

**Item 1: Cover Page**

**Part 2A of Form ADV  
Firm Brochure**

March 12, 2015

**Providence Wealth Advisors, LLC**

SEC File No. 801-71352

20220 South LaGrange Road  
Frankfort, IL 60423

phone: 815-306-2020  
email: [cdalton@providencewealth.com](mailto:cdalton@providencewealth.com)  
website: [www.providencewealth.com](http://www.providencewealth.com)

This brochure provides information about the qualifications and business practices of Providence Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at [cdalton@providencewealth.com](mailto:cdalton@providencewealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any State securities authority. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

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

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business.....	5
A. Description of Your Advisory Firm.....	5
B. Description of Advisory Services Offered.....	5
C. Client-Tailored Services and Client-Imposed Restrictions.....	9
D. Wrap Fee Programs.....	9
E. Client Assets Under Management .....	9
Item 5: Fees and Compensation.....	10
A. Methods of Compensation and Fee Schedule.....	10
B. Client Payment of Fees.....	11
C. Additional Client Fees Charged .....	12
D. Prepayment of Client Fees.....	12
E. External Compensation for the Sale of Securities to Clients.....	13
Item 6: Performance-Based Fees and Side-by-Side Management.....	14
Item 7: Types of Clients.....	15
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	16
A. Methods of Analysis and Investment Strategies .....	16
B. Investment Strategy and Method of Analysis Material Risks .....	23
C. Concentration Risks.....	24
Item 9: Disciplinary Information .....	25
A. Criminal or Civil Actions.....	25
B. Administrative Enforcement Proceedings.....	25
C. Self-Regulatory Organization Enforcement Proceedings .....	25
Item 10: Other Financial Industry Activities and Affiliations.....	26
A. Broker-Dealer or Representative Registration .....	26
B. Futures or Commodity Registration.....	26
C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest.....	26

D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest.....	26
Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	27
A. Code of Ethics Description.....	27
B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest .....	27
C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest .....	27
D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest.....	28
Item 12: Brokerage Practices .....	29
A. Factors Used to Select Broker-Dealers for Client Transactions.....	29
B. Aggregating Securities Transactions for Client Accounts.....	33
Item 13: Review of Accounts .....	36
A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved.....	36
B. Review of Client Accounts on Non-Periodic Basis.....	36
C. Content of Client-Provided Reports and Frequency.....	36
Item 14: Client Referrals and Other Compensation.....	37
A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest .....	37
B. Advisory Firm Payments for Client Referrals.....	37
Item 15: Custody.....	38
Item 16: Investment Discretion.....	39
Item 17: Voting Client Securities.....	40
Item 18: Financial Information .....	41
A. Balance Sheet.....	41
B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients.....	41
C. Bankruptcy Petitions During the Past Ten Years .....	41

## Item 4: Advisory Business

### A. Description of Your Advisory Firm

Providence Wealth Advisors, LLC ("Providence Wealth" or "the firm"), a Securities and Exchange Commission registered investment advisor, is an Illinois limited liability company that provides financial planning discretionary and non-discretionary investment advisory services to high-net-worth clients as more fully described below. Providence Wealth has been providing investment advisory and financial planning services since April of 2010 and is principally owned by Providence Bank, LLC.

### B. Description of Advisory Services Offered

Providence Wealth is an independent investment advisory and financial planning firm offering a variety of financial services to individuals including high-net-worth individuals, trusts, retirement plans, pension and profit sharing plans, and state or municipal government entities. Advisory services may include investment strategy, portfolio management, financial planning, and estate planning.

In addition to providing Providence Wealth with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in their personal financial circumstances, investment objectives, goals and tolerance for risk. On a quarterly basis, Providence Wealth's reports to clients will remind them of their obligation to inform Providence Wealth of any such changes or any restrictions that should be imposed on the management of their accounts. Providence Wealth will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

#### B.1. Portfolio Management Services

Providence Wealth provides discretionary asset management services to its clients. Providence Wealth receives a limited power of attorney to effect securities, mutual fund, and exchange-traded fund transactions on behalf of its clients that include securities and strategies as itemized in Item 8 of this Brochure. In addition, Providence Wealth, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to engage third-party separate account managers to manage all or a portion of the client's portfolio as more fully described in Item 8 of this Brochure.

Providence Wealth's discretionary asset management services are predicated on asset allocation models to create diversified portfolios consisting of individual securities, mutual funds, exchange traded funds and portfolios managed by separate account managers engaged by Providence Wealth on the client's behalf. The asset allocation methodology employed by Providence Wealth relies on *modern portfolio theory*, which involves the application of certain mathematical principles to the historical risk, return and correlation characteristics of asset classes to combine

asset classes in such a way that maximizes return potential for a targeted level of risk. The resulting asset allocation chosen seeks a projected return potential consistent with the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. In preparing the asset allocation, Providence Wealth will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance. Providence Wealth's objective is to review the client's tax, financial, and estate planning objectives and goals in connection with the client's investment objectives, goals, tolerance for risk and other personal and financial circumstances and make appropriate asset allocation recommendations and implementation decisions. Providence Wealth may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, Providence Wealth may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

Providence Wealth may prepare an investment policy statement based on the client's investment objectives, goals, tolerance for risk and such other factors unique to the client and provide appropriate recommendations. On a quarterly basis, Providence Wealth, in connection with a third-party service provider, will provide such clients with reports regarding the performance of their portfolios. In addition, Providence Wealth will monitor those portfolios and make additional recommendations from time to time to rebalance and/or reallocate each client's investments.

Providence Wealth's investment advisory services to clients are based on asset allocation models that, as noted above, take into account a client's personal financial circumstances, investment objectives and tolerance for risk (e.g., cash-flow, tax and estate). Providence Wealth's engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to Providence Wealth in response to a questionnaire and/or in discussions with the client and reviewed in meetings with the firm.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design based on modern portfolio theory.
- Implementing and/or recommending mutual funds, exchange traded funds, portfolios managed by separate account managers and, in appropriate cases where clients are qualified, alternative investments, each matched to the asset categories in the client's targeted asset allocation for consideration by the client.
- Reporting to the client on a quarterly basis or at some other interval agreed to with the client, information on contributions and withdrawals in the client's investment portfolio and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).
- Proposing changes in the client's targeted asset allocation in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the

performance record of any of the client's investments, and/or the performance of any fund or manager retained by the client.

- If the client's portfolio and personal circumstances, investment objectives and tolerance for risk make such advice appropriate, providing recommendations to hedge a client's portfolio through the use of derivative strategies, to generate additional income through the use of covered call option writing strategies involving exchange listed or OTC options, and/or to monetize or hedge concentrated stock positions.

When appropriate to the needs of and suitability for a client, Providence Wealth will assist in developing a strategy for monetizing/hedging a portfolio or a concentrated stock position held by the client. Monetizing a concentrated stock position allows a client to receive funds to diversify the portfolio and limit its downside exposure while allowing for the continued potential to participate, to a lesser extent, in any increase in the price of the concentrated stock. Hedging a concentrated stock position allows a client to protect against losses below a certain stock price while allowing for the potential to participate in any increase in the price of the stock. Providence Wealth will also assist in the proper diversification of concentrated stock positions through the use of exchange traded funds in certain situations.

## **B.2. Non-Discretionary Investment Advisory Services**

For non-discretionary services, Providence Wealth will recommend a diversified asset allocation structure utilizing one or more securities for each recommended asset class pursuant to the client's investment goals, objectives, risk tolerance and other financial circumstances. Clients may also elect to engage a third-party investment manager to manage client portfolio assets pursuant to their investment goals, objectives, risk tolerance and other financial circumstances. Pursuant to a client's request, Providence Wealth may recommend one or more investment managers available on the client's custodian platform. Please be advised that certain portfolio managers may not be available on the client's custodial platform, a factor that should be considered in evaluating the investment manager. Providence Wealth's primary focus will be on publicly traded equities (common and preferred stocks), exchange traded funds, open end mutual funds, and fixed income securities (taxable and tax-free). Please refer to Item 8 of this Brochure for a complete listing of the types of securities for which Providence Wealth provides advice.

For clients with less than \$100,000 in portfolio assets, Providence Wealth will recommend a diversified portfolio of no-load or load-waived mutual funds that serves as a proxy of its core value philosophy with an overlay of non-correlated assets. Providence Wealth will deliver performance reports to such clients and will be available to discuss the portfolio no less frequently than annually or as otherwise mutually agreed upon with the client.

In certain instances, Providence Wealth may recommend one or more third-party separate account managers to manage one or more asset classes for a client. Please be advised that in such instances Providence Wealth acts in the capacity of an investment consultant and provides advice as to the most appropriate separate account manager in light of the client's personal and financial circumstances. Providence Wealth's fees for this service are the same as if it were managing the portfolio assets on a discretionary basis. In addition to fees charged by

Providence Wealth, the client will incur charges from the separate account manager. Although Providence Wealth places its clients' interests first by recommending the most appropriate separate account managers, there is the potential for conflicts in that Providence Wealth earns the same fee whether it is managing the portfolio or outsourcing the management. As a result, one could view Providence Wealth's loyalties as being divided in that Providence Wealth is paid to find the most appropriate separate account managers for asset classes outside of its core management competency but will recommend itself for portfolio assets requiring the use of its core management competency.

### **B.3. Financial Planning Services**

Clients will receive a written or oral report (depending on the client's preference), providing a detailed financial plan designed to help achieve the client's stated financial goals and objectives. Generally, any of the service categories below on a stand-alone basis require a minimum of ten (10) hours to compile the necessary data to provide the requested service. This would equate to a minimum fee of \$2,500. In the event the client selects an additional service category, each additional service category would add approximately two (2) to five (5) hours of additional time to complete. For example, the selection of two service categories would require twelve (12) to fifteen (15) hours at an hourly rate of \$250 per hour. Please note these are good faith estimates and that factors that could drive the amount of time and cost higher are the number and complexity of assets, number of securities accounts, number of trusts, number and complexity of corporate entities, client imposed requirements, complexity of tax situation, and related factors. Based on the client's needs, financial planning services may include (but are not limited to) the following:

- Preparation of a recommended asset allocation that serves to diversify the client's portfolio among different categories of investments such as domestic and international small, medium and large capitalization securities; corporate and government fixed income (short-, intermediate- and long-term maturities); emerging market securities (i.e., foreign issuers), real estate investment trusts, and such other alternative asset categories that are suitable in light of the client's investment goals, objectives and risk tolerance.
- Preparation of a retirement plan that serves to identify whether the client is saving enough and investing in a way that meets retirement objectives in light of the client's financial circumstances and risk tolerance.
- Preparation of cash flow projections to ensure that the client can meet daily living expenses and obligations.
- Insurance planning to meet the needs of the client, taking into account family, business and other financial objectives of the client.
- Preparation of an estate plan to ensure that wealth transition, tax and related issues are met in accordance with the client's wishes. In all instances, an estate attorney will need to be hired to review estate plan structure, address specific legal issues, draft necessary documents and assist Providence Wealth in the implementation of the estate plan.

Providence Wealth gathers required information through in-depth personal interviews and questionnaires. Information gathered includes a client's current financial status, investment



objectives, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, and a report is prepared covering one or more of the above-mentioned topics as directed by the client.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Clients' accounts will be managed on the basis of their financial situation and investment objectives, and in accordance with any reasonable restrictions they have imposed on the management of their accounts—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

Providence Wealth does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Client Assets Under Management**

As of December 31, 2014, Providence Wealth has approximately \$160 million of discretionary assets and \$0 of non-discretionary assets under management.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Portfolio Management Asset-Based Fee Schedule

The annual fee for portfolio asset supervisory services provided by Providence Wealth will be charged as a percentage of assets under supervision by the firm. The fees will be computed in the following manner:

Basis point charge X market value of assets X actual number of days/365 days

Providence Wealth's asset-based fee schedule for accounts is detailed below, although such fee schedule is negotiable.

<u>Assets Under Supervision</u>	<u>Annual Fee Rate</u>
First \$250,000	1.25%
Next \$250,000	0.75%
Over \$500,000	0.50%

Providence Wealth requires a minimum annual fee of \$500. Please be advised that based upon the minimum annual fee of \$500, Providence Wealth's investment advisory services are designed for clients with assets of at least \$40,000. Clients with less than \$40,000 in assets may be able to find more cost-effective investment advisory services with advisors other than Providence Wealth.

Asset-based fees are always subject to the investment advisory agreement between the client and Providence Wealth. Such fees are paid quarterly in advance. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar quarter, based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous quarter, as mutually agreed upon by the client and Providence Wealth. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due, with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. Providence Wealth may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

A client investment advisory agreement may be canceled at any time by the client, or by Providence Wealth with 60 days' prior written notice to the client. Upon termination, any unearned, prepaid fees will be refunded. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **A.2. Financial Planning Fees**

Providence Wealth charges hourly and, in certain circumstances as detailed below, fixed rates when there are no investment assets to supervise on an ongoing basis or in cases where investment assets are minimal. Generally, any of the service categories below on a stand-alone basis requires a minimum of ten (10) hours to compile the necessary data to provide the requested service. This would equate to a minimum fee of \$2,500. In the event the client selects an additional service category, each additional service category would add approximately two (2) to five (5) hours of additional time to complete. For example, the selection of two service categories would require twelve (12) to fifteen (15) hours at an hourly rate of \$250 per hour. Please note these are good faith estimates and that factors that could drive the amount of time and cost higher are the number and complexity of assets, number of securities accounts, number of trusts, number and complexity of corporate entities, client-imposed requirements, complexity of tax situation and related factors. Financial planning fees may be waived if the client commits a level of assets to Providence Wealth for management, as mutually agreed upon by the parties. Although technically there is no minimum fee requirement, because the minimum number of hours required to complete a comprehensive plan is estimated at ten (10) hours, Providence Wealth's services are designed for the investor with a minimum of \$100,000 of liquid assets. Depending upon the complexity of the client's circumstances, the costs may be materially higher; in fact, such costs may exceed the asset-based fee for an equivalent amount of assets. Clients with less than \$100,000 in liquid assets may be able to find similar services at prices more favorable than those charged by Providence Wealth.

Generally, the more complex the financial planning engagement, the higher the likelihood that fixed fees will be negotiated, as it is difficult with respect to complex cases to discern the exact number of hours required to provide services. In such cases, a fixed fee would be negotiated and then reevaluated at a later point to determine whether the fixed-fee compensation requires adjustment. Fixed fees are computed based upon an estimate of hours required to perform services. Where the time spent can be accurately estimated, then an hourly charge would apply. Providence Wealth attempts to maintain parity with hourly and fixed charges while allowing some flexibility in estimation, taking into account case complexity and client-specific circumstances. Financial planning fees will be billed at the rate of \$250 per hour, or at a fixed fee mutually agreed upon by the client and Providence Wealth. Invoices will be mailed out on a periodic basis reflecting completed work performed.

A financial planning agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination, any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **B. Client Payment of Fees**

### **B.1. Payment of Portfolio Management Fees**

Providence Wealth will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified

custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **B.2. Payment of Financial Planning Fees**

With respect to financial planning services, Providence Wealth will periodically invoice the client based upon completed work and will invoice any unpaid balance due from the client upon completion of the work.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Providence Wealth may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. Prepayment of Client Fees**

Providence requires the prepayment of its portfolio management fees. Providence Wealth's fees will either be paid directly by the client or disbursed to Providence Wealth by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled at any time by the client, or by Providence Wealth with 60 days' prior written notice to the client. A financial planning agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any unearned, prepaid fees will be refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **E. External Compensation for the Sale of Securities to Clients**

Providence Wealth's financial advisors are compensated solely through a salary and bonus structure. Providence Wealth is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

Providence Wealth does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

Providence Wealth offers its investment services to various types of clients, including high-net-worth individuals, trusts, retirement plans, pension and profit sharing plans, and state or municipal government entities. Although Providence Wealth provides investment services to the various types of clients mentioned, the services are conditioned upon meeting certain minimum criteria established by the firm for each of the investment programs it offers.

Providence Wealth requires a minimum annual fee of \$500. Please be advised that based upon the minimum annual fee of \$500, Providence Wealth's investment advisory services are designed for clients with assets of at least \$40,000. Clients with less than \$40,000 in assets may be able to find more cost-effective investment advisory services with advisors other than Providence Wealth.

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

### **A. Methods of Analysis and Investment Strategies**

Providence Wealth uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Providence Wealth and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to attempt the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Providence Wealth reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Providence Wealth may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds, Exchange-Traded Funds, Separate Account Managers, Pooled Investment Vehicles, and Individual Equity and Fixed Income Securities**

Providence Wealth may recommend (i) separate account managers to manage client assets; (ii) no-load and load-waived mutual funds and individual securities (including fixed income instruments); and (iii) pooled investment vehicles. Such management styles will include, among others, large-cap, mid-cap and small-cap value, growth and core; international and emerging markets; and alternative investments. Providence Wealth may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of



assets established by that manager—a factor that Providence Wealth will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), managers, and pooled investment vehicles is set forth below.

Providence Wealth has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds, managers and pooled investment vehicles
- perform billing and certain other administrative tasks

Providence Wealth may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers and pooled investment vehicles to clients as appropriate under the circumstances.

Providence Wealth reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity. Providence Wealth will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Providence Wealth on a quarterly basis or such other interval as mutually agreed upon by the client and Providence Wealth. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Providence Wealth (both of which are negative factors in implementing an asset allocation structure). Based on its review, Providence Wealth will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

Providence Wealth may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. Providence Wealth will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

Providence Wealth will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

## **A.2. Material Risks of Investment Instruments**

Providence Wealth typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper and certificates of deposit
- Municipal securities
- U.S. government securities
- Pooled investment vehicles
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the

company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.2.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.2.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERS<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employ the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Corporate Debt, Commercial Paper and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.2.h. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are

privately held with no publicly traded market, Providence Wealth will be unable to monitor or verify the accuracy of such performance information.

#### **A.2.i. Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high-investment-grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

#### **A.2.j. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

### **A.2.k. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. Providence Wealth may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

### **A.2.l. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Providence Wealth may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts, with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

### **A.2.m. Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class

debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

## **B. Investment Strategy and Method of Analysis Material Risks**

### **B.1. Leverage**

Although Providence Wealth, as a general business practice, does not utilize leverage, there may be instances in which exchange traded funds, other separate account managers and, in very limited circumstances, Providence Wealth will utilize leverage. In this regard please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor. In addition, the use of leverage enhances the price volatility of the collateral securities which can result in significant loss.

Broker-dealers that carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to satisfy a required margin deposit or withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.



Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although Providence Wealth, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard please read the following:

There is an inherent risk for clients who trade frequently in that high-velocity trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **C. Concentration Risks**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.



## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

Providence Wealth has nothing to disclose for this item.

### **B. Administrative Enforcement Proceedings**

Providence Wealth has nothing to disclose for this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

Providence Wealth has nothing to disclose for this item.

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

### **A. Broker-Dealer or Representative Registration**

Providence Wealth is not registered as a broker-dealer and does not have an application to register pending.

### **B. Futures or Commodity Registration**

Providence Wealth is not registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading advisor and does not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

Providence Wealth's parent company is Providence Bank & Trust, LLC. As a result of the parent-affiliate relationship, Providence Bank & Trust exclusively offers Providence Wealth's investment advisory and financial planning services to its customers. Please be advised that there is no obligation for the client to engage Providence Wealth as a condition of its relationship with Providence Bank & Trust. Prospective clients are free to do business with the investment advisor of their choice.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Providence Wealth does not recommend separate account managers or other investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Providence Wealth has adopted policies and procedures designed to detect and prevent insider trading. In addition, Providence Wealth has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of the firm's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of the firm. Providence Wealth will send clients a copy of its Code of Ethics upon written request.

Providence Wealth has policies and procedures in place to ensure that the interests of its clients are given preference over those of the firm, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material nonpublic information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Providence Wealth does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Providence Wealth does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Providence Wealth, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Providence Wealth specifically prohibits. Providence Wealth has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and

- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Providence Wealth's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Providence Wealth, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other of the firm's clients. Providence Wealth will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of Providence Wealth to place the clients' interests above those of the firm and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Providence Wealth may recommend that clients establish brokerage accounts with the Schwab Advisor Services 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 Providence Wealth may recommend that clients establish brokerage accounts with Schwab, Providence Wealth is independently owned and operated and not affiliated with Schwab. Schwab 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 or that settle into Schwab accounts.

In certain instances and subject to approval by the firm, Providence Wealth will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Providence Wealth will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

Providence Wealth seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services

- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. [For some accounts, the custodian may charge a percentage of the dollar amount of assets in the account in lieu of commissions.] [The custodian's [commission rates [and] asset-based fees] applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the [overall commission rates [and] asset-based fees] paid are lower than they would be if the firm had not made the commitment. In addition to [commissions [or] asset-based fees], the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **A.1.c. Soft Dollar Arrangements**

Providence Wealth does not utilize soft dollar arrangements. Providence Wealth does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.d. Institutional Trading and Custody Services**

Schwab provides Providence Wealth with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at Schwab. Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

#### **A.1.e. Other Products and Services**

Schwab also makes available to Providence Wealth other products and services that benefit Providence Wealth 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 Providence Wealth's accounts, including accounts not maintained at Schwab. Schwab also makes available to Providence Wealth its managing and administering software and other technology that

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

Schwab also offers other services intended to help Providence Wealth manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

Schwab may also provide other benefits, such as educational events or occasional business entertainment of Providence Wealth personnel. In evaluating whether to recommend that clients custody their assets at Schwab, Providence Wealth 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 on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### **A.1.f. Independent Third Parties**

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Providence Wealth. Schwab may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Providence Wealth.

#### **A.1.g. Additional Compensation Received from Custodians**

Providence Wealth may participate in institutional customer programs sponsored by broker-dealers or custodians. Providence Wealth may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Providence Wealth's participation in such programs and the investment advice it gives to its clients, although Providence Wealth receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may 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 Providence Wealth 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
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Providence Wealth by third-party vendors

The custodian may also pay for business consulting and professional services received by Providence Wealth's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for Providence Wealth's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Providence Wealth but may not benefit its client accounts. These products or services may assist Providence Wealth in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Providence Wealth manage and further develop its business enterprise. The benefits received by Providence Wealth or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Providence Wealth also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Providence Wealth to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Providence Wealth will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Providence Wealth's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Providence Wealth's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Providence Wealth endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Providence Wealth or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Providence Wealth's recommendation of broker-dealers such as Schwab for custody and brokerage services.

#### **A.1.h. The Firm's Interest in Schwab's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. These services are not contingent upon the firm committing any specific amount of business to the custodian in trading commissions or assets in custody. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of



interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

## **A.2. Brokerage for Client Referrals**

Providence Wealth does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. Providence Wealth Recommendations**

Providence Wealth typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Providence Wealth to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Providence Wealth derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Providence Wealth loses the ability to aggregate trades with other Providence Wealth advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

Providence Wealth, pursuant to the terms of its investment advisory agreement with clients, may have discretionary authority to determine the nature and type of securities to be bought and sold and the amount of such securities. Providence Wealth recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Providence Wealth will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities

- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Providence Wealth seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Providence Wealth's knowledge, these custodians provide high-quality execution, and Providence Wealth's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Providence Wealth believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since Providence Wealth may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Providence Wealth in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Providence Wealth's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Providence Wealth will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Providence Wealth's advice to certain clients and entities and the action of Providence Wealth for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Providence Wealth with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice or actions of Providence Wealth to or on behalf of other clients.

## **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client may be aggregated where necessary (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also

be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Providence Wealth believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Providence Wealth acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interest of its clients.

---

## Item 13: Review of Accounts

### A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

Financial planning client accounts will be reviewed by their investment adviser representative in accordance with the terms set forth in their investment advisory agreement. In the case of investment services rendered to high-net-worth/affluent individuals, monitoring of clients' accounts is conducted on a continual basis. Meetings with clients are conducted on an as-needed basis, but not less than once per year. Such meetings may be conducted in person or by telephone. Reviews are intended to assess the effect on the client, if any, of significant changes in the national or global economy, in the market, or in the legal environment (e.g., with respect to federal and state tax laws), and to revisit the client's goals and circumstances. In addition, a review is conducted of the client's quarterly performance report including, and in particular, the details concerning the client's investment objectives, goals, tolerance for risk, personal and financial circumstances, and investment constraints and/or limitations imposed by such client. Any changes in the client's goals and circumstances or investment constraints or limitations are noted for any necessary adjustments to the client's portfolio and for future advisory services rendered to the client. Any of the foregoing factors may lead to changes in the client's asset allocation target, mutual funds, separate account manager, or security holdings selected or recommended to the client.

### B. Review of Client Accounts on Non-Periodic Basis

Providence Wealth may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Providence Wealth formulates investment advice.

### C. Content of Client-Provided Reports and Frequency

Reports of changes in the performance of a client's portfolio are provided to the client by Providence Wealth on a quarterly basis (unless otherwise agreed to by client and Providence Wealth). Clients that determine to implement Providence Wealth's advice regarding income generation techniques will receive monthly statements from the executing broker-dealer and/or custodian selected by the client in connection with such strategy. Providence Wealth will review client custodian statements with such clients on a quarterly basis, or more often as necessary. The review will assess whether to continue or to discontinue the strategy, as well as possible outcomes which could affect the client's tax and estate situation.

Providence Wealth investment advisory clients also receive monthly account statements from their custodian (no less frequently than quarterly). Clients are urged to compare the reports issued by Providence Wealth against the reports issued by the custodian, and to notify Providence Wealth of any discrepancies. The custodian's report is the official record of the client's account.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than as described in Items 10 and 12 of this Brochure, Providence Wealth does not receive economic benefits from external sources.

### **B. Advisory Firm Payments for Client Referrals**

The firm does not engage solicitors.

## Item 15: Custody

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in their accounts. Providence Wealth urges its clients to compare the account balance(s) shown on their Providence Wealth performance review to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

Providence Wealth's parent, Providence Bank, serves as corporate trustee for several of Providence Wealth's investment advisory clients. As a result, Providence Wealth is deemed to have custody of those assets and is required to undergo an annual surprise custody audit.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Providence Wealth with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In such cases, Providence Wealth will exercise full discretion as to the nature and type of securities to be purchased and sold and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

Providence Wealth, as a Securities and Exchange Commission registered investment adviser, often has voting power with respect to securities in client accounts. As such, Providence Wealth owes certain fiduciary duties with respect to the voting of proxies. These fiduciary duties include (i) the duty of care, which requires Providence Wealth to monitor corporate events and to vote the proxies; and (ii) the duty of loyalty, which requires Providence Wealth to vote proxies in a manner consistent with the best interests of the client and to put the client's interests before the firm's own interests. In keeping with its fiduciary duties, Providence Wealth has adopted a Proxy Voting Policy, which sets forth the firm's policies and procedures designed to ensure that it votes each client's securities in the best interests of the client.

Providence Wealth will be authorized to take action and render any advice with respect to the voting of proxies for securities held in the client's account. Providence Wealth will make an independent valuation for each applicable company held in the client's account in accordance with its fiduciary obligations as detailed in this policy. Clients may contact Providence Wealth's Managing Member for information about how Providence Wealth voted with respect to any of the securities held in their accounts.

Except as required by applicable law, Providence Wealth will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

As a general rule, Providence Wealth will vote all proxies relating to a particular proposal the same way for all client accounts holding the security in accordance with Providence Wealth's Proxy Voting Policy, unless a client specifically instructs in writing to vote such client's securities otherwise. When making proxy voting decisions, Providence Wealth may seek advice or assistance from third-party consultants, such as proxy voting services or legal counsel.

A copy of Providence Wealth's Proxy Voting Policy will be provided upon receipt of a written request. Please send such requests to:

Providence Wealth Advisors, LLC  
SEC File No. 801-73152  
20220 South LaGrange Road  
Frankfort, IL 60423



## **Item 18: Financial Information**

### **A. Balance Sheet**

Providence Wealth does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Providence Wealth does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There are no bankruptcy petitions to report.