



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

**Herrmann & Cooke, Inc.**

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03/31/2018

This brochure provides information about the qualifications and business practices of Herrmann & Cooke Wealth Management. If you have any questions about the contents of this brochure, please contact us at 925-831-0200 or [david@herrmanncooke.com](mailto:david@herrmanncooke.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.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Herrmann & Cooke Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 110722.

## Item 2 Material Changes

This Firm Brochure, dated 03/31/2018, provides you with a summary of Herrmann & Cooke Wealth Management's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. If there have been any material changes to our brochure since it was last updated, we will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

### Summary of Material Changes:

**Herrmann & Cooke updated its fee schedule as of October 1, 2017. The following schedule now applies to H&C's managed accounts.**

#### H&C INDIVIDUAL PORTFOLIO MANAGEMENT FEES

Our annual fees for H&C Individual Portfolio Management Services are based upon a percentage of assets under management using a tiered fee schedule. The schedule starts at 1.25% on the first \$500,000 under management. The percent billed declines for subsequent tiers, as assets under management increase.

#### Standard Fee Schedule

<u>Tiered Levels</u>	<u>Annual Rate</u>
From \$0 to \$500,000	1.25% per Year
Next \$300,000	1.00% per Year
Next \$200,000	0.75% per Year
Next \$2,000,000	0.70% per Year
Next \$2,000,000	0.60% per Year
Next \$15,000,000	0.50% per Year

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## **Item 4    Advisory Business**

Herrmann & Cooke Wealth Management (also referred to in this brochure as H&C) is an SEC-registered investment adviser with its principal place of business located in Danville, California. Herrmann Financial Services, the predecessor to Herrmann & Cooke Wealth Management, began conducting business in 1986.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- David Paul Herrmann, CFP®, Chief Executive Officer & Chief Compliance Officer, as Trustee of the Herrmann Family Trust
- Brenda Joy Herrmann, Chief Financial Officer, as Trustee of the Herrmann Family Trust
- Jason M. Cooke, CFP®, President, as Trustee of the Cooke Family Trust
- Kimberly M. Cooke, as Trustee of the Cooke Family Trust
- Herrmann Family Trust
- Cooke Family Trust

Herrmann & Cooke, Inc. offers the following advisory services to our clients:

3. Financial Planning Services
4. Managed Account Services
5. Portfolio Evaluation Services
6. Pension Consulting Services

Our firm provides these services on a stand alone basis or in combination with one another. It is most common for our firm to provide both Managed Account Services and Financial Planning Services to an individual client.

### **FINANCIAL PLANNING**

We provide financial planning services. Financial planning is the process of meeting life goals through the proper management of personal finances. Life goals can include buying a home, saving for a child's education, planning for retirement and other objectives. Our services include a comprehensive review and analysis of a client's income, assets, liabilities and spending patterns. Our services also include a projection of how those items will change and develop over time. We use the results of our analysis to make saving, spending and investment recommendations that we expect will help a client to reach his or her life goals.

We gather required information through in-depth personal interviews and client questionnaires. Information gathered includes the client's current financial status, tax status,

future goals, returns objectives and attitudes towards risk. Through the financial planning process, we consider, evaluate and analyze all information a client provides. We present the client with a written report which includes a detailed financial plan.

We base financial plans on a client's financial situation at the time we present the plan and on financial information the client discloses to our firm. A client must notify our firm promptly when his or her financial situation, goals, objectives or needs change.

Some clients may only require advice on a specific topic and not on a comprehensive basis. For these clients, our firm offers consulting services that address only those specific areas of interest or concern.

We will advise a client that when we evaluate and project cash flows, asset values and other planning variables, we must make many assumptions. These include assumptions about the future level of interest rates and inflation and about the future performance of the economy and the stock and bond markets. Actual market performance will be different than our assumptions. We cannot guarantee that a client's financial goals and objectives will be met.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care and liability.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, estate tax review, powers of attorney, asset protection plans, nursing homes and Medicaid.

Should the client choose to implement the recommendations contained in the plan, we

suggest the client work closely with his/her attorney, accountant, insurance agent, and/or investment adviser. Frequently, our firm serves as investment adviser for the client. Implementation of financial plan recommendations is entirely at the client's discretion.

Typically the financial plan is presented to the client within one month after we receive all information needed to prepare the financial plan.

Financial Planning recommendations can be prepared so they are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations can be of a generic nature, upon client request.

## **MANAGED ACCOUNT SERVICES**

Our firm offers two types of Managed Account Services.

- H&C Individual Portfolio Management
- Edelman Managed Asset Program® ("EMAP").

### **H&C INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

Once our firm constructs the portfolio, we provide continuous supervision, including portfolio modifications and portfolio rebalancing as changes in market conditions and client circumstances may require. Additionally, the firm may provide ongoing evaluations, investment research and advice, portfolio performance reporting, consultations, and/or record maintenance for clients engaging the firm for these services.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will typically include advice regarding the following securities:

- Certificates of deposit
- Corporate debt securities (other than commercial paper)
- Exchange traded fund shares
- No-load mutual fund shares
- United States governmental securities

- Variable Annuities

Although we utilize the following security types less commonly, our investment recommendations may also include advice regarding the following securities:

- Commercial paper
- Individual exchange-listed securities
- Individual foreign issuers
- Individual municipal securities
- Individual securities traded over-the-counter
- Individual warrants
- Interests in partnerships investing in oil and gas interests
- Interests in partnerships investing in real estate
- Interval funds
- Options contracts on securities
- Structured notes
- Variable life insurance

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

#### EDELMAN MANAGED ASSET PROGRAM® ("EMAP")

Our firm oversees client assets being managed within the EMAP wrap fee program. This program is sponsored by Edelman Financial Services, LLC. (EFS). It is an asset allocation program with widely diversified portfolios consisting of combinations of investment securities which include:

- No-load mutual funds
- Exchange traded funds
- Variable annuities

Our firm may recommend EMAP to clients who's assets are below, and are likely to remain below, the \$100,000 minimum account size for H&C Managed Account Services.

H&C is compensated by EFS for any client assets we initiate and service that are invested in

the EMAP program. See Item 5. for details.

For a complete description of EMAP, refer to Form ADV Part 2 for Edelman Financial Services, LLC and the Edelman Managed Asset Program® Schedule H or Wrap Fee Program Brochure.

## **PORTFOLIO EVALUATION SERVICES**

Our firm provides portfolio evaluation services to clients on a "one-time-only" basis. This service may include a review of the client's existing portfolio with asset allocation recommendations and/or a review/evaluation of recommendations made by other advisory professionals for suitability.

## **PENSION CONSULTING SERVICES**

We also provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of three distinct services. Clients may choose to use any or all of these services.

### Investment Policy Statement Preparation (hereinafter referred to as "IPS"):

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

### Selection of Investment Vehicles:

We review various mutual funds (both index and managed) to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS. Alternatively, after reviewing all funds offered by the client's chosen retirement plan, we will provide the client with a list of "top-pick" funds for all major investment categories offered by the plan. The client may choose to provide these fund recommendations to the plan's individual participants to assist in their personal investment selection.

### Employee Communications:

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide periodic educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c).

In some cases we provide plan participants with individualized, tailored investment advice or



individualized, tailored asset allocation recommendations. When we provide individual advice, we do not receive any direct or indirect compensation that is based in any way on the participants selection of a particular investment option. We do not have incentive to steer a participant into any particular fund. This advice falls under Portfolio Evaluation Services in Item 4.

### **AMOUNT OF MANAGED ASSETS**

As of 3/21/2018, we were actively managing \$350,349,884 of clients' assets on a discretionary basis plus \$2,191,593 of clients' assets on a non-discretionary basis. In addition we were overseeing \$8,030,711 of clients' assets being managed by Edelman Financial Services as of 3/27/2018.

## **Item 5 Fees and Compensation**

### **FINANCIAL PLANNING FEES**

Herrmann & Cooke Wealth Management's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client. We calculate Financial Planning fees in one of three ways:

- **Hourly Fees:** The firm's hourly rate ranges between \$125 and \$350 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.
- **Fixed Fee:** Fixed fees for Financial Planning services start at \$250. We will negotiate the actual amount charged on a case-by-case basis.
- **Financial Planning Fee Offset:** H&C reserves the discretion to reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage us for our Portfolio Management Services.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance is due upon completion of the plan.

The client is billed quarterly in arrears based on actual hours accrued.

Some management personnel at H&C are licensed as insurance agents or brokers. In their separate capacity(ies), these individuals are able to implement insurance recommendations for advisory clients for separate and typical compensation (i.e., commissions, or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client purchase insurance which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any

or all recommendations is solely at the discretion of the client.

## **MANAGED ACCOUNT FEES**

### **H&C INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for H&C Individual Portfolio Management Services are based upon a percentage of assets under management using a tiered fee schedule. The schedule starts at 1.25% on the first \$500,000 under management. The percent billed declines for subsequent tiers, as assets under management increase.

#### **Standard Fee Schedule**

<b><u>Tiered Levels</u></b>	<b><u>Annual Rate</u></b>
From \$0 to \$500,000	1.25% per Year
Next \$300,000	1.00% per Year
Next \$200,000	0.75% per Year
Next \$2,000,000	0.70% per Year
Next \$2,000,000	0.60% per Year
Next \$15,000,000	0.50% per Year

We require a minimum of \$100,000 of assets under management for this service. This account size may be negotiable in certain circumstances. In cases where the minimum is negotiated in the range of \$50,000 to \$99,999, an annual fee of 1.25% will generally apply.

H&C may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

The following fee schedule applies to accounts invested solely in Variable Annuities:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>	<b><u>Quarterly Fee</u></b>
All account sizes	0.33%	0.0275%

We calculate and bill the annual fee for H&C Individual Portfolio Management Services quarterly in arrears. We base the calculation on the market value of the assets, as reported on the last day of the quarter. In most cases, this will be the market value as reported by the custodian. However, on occasion, the custodian may delay the posting of a dividend or other payment due at the month end. In such cases, Herrmann & Cooke's portfolio accounting system may include the payment as part of the quarter end market value, and it is this value, calculated by Herrmann & Cooke's portfolio accounting system, that will be used to calculate fees. We will assess fees pro rata in the event that the portfolio management agreement is executed at any time other than the first day of the calendar quarter.

## PORTFOLIO EVALUATION FEES

Our fees for Portfolio Evaluation Services range from 1.00% to 2.00% of the value of the assets we are evaluating.

## PENSION CONSULTING FEES

We charge an annual fee for Pension Consulting Services which ranges from 1.00% to 2.00% of plan assets depending on the services requested and the size of the plan.

## GENERAL INFORMATION

**Limited Negotiability of Advisory Fees:** Although H&C has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, by providing written notice to the other party. The client will be charged for advisory services received prior to termination. These fees will be due and payable by the client. Refunds are not applicable as fees are payable in arrears.

**Mutual Fund Fees:** All fees paid to H&C for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Our firm does not purchase fund share classes that impose a sales charges. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Payment of Fees:** H&C will either invoice the client directly for advisory fees or the qualified custodian holding the client's funds and securities will debit the client account directly for advisory fees. A client may choose to receive an invoice or have his account debited by the custodian. Where the client account is debited directly for the advisory fee, the client will

provide written authorization permitting the fees to be paid directly from their account. H&C will not have access to client funds for payment of fees without client consent in writing. The majority of H&C clients have their accounts debited by the custodian. Less than 1% of clients are invoiced for advisory fees.

**ERISA Accounts:** H&C is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, H&C may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

#### **MANAGED ACCOUNT SERVICES WRAP PROGRAM FEES**

##### **EDELMAN MANAGED ASSET PROGRAM® ("EMAP") PORTFOLIO MANAGEMENT FEES**

**EMAP is a Wrap Fee Program:** In a wrap fee arrangement, a client pays a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without a transaction charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the sponsor, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

Annual fees for EMAP are based on a percentage of assets under management. The program's tiered fee schedule starts with an annual fee of 2.00%.

The annualized fee for EMAP will be charged as a percentage of assets under management, according to the following **tiered** fee schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee*</u></b>
First \$150,000	2.00%
Next \$250,000	1.65%
Next \$350,000	1.25%

Next \$250,000	1.00%
Next \$2 million	0.75%
Next \$7 million	0.60%
Next \$15 million	0.50%

*Amounts above \$25 million are negotiable*

The minimum account size is \$3,000. The minimum annual fee is \$100 per household.

H&C is compensated by Edelman Financial Services, LLC for any client assets that are invested in EMAP. EFS pays up to 65% of the annual account fee for EMAP accounts to H&C on accounts initiated and serviced by H&C. EFS receives no compensation or economic benefit from products and services offered by H&C, other than EMAP.

For a complete description of EMAP, refer to Form ADV Part 2 for Edelman Financial Services, LLC and the Edelman Managed Asset Program® Schedule H or Wrap Fee Program Brochure. All clients participating in the EMAP program through H&C will receive the above mentioned documents.

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

Herrmann & Cooke Wealth Management does not charge performance-based fees.

## **Item 7 Types of Clients**

Herrmann & Cooke Wealth Management provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans(other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of stocks, fixed income, alternative investments and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of stocks, fixed income, alternatives and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption

that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## ***INVESTMENT STRATEGIES***

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

***Margin transactions.*** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9    Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Management personnel of our firm, in their individual capacities, are agents for various

insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by Herrmann & Cooke Wealth Management and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. H&C endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Our firm has a material relationship with Edelman Financial Services, LLC ("EFS"). EFS sponsors a wrap fee program that manages assets for some H&C. EFS collects all client fees associated with the program and then compensates H&C for the advisory services we provide to EMAP clients.

Our firm earns more in fees when we manage a client account using our H&C Individual Portfolio Management Service than when a client is in the EMAP program. (However, our overall costs may be higher when we do not use EMAP.) Clients should be aware that this difference in compensation creates a conflict of interest that may impair the objectivity of our firm when making advisory recommendations. Our relationship with EFS originated with the idea that H&C would service clients who had expressed an interest in EMAP but were too far



from EFS offices to be serviced by EFS. Therefore, clients referred by EFS were placed in EMAP. H&C and EFS no longer have a referral relationship.

H&C endeavors at all times to put the interest of its clients first and may continue to recommend EMAP provided that such recommendation is consistent with our fiduciary duty to the client. As a general practice we adhere to the following guidelines, as long as they are consistent with our fiduciary duty to the client:

- we generally recommend H&C Individual Portfolio Management Services to all clients and prospective clients with assets above our minimum household threshold of \$100,000 under management;
- we may recommend H&C Individual Portfolio Management Services to clients who have the potential to reach the minimum threshold of \$100,000 within a reasonable period of time, or upon the advisor's discretion;
- we may recommend EMAP to clients whose investable assets are less than \$100,000.

In addition:

- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- we disclose to clients that they are not obligated to purchase recommended services from our employees or companies with whom we partner;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Herrmann & Cooke Wealth Management and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement)

or an initial public offering. Our code also provides for oversight, enforcement and record keeping provisions.

H&C's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [david@herrmanncooke.com](mailto:david@herrmanncooke.com), or by calling us at 925-831-0200.

H&C and individuals associated with our firm are prohibited from engaging in principal transactions.

H&C and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
4. We have established procedures for the maintenance of all required books and records.
5. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. We require delivery and acknowledgement of the Code of Ethics by each supervised

person of our firm.

7. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
8. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), a related person of our firm is separately licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

As our firm does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct Herrmann & Cooke Wealth Management as to the broker-dealer to be used.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we may recommend the use of one of several brokers (including, but not limited to Fidelity, TD Ameritrade and Schwab), provided that such recommendation is consistent with our firm's fiduciary duty to the client. Our clients must evaluate these brokers before opening an account. The factors considered by H&C, when making these recommendations, are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, the broker's quality of execution services and costs of such services, among other factors. Clients are not under any obligation to effect trades through any recommended broker.

H&C recommends that clients direct us to place trades through National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") or TD Ameritrade. H&C has evaluated both Fidelity and TD Ameritrade and believes that they will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker other than Fidelity or TD Ameritrade if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. In directing the use of Fidelity or TD Ameritrade, it should be understood that H&C will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker).

Clients should note, while H&C has a reasonable belief that Fidelity and TD Ameritrade are able to obtain best execution and competitive prices, our firm will not be independently seeking best execution price capability through other brokers. Not all advisers require clients to direct it to use a particular broker-dealer.

As a matter of policy and practice, H&C blocks/aggregates client trades when practical. However, the majority of our firm's securities purchases are mutual funds with a set transaction fee. Volume discounts do not apply. This reduces the advantage of block trading. We frequently implement client transactions separately for each account. Consequently, certain client trades may be executed before others and at a different price.

### ***Fidelity***

H&C has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides our firm with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist us 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 fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help our firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom H&C may contract directly.

H&C is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients 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 Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of H&C's clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than 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 a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while H&C 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. Although the investment research products and services that may be obtained by us 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.

Fidelity is providing H&C with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

### ***TD Ameritrade***

H&C participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. H&C receives some benefits from TD Ameritrade through our participation in the program.

H&C participates in TD Ameritrade's Institutional customer program and we may recommend TD Ameritrade to our clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice we give to our clients, although we receive economic benefits through our 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): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser 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 H&C by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by H&C's related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for H&C's personnel to attend conferences or meetings relating to the program or to TD Ameritrade's adviser custody and brokerage services generally.

Some of the products and services made available by TD Ameritrade through the program may benefit H&C but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by H&C or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by H&C or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and

brokerage services.

## **Item 13    Review of Accounts**

### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** Our firm will complete annual Financial Planning Reviews upon request for clients who use our Managed Account Services and meet household minimums. Reviews are conducted by H&C Advisor Associates.

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients not using our Managed Account Services unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for or as part of an annual Financial Planning Review for a Managed Account Services client.

### **MANAGED ACCOUNT SERVICES**

#### **H&C INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within H&C Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of the investment objectives and investment policy guidelines of each client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: 1) David Herrmann, CEO, Advisor Associate, 2) Jason Cooke, President, Advisor Associate, 3) Kerry Davis, Vice President, Advisor Associate, or 4) Travis McEuen, Advisor Associate

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings. Quarterly performance reporting may not be provided in cases where the minimum account size has been reduced or fees have been negotiated.

#### **EDELMAN MANAGED ASSET PROGRAM® ("EMAP")**

**REVIEWS:** The underlying securities within EMAP accounts continually monitored. In addition, each account undergoes a daily electronic review to ensure adherence to model portfolio guidelines. These reviews are completed by Edelman Financial Services, LLC.

Portfolio reviews in the context of investment objectives are conducted annually by H&C or upon client request. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These reviews are completed by 1) David Herrmann, CEO, Advisor Associate, 2) Jason Cooke, President, Advisor Associate, 3) Kerry Davis, Vice President, Advisor Associate, or 4) Travis McEuen, Advisor Associate.

**REPORTS:** In addition to the quarterly statements and confirmations of transactions that clients receive from their broker-dealer, we may provide quarterly reports summarizing account performance, balances and holdings. These reports are prepared by Edelman Financial Services, LLC.

For a complete description of EMAP, refer to Form ADV Part 2 for Edelman Financial Services, LLC and the Edelman Managed Asset Program® Schedule H or Wrap Fee Program Brochure. All clients participating in the EMAP program through H&C will receive the above mentioned documents.

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

It is Herrmann & Cooke Wealth Management's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Herrmann & Cooke Wealth Management's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

Although the assets of Herrmann & Cooke clients are always held by qualified third-party custodians, Herrmann & Cooke has authority to debit client accounts to collect advisory fees, as well as authority to transfer client funds to other accounts, as directed by the account owners via Standing Letters of Authorization (SLOAs).

On February 21, 2017, the SEC issued a “no-action” letter regarding SLOAs. The letter outlines seven conditions that advisors must follow, when using SLOAs, to avoid SEC enforcement action. They are as follows:

1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.

6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Herrmann & Cooke intends to comply with the "no-action" letter and its seven conditions. If we do not follow all seven conditions, we will initiate a surprise audit of accounts subject to SLOAs, as required by rule 206(4)-2, the "custody rule" under the Investment Advisers Act of 1940.

With regard to debiting fees, each client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, 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. Clients are responsible for instructing



each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts and is deemed to have custody, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Herrmann & Cooke, Inc. has no additional financial circumstances to report.

Neither Herrmann & Cooke Wealth Management or its predecessor Herrmann Financial Services, Inc. has been the subject of a bankruptcy petition at any time during the past ten years.