

**Sargent Bickham Lagudis LLC  
d/b/a Colorado Financial Management  
LLC**

SEC File Number: 801 – 56204

**ADV Part 2A, Firm Brochure  
Dated: March 1, 2018**

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This brochure provides information about the qualifications and business practices of Colorado Financial Management LLC. If you have any questions about the contents of this brochure, please contact us at (303) 443-2433 or [josh@colofinancial.com](mailto:josh@colofinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

References herein to Colorado Financial Management LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There has been one material change made to Colorado Financial Management LLC's disclosure statement since the last filing on March 23, 2017:

Effective February 1, 2018, Joshua Miller is now Chief Compliance Officer for the Firm.

### Item 3            Table of Contents

Item 1	Cover Page.....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Compensation .....	6
Item 6	Performance-Based Fees and Side-by-Side Management .....	7
Item 7	Types of Clients .....	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9	Disciplinary Information .....	10
Item 10	Other Financial Industry Activities and Affiliations .....	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12	Brokerage Practices .....	11
Item 13	Review of Accounts .....	14
Item 14	Client Referrals and Other Compensation .....	15
Item 15	Custody .....	15
Item 16	Investment Discretion .....	15
Item 17	Voting Client Securities.....	16
Item 18	Financial Information .....	16

#### Item 4            Advisory Business

- A. Colorado Financial Management LLC (“Firm”) is a limited liability company formed on December 9, 1998 in the State of Colorado. The Firm became registered as an Investment Adviser Firm in March 1999. The Firm is owned by Bradley Bickham, Christopher Lagudis, Patricia Meneley, Meagan D’Angelo, Luke Daniel, David Eads, and Joshua Miller.
- B. As discussed below, the Firm offers to its clients (individuals, business entities, pension and profit sharing plans, trusts, banks or thrift institutions, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Firm to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis.

The Firm’s annual investment advisory fee is set out in the Investment Advisory Agreement and includes investment advisory services, and may include, to the extent specifically requested by the client and agreed to by the Firm, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Firm), the Firm may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

Before the Firm provides investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, the Firm will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, the Firm provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by the client, the Firm *may* determine to provide extraordinary financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone, separate fee basis. The Firm’s planning and consulting fees may either be a fixed fee or on an hourly basis, and are negotiable depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Firm to provide planning or consulting services, clients are generally required to execute a *Financial Planning and Consulting Agreement* with the Firm setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to the Firm commencing services. If requested by the client, the Firm may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Firm. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:**

It remains the client's responsibility to promptly notify the Firm if there is ever any change in his/her/its financial situation, tax status, or investment objectives for the purpose of reviewing/evaluating/revising the Firm's previous recommendations and/or services.

## **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Firm *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Firm, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Firm's services should be construed as same. To the extent requested by a client, the Firm may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Firm. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Firm if there is ever any change in his/her/its financial situation, tax status, or investment objectives for the purpose of reviewing/evaluating/revising the Firm's previous recommendations and/or services.

**Client Obligations.** In performing its services, the Firm shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Firm if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising the Firm's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Firm's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. The Firm shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Firm shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Firm's services.
- D. The Firm does not participate in a wrap fee program.
- E. As of December 31, 2017, the Firm had \$1,446,920,744 in assets under management on a discretionary basis and \$3,363,927 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

- A. The client can select to engage the Firm to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis.

### INVESTMENT ADVISORY SERVICES

The client can determine to engage the Firm to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. The Firm's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Firm's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$2,000,000	1.00%
\$2-4 million	0.75%
\$4-5 million	0.50%

Accounts with balances that exceed \$5 million will be at .5% for the total account balance with no tiers.

The fee schedules for existing clients will not change and are, for clients who were under Sargent Bickham Lagudis LLC:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$1,000,000	1.00%
Over \$1 million	0.75%
Amount Over \$2 million	0.50%

For clients under Colorado Financial Management, Inc.:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$250,000	1.2-1.5%
\$250,000-\$500,000	1.00%
\$500,000-3,000,000	.80%

Accounts in excess of \$3,000,000 may be charged 0.5%.

### FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Firm *may* determine to provide extraordinary financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. The Firm's planning and consulting fees are negotiable, but generally range from \$65.00 to \$300.00 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Firm's advisory fees deducted from their custodial account. Both the Firm's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Firm's investment advisory fee and to directly remit that management fee to the Firm in compliance with regulatory procedures. In the limited event that the Firm bills the client directly, payment is due upon receipt of the Firm's invoice. The Firm shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below in Item 12, unless the client directs otherwise or an individual client's circumstances require, the Firm will generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Other custodians used by the Firm's clients include TD Ameritrade, Fidelity, and Millennium Trust Company. Broker-dealers charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to the Firm's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services and when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (*Schwab*).

D. The Firm's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Firm generally requires an annual minimum fee of \$1,250.00 per quarter or \$5,000.00 per annum for advisory services. The Firm, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its minimum annual investment management fee requirement based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The Firm requires an account minimum of \$500,000 for its investment advisory services but may, in its sole discretion, accept accounts with a smaller portfolio and negotiate the fee.

The *Investment Advisory Agreement* between the Firm and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Firm shall debit the account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter.

- E. Neither the Firm, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Firm nor any supervised person of the Firm accepts performance-based fees. As such, there are no issues relating to side-by-side management of accounts.

## Item 7           Types of Clients

The Firm's clients shall generally include individuals, business entities, pension and profit sharing plans, trusts, banks or thrift institutions, estates and charitable organizations, etc. The Firm generally requires an annual minimum fee of \$1,250.00 per quarter or \$5,000 per annum for advisory services. The Firm, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its minimum annual investment management fee requirement based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The Firm requires an account minimum of \$500,000 for its investment advisory services but may, in its sole discretion, accept accounts with a smaller portfolio and negotiate the fee.

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

A. The Firm may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Firm may utilize any combination of the following five investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Firm) will be profitable or equal any specific past or present performance level(s).

B. The Firm's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis, the Firm must have access to current/new market information. The Firm



has no control over the dissemination rate of market information; therefore, unbeknownst to the Firm, certain analyses may be compiled with outdated market information, severely limiting the value of the Firm's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Of the five investment strategies described above, the Firm uses three fundamental investment strategies - Long Term Purchases, Short Term Purchases, and Trading as its primary investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the investment strategies discussed above, the Firm may also implement and/or recommend the use of margin and/or options strategies. Each of these strategies has a high level of inherent risk.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Firm in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Firm may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Firm. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Firm shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Firm is to hedge against principal risk, certain of the options-related strategies (i.e., straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated

with such strategies. In light of these enhanced risks, client may direct the Firm, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Firm primarily allocates client investment assets among various individual equity and fixed income securities, mutual funds, and/or exchange traded funds on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s). All client portfolios are subject to periodic rebalancing to maintain the designated investment objectives.

## **Item 9            Disciplinary Information**

The Firm has not been the subject of any legal or disciplinary actions.

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

- A. Neither the Firm, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Firm, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Firm has no other relationship or arrangement with a related person that is material to its advisory business.
- D. The Firm does not recommend or select other investment advisors for its clients.

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

- A. The Firm maintains an investment policy relative to personal securities transactions. This investment policy is part of the Firm's overall Code of Ethics, which serves to establish a standard of business conduct for all of the Firm's "Access Persons" that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Firm also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Firm or any person associated with the Firm.

- B. Neither the Firm nor any related person of the Firm recommends, buys, or sells for client accounts, securities in which the Firm or any related person of the Firm has a material financial interest.
- C. The Firm and/or Access Persons of the Firm *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Firm and/or Access Persons of the Firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as

“scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Firm did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Firm’s clients), and other potentially abusive practices.

The Firm has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Firm’s Access Persons. The Firm’s personal securities transaction policy requires that an Access Person of the Firm must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Firm selects.

- D. The Firm and/or Access Persons of the Firm *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Firm and/or Access Persons of the Firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Firm has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of the Firm’s Access Persons.

## **Item 12      Brokerage Practices**

- A. The Firm does not maintain custody of your assets, although we may be deemed to have custody of your assets if you give us authority to withdraw fees from your account. Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. In the event that the client requests that the Firm recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Firm to use a specific broker-dealer/custodian), the Firm generally recommends that investment management accounts be maintained at *Schwab*. We are independently owned and operated and not affiliated with Schwab. In addition, clients can choose to have their assets held at TD Ameritrade, Fidelity, and/or Millennium Trust Company. The custodians will hold your assets in a brokerage account and buy and sell securities when the Firm or you instruct them to. While we may recommend that you use Schwab as the custodian, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. Prior to engaging the Firm to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with the Firm setting forth the terms and conditions under which the Firm shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Firm considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Firm, and the custodian’s financial strength, reputation, execution capabilities, pricing, research, and quality and range of services. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Firm determines, in good faith, that the commission/transaction fee is reasonable. 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 capabilities, commission rates, and responsiveness. Accordingly, although the Firm will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, the Firm's investment management fee. The Firm's best execution responsibility is met if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

For our clients' accounts it maintains, *Schwab* generally does not charge you separately for custody services, but is compensated by charging you commissions or other fees on trades that it executes or that settle into your *Schwab* account.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, the Firm may receive from *Schwab* (or another broker-dealer/custodian, investment platform, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist the Firm to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Firm may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by the Firm in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Firm in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Firm to manage and further develop its business enterprise.

The Firm's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Firm to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

*Schwab* Referrals

The Firm receives client referrals from Charles Schwab & Co., Inc. ("*Schwab*") through the Firm's participation in Schwab Advisor Network™ ("the Service"), designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with the Firm. Schwab does not supervise the Firm and has no responsibility for the Firm's management of clients' portfolios or the Firm's other advice or services. The Firm pays Schwab fees to receive client referrals through the Service. The Firm's participation in the Service may raise potential conflicts of interest described below.

The Firm pays *Schwab* a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that

are maintained at, or transferred to, another custodian. The Participation Fee paid by the Firm is a percentage of the fees owed by the client to the Firm or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. The Firm pays *Schwab* the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to the Firm quarterly and may be increased, decreased or waived by *Schwab* from time to time. The Participation Fee is paid by the Firm and not by the client. The Firm has agreed not to charge clients referred through the Service any fees or costs greater than the fees or costs the Firm charges clients with similar portfolios (pursuant to the Firm's standard fee schedule as in effect from time to time) who were not referred through the Service.

The Firm generally pays *Schwab* a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from *Schwab*, unless the client was solely responsible for the decision not to maintain custody at *Schwab*. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees the Firm generally would pay in a single year. Thus, the Firm will have an incentive to recommend that client accounts be held in custody at *Schwab*.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of the Firm's clients who were referred by *Schwab* and those referred clients' family members living in the same household. Thus, the Firm will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at *Schwab* and to instruct *Schwab* to debit the Firm's fees directly from the accounts.

For accounts of the Firm's clients maintained in custody at *Schwab*, *Schwab* will not charge the client separately for custody but will receive compensation from the Firm's clients in the form of commissions or other transaction-related compensation on securities trades executed through *Schwab*. *Schwab* also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than *Schwab*. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, the Firm may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. The Firm nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at *Schwab* may be executed through a different broker-dealer than trades for the Firm's other clients. Thus, trades for accounts custodied at *Schwab* may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

2. As discussed at length immediately above under the "*Schwab* Referrals" heading, the Firm may receive client referrals from *Schwab* through its participation in Schwab Advisor Network™.
3. The Firm does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and the Firm will not seek better execution services or

prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by the Firm. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs the Firm to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through the Firm.

- B. To the extent that the Firm provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and 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 among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Firm shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. For those clients to whom the Firm provides investment supervisory services, account reviews are conducted on an ongoing and periodic basis by the Firm's Principals and representatives. All investment advisory clients are advised that it remains their responsibility to advise the Firm of any changes in their investment objectives, tax status, and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), tax status, investment objectives, and account performance with the Firm on an annual basis.
- B. The Firm *may* conduct account reviews on another than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives, tax status, and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with regular written summary account statements directly from the broker-dealer/custodian for the client accounts. The Firm may also provide a written periodic report summarizing account activity and performance.

## Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Firm may receive an indirect economic benefit from *Schwab*. The Firm, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

The Firm's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Firm to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

- B. The Firm does not use solicitors.

## Item 15 Custody

Under government regulations, the Firm is deemed to have custody of client assets if the client authorizes the Firm to instruct the custodian to deduct the Firm's advisory fees directly from clients' accounts. However, the clients' custodians maintain actual custody of clients' assets. The Firm has the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with regular written summary account statements directly from the broker-dealer/custodian for the client accounts. These notices and statements will be sent by the custodians to the clients' email or postal mailing address. The Firm also provides a written periodic report summarizing account activity and performance. As such, the Firm is deemed to be a custodian on its clients' accounts. However, all client assets are held at Charles Schwab, TD Ameritrade, Fidelity, and/or Millennium Trust Company, which act as the broker-dealers and custodians.

**Please Note:** Clients are urged to promptly review the periodic account statements or reports and compare them to the statements or reports received from the account custodian.  
**Please Also Note:** The account custodian does not verify the accuracy of the Firm's advisory fee calculation.

## Item 16 Investment Discretion

The client can determine to engage the Firm to provide investment advisory services on a discretionary basis. Prior to the Firm assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, granting the Firm full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Firm on a discretionary basis may, at any time, impose restrictions, **in writing**, on the Firm's discretionary authority. (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Firm's use of margin, etc.).

## **Item 17          Voting Client Securities**

- A. Unless the client directs otherwise in writing, the Firm is responsible for voting client proxies. **However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits. The Firm votes proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Firm will monitor corporate actions of individual issuers and investment companies consistent with the Firm's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which the Firm will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include the following: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, the Firm may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Firm may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Firm shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Firm voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Firm's Chief Compliance Officer, Patricia Meneley.
- B. As set forth in Item 17.A, the Firm votes client proxies.

## **Item 18          Financial Information**

- A. The Firm does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Firm is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Firm has not been the subject of a bankruptcy petition.