may benefit our firm.

Our firm has a relationship with the Schwab Institutional® division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Although the firm may recommend that clients establish accounts at Schwab, it is the client’s decision to custody assets with Schwab. The firm is independently owned and operated and not affiliated with Schwab.

Our firm has a relationship with Trust Company of America (TCA), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Although the firm may recommend that clients establish accounts at TCA, it is the client’s decision to custody assets with TCA. The firm is independently owned and operated and not affiliated with TCA.

Our firm has an arrangement with MTG, LLC dba Betterment Securities, a registered broker-dealer and member of the SIPC, as a qualified custodian. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients but that may benefit our firm.

For our clients’ accounts that Betterment Securities maintains, Betterment Securities does not charge you separately for custody/brokerage services, but is compensated as part of the Betterment for Advisors (defined below) platform fee, which is charged for a suite of platform services, including custody, brokerage, and sub-advisory services provided by Betterment and access to the Betterment for Advisors platform. The platform fee is an asset-based fee charged as a percentage of assets in your Betterment account. Clients utilizing the Betterment for Advisors platform may pay a higher aggregate fee than if the investment management, brokerage and other platform

services are purchased separately. Nonetheless, for those Clients participating in the Betterment for Advisors platform, 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”).

Advisor participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (“TD Ameritrade”) member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

Firm may recommend one of these providers, or another independent, unaffiliated firm of its choice. Any firm chosen will be a member FINRA/SIPC. It may be the case that the recommended broker charges higher fees or commission rates than another broker charges. Clients may utilize the broker/dealer of their choice and have no obligation to purchase or sell securities through such broker as firm recommends.

- a. Explanation of when we use *client* brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.

As part of the arrangement described in Item 12A1, Fidelity also makes certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by Fidelity to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Fidelity to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab Institutional also makes available to Firm other products and services that benefit Firm 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 Firm's accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist firm in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of firm's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help firm manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) 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 firm. 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 firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of firm personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, firm 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.

Firm participates in TD Ameritrade's institutional customer program and firm may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between firm's participation in the program and the investment advice it gives to its Clients, although firm receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Firm participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have firm fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by firm's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit firm but may not benefit its Client accounts. These products or services may assist Firm in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Firm manage and further develop its business enterprise. The benefits received by firm or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary

duties to clients, firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by firm or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the firm's choice of TD Ameritrade for custody and brokerage services.

The research products and services that firm may receive from another brokerage firms may include financial publications, information about particular companies and industries, and other products or services that provide lawful and appropriate assistance to the Firm in the performance of its investment decision-making responsibilities. Such research products and services are provided to all investment advisers who utilize their services, and are not considered to be paid for with soft dollars. However, the commissions charged by a particular broker for a particular transaction, or set of transactions, may be greater than the amounts another broker who did not provide research services or products might charge.

- b. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our *clients'* interest in receiving best execution.

As a result of receiving the services discussed in 12A(1)a of this Firm Brochure for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. Our firm examined this potential conflict of interest when we chose to enter into the relationships with various broker-dealers and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

Broker-dealers may charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). These broker-dealers enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. These commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by one broker-dealer may be higher or lower than those charged by others.

Firm has no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for such client's account. The client recognizes that it may not obtain rates as low as it might otherwise obtain if firm had discretion to select broker-dealers other than those chosen by the client. If firm believes, in its exclusive discretion, that it cannot satisfy its fiduciary duty of best execution by executing a transaction for a client account with a broker designated by the client, firm may execute that transaction with a different broker-dealer. Any client providing instructions to firm regarding direction of brokerage transactions must notify firm in writing if the client desires firm to cease executing transactions with or through any such broker-dealer.

Betterment Securities serves as broker-dealer to Betterment for Advisors, an investment and advice platform serving independent investment advisory firms like us ("Betterment

for Advisors”). Betterment for Advisors also makes available various support services which may not be available to Betterment’s retail customers. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Betterment for Advisors’ support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. Following is a more detailed description of Betterment for Advisors’ support services:

1. **SERVICES THAT BENEFIT YOU.** Betterment for Advisors includes access to a globally diversified, low-cost portfolio of ETFs, execution of securities transactions, and custody of client assets through Betterment Securities. In addition, a series of model portfolios created by third-party providers are also available on the platform. Betterment Securities’ services described in this paragraph generally benefit you and your account.

2. **SERVICES THAT MAY NOT DIRECTLY BENEFIT YOU.** Betterment for Advisors 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.
- Provide access to client account data (such as duplicate trade confirmations and account statements).
- Provide pricing and other market data.

3. **SERVICES THAT GENERALLY BENEFIT ONLY US.** By using Betterment for Advisors, we may be offered other services intended to help us manage and further develop our business enterprise. These services include:

- Consulting (including through webinars) on technology and business needs.
- Access to publications and conferences on practice management and business succession.

#### OUR INTEREST IN BETTERMENT SECURITIES’ SERVICES

The availability of these services from Betterment for Advisors benefits us because we do not have to produce or purchase them. In addition, we do not have to pay for Betterment Securities’ services. [These services may be contingent upon us committing a certain amount of business to Betterment Securities in assets in custody.] We may have an incentive to recommend that you maintain your account with Betterment Securities, based on our interest in receiving Betterment for Advisors 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 for Advisors and Betterment Securities’ services that benefit only us or that may not directly benefit you.

## BETTERMENT FOR ADVISORS' TRADING POLICY

When using the Betterment for Advisors platform, we and you are subject to the trading policies and procedures established by Betterment. These policies and procedures limit our ability to control, among other things, the timing of the execution of certain trades (including in response to withdrawals, deposits, or asset allocation changes) within your account. You should not expect that trading on Betterment is instant, and, accordingly, you should be aware that Betterment does not permit you or us to control the specific time during a day that securities are bought or sold in your account (i.e., to “time the market”). Betterment describes its trading policies in Betterment LLC’s Form ADV Part 2A. As detailed in that document, Betterment generally trades on the same business day as it receives instructions from you or us. However, transactions will be subject to processing delays in certain circumstances. In particular, orders initiated on non-business days and after markets close generally will not transact until the next business day. Betterment also maintains a general approach of not placing securities orders during approximately the first thirty minutes after the opening of any market session. Betterment also generally stops placing orders arising from allocation changes in existing portfolios approximately thirty minutes before the close of any market session. Betterment continues placing orders associated with deposit and withdrawal requests until market close. Betterment maintains a general approach of not placing orders around the time of scheduled Federal Reserve interest rate announcements. Furthermore, Betterment may delay or manage trading in response to market instability. For further information, please consult Betterment LLC’s Form ADV Part 2A.

- c. Causing *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying- up).

Our non-wrap fee program clients may pay a commission to broker-dealers that are higher than what another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

- d. Disclosure of whether we use soft dollar benefits to service all of our *clients*’ accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.

Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client’s account.

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are client assets, the firm could be considered to have a conflict of interest in allocating client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

The firm's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the firm will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

We receive a non-economic benefit from Betterment for Advisors 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 for Advisors' and Betterment Securities' products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

- 2) Brokerage for Client Referrals. If we consider, in selecting or recommending broker-dealers, whether our firm or a related person receives client referrals from a broker-dealer or third party, we are required to disclose this practice and discuss the conflicts of interest it create.

Our firm does not receive brokerage for client referrals.

### 3) Directed Brokerage.

- a. If we routinely recommend, request or require that a *client* directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their *clients* to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of *client* transactions, and that this practice may cost our *clients* more money.

In certain instances, clients may seek to limit or restrict our discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Any such client direction must be in writing (often through our advisory agreement), and may contain a representation from the client that the arrangement is permissible under its governing laws and documents, if this is relevant.

We provide appropriate disclosure in writing to clients who direct trades to particular brokers, that with respect to their directed trades, they will be treated as if they have retained the investment discretion that we otherwise would have in selecting broker to effect transactions and in negotiating commissions and that such direction may adversely affect our ability to obtain best price and execution. In addition, we will inform you in writing that your trade orders may not be aggregated with other clients' orders and that direction of brokerage may hinder best execution.

#### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

- b. If we permit a *client* to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost *clients* more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.

See Item 12A(3) of this Brochure.

### **Special Considerations for Sub-advisory Management Clients**

- a. We select brokers and dealers for any purchase or sale of assets of Client Accounts and are responsible for obtaining best execution for transactions. Consistent with this idea, we may, in the allocation of portfolio brokerage business and the payment of brokerage commissions, consider the brokerage and research services furnished the Sub-Adviser by brokers and dealers, in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended. Such research generally will be used to service all of our clients, but brokerage commissions paid by the Client Accounts may be used to pay for research that is not used in managing the Client Accounts.
  - b. Should a Client direct in writing that the Adviser or our firm use a particular broker or dealer, then such Client will negotiate terms and arrangements for their Account with that broker or dealer and we will not seek better execution services or prices from other broker-dealers. As a result, such Client Account may pay higher commissions or greater spreads, or receive less favorable net prices, on transactions for the Client Account than would otherwise be the case.
  - c. Adviser and our firm are not responsible or liable for the acts or omissions of any broker-dealer.
- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various *client* accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to *clients* of not bunching.

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

### **Item 13. Review of Accounts or Financial Plans**

- A. Review of *client* accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our *employees* who conduct the review.

We review accounts on at least a quarterly basis for our clients subscribing to our Asset Management service. Independent Money Management clients receive at least quarterly

reviews. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews.

Financial planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

B. Review of *client* accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

C. Description of the content and indication of the frequency of written or verbal regular reports we provide to *clients* regarding their accounts.

We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to the following services: Asset Management and Portfolio Monitoring and referral to Independent Money Managers.

As mentioned in Item 13A of this Brochure, financial planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

#### **Item 14. Client Referrals and Other Compensation**

A. If someone who is not a *client* provides an economic benefit to our firm for providing investment advice or other advisory services to our *clients*, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

As disclosed under Item 12 above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order



entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We pay referral fees to independent solicitors for the referral of their clients to our firm in accordance with relevant state statutes and rules. If we pay a fee, we provide the client all the required disclosure of the arrangement in writing. Additionally, the client will not pay our firm a higher fee if we do pay a referral or solicitation fee.

### **Item 15. Custody**

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct any of our clearing partners to deduct our advisory fees directly from your account.

Our clearing partners maintain actual custody of your assets. Your statements will be available for you to review via their websites or portals. Additionally, you will also receive account statements directly from our custodial partners at least quarterly via their website portal or directly mailed depending on availability and your choice on how to receive your statements. You should carefully review those statements promptly.

If we have custody of client funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) does not send account statements with respect to those funds or securities directly to our clients, we must disclose that we have custody and explain the risks that you will face because of this.

State Securities Bureaus or their equivalent generally take the position that any arrangement under which a registered investment adviser is authorized or permitted to withdraw client funds or securities maintained with a custodian upon the adviser's instruction to the custodian is deemed to have custody of client funds and securities.

As such, we have adopted the following safeguarding procedures:

- (1) Our clients client must provide us with written authorization permitting direct payment to us of our advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- (2) We must send a statement to our clients showing the amount of our fee, the value of your assets upon which our fee was based, and the specific manner in which our fee was calculated;
- (3) We must disclose to you that it is your responsibility to verify the accuracy of our fee calculation, and that the custodian will not determine whether the fee is properly calculated; and
- (4) Your account custodian must agree to send you a statement, at least quarterly, showing all disbursements from your account, including advisory fees.

If we have *custody of client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our *clients*, we are required to explain that you will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

#### **Item 16. Investment Discretion**

If we accept *discretionary authority* to manage securities accounts on behalf of *clients*, we are required to disclose this fact and describe any limitations our *clients* may place on our authority. The following procedures are followed before we assume this authority:

Our clients need to sign a discretionary investment advisory agreement with our firm for the management of their account. This type of agreement only applies to our Asset Management clients. We do not take or exercise discretion with respect to our other clients.

#### **Item 17. Voting Client Securities**

- A. If we have, or will accept, proxy authority to vote *client* securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

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

However, Independent Money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event an Independent Money manager votes

proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by an Independent Money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

### **Item 18. Financial Information**

The Adviser does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. The Adviser meets all net capital requirements that it is subject to and the Adviser has not been the subject of a bankruptcy petition in the last 10 years.

The Adviser is not required to provide a balance sheet as it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

### **Business Continuity Plan**

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

#### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

#### Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

#### Summary of Business Continuity Plan

A summary of the business continuity plan is available upon request to the Chief Compliance Officer of the Advisor.

### **Information Security Program**

#### Information Security

The Adviser maintains an information security program to reduce the risk that your personal and confidential information may be breached.

## Privacy Policy

Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is contained in your client advisory agreement and may be obtained by contacting the Compliance Officer of the Adviser.

The Adviser:

- a) Collects non-public personal information about its clients from the following sources:
  - Information received from clients on applications or other forms;
  - Information about clients' transactions with the Adviser, its affiliates and others;
  - Information received from our correspondent clearing broker with respect to client accounts;
  - Medical information submitted as part of an insurance application for a traditional life or variable life policy; and
  - Information received from service bureaus or other third parties.
  
- b) The Adviser will not share such information with any affiliated or nonaffiliated third party except:
  - When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
  - When required to maintain or service a customer account;
  - To resolve customer disputes or inquiries;
  - With persons acting in a fiduciary or representative capacity on behalf of the customer;
  - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;
  - In connection with a sale or merger of The Adviser's business;
  - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;
  - To comply with federal, state or local laws, rules and other applicable legal requirements;
  - In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;
  - In any circumstances with the customer's instruction or consent.

- c) Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.
  
- d) Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.