

# Stoker Ostler



## **Advisory Brochure of**

## **Stoker Ostler Wealth Advisors Inc.**

**March 29, 2018**

4900 N Scottsdale Road, Suite 2600

Scottsdale, AZ 85251

(480) 890-8088

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

This brochure provides information about our qualifications and business. If you have any questions about the contents of this brochure, please call us at (480) 890-8088.

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.

We are an investment adviser registered with the SEC. This registration does not imply a certain level of skill or training.

Additional information about us is also available on the SEC's website:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our CRD number is 111320.

## **2. Material Changes**

There have been no material changes to our brochure since our last update dated October 1, 2017.

### 3. Table of Contents

2. Material Changes.....	2
3. Table of Contents.....	3
4. Advisory Business.....	4
5. Fees and Compensation.....	5
6. Performance Based Fees and Side-by-Side Management.....	6
7. Types of Clients.....	7
8. Methods of Analysis, Investment Strategies and Risk of Loss.....	8
9. Disciplinary Information.....	11
10. Other Financial Industry Activities and Affiliations.....	12
11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	13
12. Brokerage Practices .....	15
13. Review of Accounts .....	17
14. Client Referrals and Other Compensation.....	18
15. Custody.....	19
16. Investment Discretion.....	20
17. Voting Client Securities .....	21
18. Financial Information.....	23
Additional Information.....	24

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

Stoker Ostler Wealth Advisors, Inc. (referred to as “Stoker Ostler,” “our,” “us,” “we”) was formed as Private Wealth Management Inc., in June 1997. Our principal place of business is located in Scottsdale, Arizona. We are a wholly-owned subsidiary of BMO Financial Corp., a wholly-owned subsidiary of Bank of Montreal (“BMO”).

We offer investment management, financial planning, and consulting services to a variety of affluent individuals, trusts, non-profit organizations, and corporations.

##### *Investment Management*

We provide discretionary investment management services based on the individual needs of our clients. We develop a personalized Investment Policy Statement (“IPS”) based on data that we gather through personal discussions with our clients. During these discussions, we determine clients’ individual goals and objectives, investment time horizon, risk tolerance, asset allocation targets, investment guidelines, liquidity needs, and reasonable restrictions for investing in certain securities or types of securities. We then build a customized and diversified portfolio that meets the parameters outlined in the IPS. We also offer non-discretionary investment management for clients wishing to direct their investments.

We generally recommend that clients allocate investments among various asset classes. Asset classes may include equities, fixed income securities, real estate investment trusts, and various types of alternative investments. Within these asset classes, we generally recommend that clients allocate investments among various issuers and types of issuers.

Client funds are deposited with either a brokerage firm or a bank custodian account, or directly with mutual fund companies. Depending on the breadth of our investment management authority, we may retain service providers and take other actions such as selecting money managers to provide services to portions of a client’s portfolio, selecting investment funds, and purchasing and selling securities.

As of December 31, 2017, we had approximately \$1.3 billion of discretionary assets under management and approximately \$23 million of non-discretionary assets under management.

##### *Financial Planning and Consulting*

We also provide financial planning and consulting services to clients. We gather information about clients’ current financial status and tax status, future goals, return objectives, and attitudes towards risk. We carefully review documents supplied by clients, and prepare financial reports designed to help clients’ achieve their financial goals and objectives. We may recommend the services of other professionals, such as attorneys or accountants. Our clients retain absolute discretion over any implementation decisions and are free to accept or reject any of our recommendations.

## 5. Fees and Compensation

### *Investment Management*

Generally speaking, our standard fees are based on a specified annual percentage rate of the client's assets under management. Our standard fees are listed below. However, our fees are negotiable and will vary. Further, previous fee schedules are still in effect for some clients. These previous fee schedules include fees that are higher and lower than the current fee schedule.

Current fee schedule (billable on total assets under management):

- 1% on the first \$3 million
- 0.85% on the next \$2 million
- 0.65% on the next \$5 million
- 0.55% on assets above \$10 million

Each client's agreement for investment advisory services contains the client's effective fee schedule. Our fees are prorated and paid monthly, in arrears, and are based on the market value of the assets on the last business day of the previous month. Most commonly, fees are debited directly from the client's account. However, with special approval, the client may be invoiced directly. A client agreement may be terminated by either party for any reason by written notice. If a client terminates its client agreement, the client is still obligated to pay advisory fees prorated through the date of termination.

### *Financial Planning and Consulting*

Fees for most ongoing financial planning and consulting services are included in the investment management fees. However, we may charge clients for extraordinary financial planning or consulting services in certain circumstances. We will provide written notice to the client in these situations. Our fees for extraordinary financial planning and consulting services depend on the level and scope of the services required and the professionals rendering these services. Hourly fees will generally range from \$200 to \$275 per hour plus any expenses incurred. We bill hourly fees monthly in arrears. Alternatively, we may charge a fixed fee all at once for a particular project.

### *Other Fees*

Clients may incur charges imposed by custodians, broker-dealers, and other third parties such as custodial fees, mutual-fund level charges, odd-lot differentials, transfer taxes, wire transfer and electronic funds fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, closed-end funds, and exchange-traded funds also charge internal management fees, which are disclosed in each fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to our fees. We do not receive any portion of these charges, fees, or commissions.

Item 12—Brokerage Practices of this brochure further describes the factors that we consider in selecting or recommending broker-dealers for client transactions and for determining the reasonableness of their compensation.

## **6. Performance Based Fees and Side-by-Side Management**

We do not charge any performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the client's assets).

## **7. Types of Clients**

We provide investment management services to high net worth individuals, trusts, estates, charitable organizations and other corporations. The minimum amount required for establishing an account is \$500,000. However, at our discretion, we may reduce the account minimum based on certain criteria. These criteria include anticipated future earnings capacity, anticipated future additional assets, assets to be managed, related accounts, account composition and negotiations with clients.

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

Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not indicative of future results. Investment products are not FDIC insured, have no bank guarantee, and may lose value. We make no guarantee or representation of performance.

### *Methods of Analysis*

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

#### *Asset Allocation:*

We do not focus primarily on securities selection. Instead, we attempt to identify an appropriate ratio of investments by asset class suitable to the client's investment goals and risk tolerance.

A risk of this asset allocation approach is that the client may not participate in sharp increases in a particular security, industry, or market sector. In addition, there is a risk that the ratio of investments by asset class will change over time due to market movements. In this case, we may have to rebalance the asset allocation to be consistent with client's goals.

#### *Mutual Fund and ETF Analysis:*

We attempt to determine if the manager of a mutual fund or ETF has demonstrated an ability to invest successfully over a period of time and in different economic conditions. To make this determination, we look at the experience and performance record of the manager. We also look at whether they have no-load or low-load features, return, and cost efficiency.

A risk of mutual fund and ETF analysis is that 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 a single 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 less suitable for the client's portfolio.

#### *Closed-End Interval Fund Analysis:*

An interval fund is a type of closed-end fund that periodically (every three, six, or twelve months as disclosed in the fund's prospectus and annual report) offers to repurchase its shares from shareholders at a price based on net asset value. Interval funds differ from traditional closed-end funds in that shares typically do not trade on the secondary market. Shareholders are not required to accept interval fund repurchase offers. There is no assurance that an investor will be able to sell shares of the interval fund when or in the amount desired, and the fund may suspend or postpone repurchases.

Interval funds share many of the same risks as other closed-end funds and mutual funds. In addition to these risks, interval funds may have liquidity constraints that result from the lack of a secondary market and the fact that repurchase offers are only made periodically.



Because of these potential liquidity constraints, interval funds may not be appropriate for investors with a short term investment horizon. Our portfolio managers evaluate the suitability of interval funds relative to the client's investment strategy and time horizon as captured in the client's IPS.

### *Investment Strategies*

Our investment advice is generally based on a number of factors, including, but not necessarily limited to, the client's investment objectives, risk tolerance, tax positions and objectives, asset class preferences, time horizons, liquidity needs, and expected returns. Our investment advice is also based on an assessment of current economic and market views expressed by economic analysts, banks and securities firms. As stated in Item 4—Advisory Business of this brochure, we will develop the client's IPS based on these factors. The IPS outlines recommended investment allocations among various asset classes and prepares a proposed asset allocation plan appropriate for that profile. We maintain a recommended list of securities that we select for use in client portfolios, and we perform ongoing research on these securities. Reviews of securities included on the recommended list include both qualitative and quantitative factors.

We utilize a variety of investment strategies, taking into consideration the client's best interest. Ideally, we prefer to hold investments long-term (one year or more) due to preferential tax treatment in taxable accounts. However, we may hold investments for shorter periods of time depending on the security, market environment, and economic conditions.

In taxable accounts we try to offset realized gains with realized losses. When market declines occur, we may "harvest" losses to be used to offset future gains. Using these strategies should increase a client's after-tax rate of return.

A risk in a long-term investment strategy is that, by holding the security long-term, we may not take advantage of short-term gains that could be profitable to a client. Moreover, a security may decline sharply in value before we make the decision to sell. A risk in a short-term investment strategy is more frequent trading, which may result in an increase in brokerage and other transaction-related costs. In addition, short-term capital gains may receive less favorable tax treatment.

Other investment strategies we may use include short sales, margin transactions and option trading. However, these are used rarely or at the request of our clients. The risk of using these types of strategies is disclosed, in writing, and we require clients to sign special forms prior to implementation.

### *Risks of Loss*

Our securities analysis methods rely on the assumption that the issuers of the securities we recommend, 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.

We attempt to offset this risk by reviewing and rebalancing each client's portfolio as outlined in the IPS. Because of the dynamic and fast-moving nature of the markets,

unanticipated new risks can arise at any time. Maintaining a highly diversified investment portfolio helps to offset these types of risks but cannot eliminate them altogether.

## **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.

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

We have no management persons registered or applying for registration as a broker-dealer or registered representative of a broker-dealer. We have no management persons registered or applying for registration as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the forgoing entities.

We have common management and officers with some of our affiliates. We rely on BMO and BMO Financial Corp. for various administrative support, including information technology, human resources, business continuity, compliance and legal, finance, enterprise risk management, and internal audit. Our affiliates, such as BMO Harris Bank N.A., also provide investment research and other services which we use in servicing our clients. While these affiliations can create potential conflicts of interest, we mitigate these potential conflicts of interest through our corporate governance structure and by maintaining policies and procedures to identify, mitigate, and disclose any actual or potential conflict of interest.

We do not recommend to our clients any investments in which we or a related party have a proprietary interest. Our related parties are specifically disclosed in Section 7.A on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this brochure.

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

We have adopted Standards of Business Conduct and Code of Ethics (as supplemented by our Compliance Manual and other applicable policies and procedures, the “Code”) that describe our standards of business conduct, fiduciary duty to our clients, and the restrictions and reporting requirements for our employees’ personal investments. All of our employees are subject to the Code and must acknowledge the terms of the Code annually or as it is amended. Employees are instructed to place the interests of their clients first, conduct all their personal securities transactions in a manner consistent with the Code, and not take advantage of their positions.

The Code is intended to promote the highest standards of ethical and professional conduct. Among other terms, the Code contains provisions prohibiting fraudulent conduct, market manipulation, and trading on the basis of material non-public information. The Code contains our requirements regarding the confidentiality of client information and provisions dealing with gifts and entertainment.

As a fiduciary to our advisory clients, we have a duty of loyalty to our clients. We always act in utmost good faith, placing our clients’ interests first and foremost, while making full and fair disclosure of all material facts. This is especially true in cases of actual or potential conflicts of interest. We recognize that independence in the investment decision-making process is vital. The Code strictly prohibits action taken or avoided for the purpose of achieving a personal benefit rather than a client benefit.

Our firm and our employees may buy and sell securities identical to or different from those recommended to our clients for their personal accounts. It is possible that our affiliates recommend, purchase, sell, or have a position or interest in securities that we recommend, purchase, or sell for our clients. While these factors create possibilities that our firm, our employees, or our affiliates may share in the profit or losses of securities held by our clients, we believe our policies, procedures, and controls, as well as those of our affiliates, are reasonably designed to ensure that any actual or potential conflicts of interest are addressed appropriately. The Code restricts employee trading in close proximity to client trading activity and requires that our employees obtain pre-clearance of certain personal securities transactions, including any acquisition of securities in a limited offering. Employees are restricted from acquiring any security distributed in an initial public offering until trading of the security commences in the secondary market. The Code also requires that our employees’ trading be continually monitored to reasonably prevent conflicts of interest with our clients.

Our clients or prospective clients may request a copy of our Code by calling Lee Ann Reitz at (480) 302-3814 or emailing her at [LeeAnn.Reitz@stokerostler.com](mailto:LeeAnn.Reitz@stokerostler.com).

We do not effect principal or agency cross securities transactions for client accounts or cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security trades between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in a transaction in which the investment adviser or its affiliate acts as broker-dealer for both parties to a securities transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. We are not registered as a broker-dealer, and we do not use an affiliated broker-dealer for client trades.

## 12. Brokerage Practices

Our clients, regardless of their advisory relationship, are under no obligation to use any of our affiliated entities to provide brokerage services or act as custodian of assets. While a client may select an affiliated entity to provide such services, we would receive no compensation from the client's decision to utilize the affiliate's services.

Unless otherwise instructed, for clients in need of brokerage or custodial services, we generally recommend that clients establish accounts with the following broker-dealers to maintain custody of their assets and to effect trades for their accounts:

- Schwab Advisor Services ("Schwab"), division of Charles Schwab & Company, Inc., an independent and unaffiliated registered broker-dealer and FINRA member;
- National Financial Services, Inc. ("Fidelity"), an independent and unaffiliated registered broker-dealer and FINRA member; and
- TD Ameritrade ("TD"), an independent and unaffiliated registered broker-dealer and FINRA member.

When recommending or selecting a broker-dealer for any transaction or series of transactions, we are under a duty to seek the best qualitative execution for the client's account. We consider many factors including, without limitation, the broker-dealer's commission rate, convenience, execution capabilities and quality, clearance and settlement capabilities, our past experience with the broker-dealer, reputation, error resolution, back office efficiency, research services, and financial stability. We endeavor to select broker-dealers with transaction fees that are reasonable in relation to the value of the brokerage and overall service.

Schwab's, Fidelity's and TD's services generally are available to independent investment advisors on an unsolicited basis at no charge to them. These services are not contingent upon our firm committing to these custodians any specific amount of business. These custodians' brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab, Fidelity and TD provide us with access to institutional trading and custody services which are typically not available to retail investors. They may, from time to time, provide products and services that assist us in managing and administering clients' accounts, including 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 our fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab, Fidelity and TD may also offer other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal, and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital

consultants, and insurance providers. Schwab, Fidelity and TD may make available, arrange, and pay third-party vendors for the types of services rendered to us. They may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. They may also provide other benefits such as educational events or occasional business entertainment for our personnel. In evaluating whether to recommend Schwab, Fidelity or TD, we may take into account the availability of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely the nature, cost, or quality of custody and brokerage services. This may create a potential conflict of interest.

When beneficial to the client, individual fixed income transactions may be effected through a broker-dealer with whom we have entered into arrangements for prime brokerage clearing services. Certain account minimums may apply for a client to be eligible for prime brokerage services.

#### *Directed Brokerage*

Clients are free to choose which firm to use for brokerage and custody services and some clients instruct us to execute all transactions through a particular broker-dealer. This instruction is set forth in the client agreement and can be changed. If a client directs us to use a particular broker-dealer, we may not be able to obtain best price or best execution for the transaction. In addition, under these circumstances, a disparity in prices may exist between the prices paid by the particular client and our other clients who do not direct us to use a particular broker-dealer.

#### *Client Referrals*

Neither we, nor any of our principals or associated persons receive any portion of the brokerage commissions or transactions fees charged to clients. As noted in Item 14—Client Referrals and Other Compensation of this brochure, we participate in the Schwab Advisor Network® referral program. Schwab also provides client referrals to us; however, we are under no obligation to, and do not, direct trades to Schwab in return for client referrals.

#### *Aggregated Trades*

As a matter of policy and practice, we do not generally aggregate client trades; we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price or commission rate. Additionally, our clients may not receive volume discounts available to advisers who aggregate client trades. However, if client trades are received at approximately the same time, we may aggregate trade orders to obtain best execution, negotiate more favorable commission rates or to allocate equitably among clients any differences in prices, commissions, or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated to clients in proportion to each client's order amount.



### **13. Review of Accounts**

#### *Investment Management*

Client portfolios will be reviewed at least annually and rebalanced to the investment objective found in the client's IPS. In reviewing a client's portfolio, we assess diversification by asset class and industry and compare the portfolio with the investment strategy in the IPS. The annual review is completed by a portfolio manager other than the portfolio manager assigned to the specific account.

We provide an inventory of assets showing market value and cost of each security to each client on at least an annual basis unless directed otherwise by the client. The custodian provides detailed transactions and holdings at least quarterly. We calculate and provide portfolio performance information to clients on at least an annual basis, unless directed otherwise by the client.

#### *Financial Planning and Consulting*

Our financial planning and consulting clients receive a Retirement Model which includes a statement of financial objectives and a net worth statement. We provide and update additional analyses and reports as needed and requested by the client. We review and update Retirement Models as necessary. Reviews are conducted by either the portfolio manager or a dedicated financial planner, and sometimes both.

More comprehensive financial planning reviews are done at the client's request, if the client relocates to a new state or country, or if the client's estate planning documents are outdated. In these cases, we typically recommend the client review and update those documents with their attorney.

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

We participate in the Schwab Advisor Network® referral program mentioned in Item 12—Brokerage Practices of this brochure. In exchange for client referrals from Schwab, we pay Schwab a referral fee quarterly at an annualized rate of 0.10 to 0.25% of the average daily total assets we manage for each client under the program. Different referral fee schedules may exist for previously referred Schwab clients. Under these previous Schwab referral fee schedules we pay Schwab a referral fee equal to 15% of the amount collected from referred clients during the previous quarter.

We also have referral arrangements in place with two unaffiliated solicitors. In one arrangement, we pay a fee equal to a declining scale of 25-10% of the gross amount collected from referred clients during the prior month for the first ten years of the client relationship. Different fee schedules may exist for previously referred clients. In the other arrangement, we pay a fee equal to 20% of the amount collected from referred clients during the prior month for the first five years of the client relationship.

All referral fees are paid solely from our investment management fee and will not result in any additional charge to the client. All of our referral agreements comply with Rule 206(4)-3 of the Investment Advisers Act of 1940.

At the time of solicitation, the unaffiliated solicitors disclose to the prospective client the nature of the solicitor relationship with us, and, when the client enters into the advisory agreement with us, the client acknowledges in writing the nature of the referral arrangement, including the terms of the compensation, between us and the solicitor.

## **15. Custody**

All client assets are held at unaffiliated qualified custodians. Clients sign an account application with a custodian upon opening their investment advisory account with us. The custodian will notify us of the custody account number and other pertinent information.

At least quarterly, clients should receive statements directly from the qualified custodian that holds and maintains their investment assets. We urge clients to carefully review such statements and compare the custodian's statement to the reports that we may provide.

Our reports may vary from the custodian's statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

As is stated in Item 12—Brokerage Services of this brochure, our clients are under no obligation to use any of our affiliated entities to provide custodial services. If a client selects an affiliated entity to provide custodial services, we would not receive any compensation based upon the client's selection and use of the affiliated entity's custodial services.

## **16. Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of our clients. Discretionary authority includes the authority to select securities to buy or sell, the amount of securities to buy or sell, and the timing of the purchase or sale. We exercise investment discretion in accordance with the investment objectives for each client account. If the client imposes any investment restrictions and we agree to them, these supersede our investment discretion.

Under the terms of our standard investment advisory agreement and the custodian account agreements, clients grant us a limited power of attorney with discretionary authority over their investments and may limit this authority either under the IPS or by providing us with separate written instructions. Authority on non-discretionary accounts will be limited and is based on the preferences selected on the account application.

## 17. Voting Client Securities

Clients may authorize us to vote proxies on their behalf and may revoke our authority to vote proxies. This authority is granted through documentation provided by the qualified custodian. If the client authorizes us to vote proxies, the custodian will send us copies of all proxies and shareholder communications. If the client retains the authority to vote proxies, all proxies and shareholder communications will be sent or forwarded to the client.

We have developed joint proxy-voting policies with some of our affiliates (together and individually, the “BMO Organization”). When acting as a fiduciary, the BMO Organization votes proxies in the sole interest of its fiduciary clients. The BMO Organization has adopted policies and procedures designed to help ensure that those proxies are voted in the best interests of fiduciary clients. The BMO Organization has formed a global Responsible Investment Committee (“RIC”) with a mandate to support, approve, and oversee the adoption and application of responsible investment activities in environmental, social, and governance matters and ensure they are aligned with our clients’ best interests.

### *Proxy Working Group (“PWG”):*

The RIC established the Proxy Working Group which will meet formally on a quarterly basis with the responsibilities listed below. Stoker Ostler has representation on the PWG.

- Update policies as required during the year (if the affiliates’ representatives do not all concur, the suggested update will be escalated to the RIC);
- Draft and approve Corporate Governance Guidelines, the Proxy Voting Agent (“Agent”) voting directions which reflect the Corporate Governance Guidelines, and other policies and procedures pertaining to corporate governance;
- Provide direction as to how to vote on certain matters for which votes will not be auto-executed under the Agent voting directions;
- Communicate proxy decisions back to affiliates, including Stoker Ostler; and
- Act as a focal point to gather affiliates’ input.

### *How We Vote Proxies:*

The PWG’s guiding principle is to vote proxies in the interest of the beneficiaries, both current and future, with a view to enhancing the value of securities held for the benefit of our clients. The PWG uses the services of the Agent, which researches and votes proxies in accordance with the PWG’s voting policies. If a proxy issue is not addressed by the PWG’s voting policies, the Agent forwards the proxy to the PWG along with a recommendation on how to vote the proxy. Upon review of the issue and the Agent’s recommendation, the PWG directs the Agent how to vote. If the Agent recuses itself on a proxy matter and makes no recommendation, the PWG will review the issue and direct the Agent how to vote. If an issue arises that is expected to recur frequently, the PWG develops a policy on that issue and transmits the policy to the Agent. The PWG currently uses Institutional Shareholder Services, Inc., as the Agent.

### *Mutual Fund Proxies:*

When mutual funds are held in client accounts, the Agent votes on proxy issues involving the fund’s fundamental investment policies are voted on by the Agent on a case-by-case basis according to the PWG’s policies. The Agent also evaluates and votes on certain other

issues (such as increases in investment management fees, selection of investments advisers, changes in investment objectives, changes in strategy that increase portfolio risk) on a case by-case basis. To the extent that legally-permissible proposals seek to eliminate shareholder voting on changes to these types of matters, they are opposed. All other proposals are to be voted on in accordance with existing proxy voting policy. Proxy proposals relating to those funds for which an affiliate of ours acts as sub-adviser are governed by the policy concerning conflicts of interest.

*Conflicts of Interest:*

The Agent votes on most proxy matters in accordance with the PWG's procedures, independently of any interest the BMO Organization may have in the proposal. A conflict of interest may arise within the BMO Organization. For example, the Agent may refer a proxy question to the PWG when an affiliate has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a third party that itself has either a material interest in the outcome of a proxy vote. Individual conflicts of interest also arise. For example, a member of the PWG may hold a position in a security that is the subject of a proxy vote. When a PWG member is conflicted, she is required to recuse herself from consideration of the issue. When the BMO Organization is conflicted, various procedures will be followed to avoid impropriety, including, as appropriate, retaining the Agent or some other independent third party to vote the proxy in accordance with the shareholders' interests.

Clients may obtain information regarding how we voted proxies for securities in their account, as well as our complete proxy voting policies and procedures, by calling Lee Ann Reitz at (480) 302-3814, or emailing her at [LeeAnn.Reitz@stokerostler.com](mailto:LeeAnn.Reitz@stokerostler.com).

## **18. Financial Information**

We are not experiencing any financial condition that would impair our ability to meet contractual commitments to clients. We have not been the subject of a bankruptcy proceeding. A balance sheet is not required to be provided because we do not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

## **Additional Information**

### *Privacy Notice*

Our Privacy Notice, which includes information describing how a client's information may be shared with BMO, its affiliates and with others, is available by contacting us at (408) 302-3814 or by emailing Lee Ann Reitz at [LeeAnn.Reitz@stokerostler.com](mailto:LeeAnn.Reitz@stokerostler.com).

### *Anti-Money Laundering*

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who or business entity that establishes a relationship.

When clients open an account, we will ask for their name, address, date of birth, and other information that will allow us to identify them. We may also ask clients to provide a copy of their driver's license or other identifying documents.

A corporation, partnership, trust or other legal entity may need to provide other information, such as its principal place of business, local office, employer identification number, organizational documents, government-issued business license, partnership agreement, trust agreement, or other identifying documents.

The information clients provide may be used to verify clients' identity by using internal sources and third party vendors. If the requested information is not provided within thirty calendar days, we can suspend services to a client's account.

We may be required to disclose information collected under our anti-money laundering program. Otherwise, the information will be retained in confidence according to our privacy policy.