

**Item 1 - Cover Page**

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**March 27, 2019 Brochure**

This brochure ("Brochure") provides information about the qualifications and business practices of Matthias Private Wealth, LLC (the "Adviser"). If you have any questions about the contents of this Brochure, please contact us at (407) 691-3300 or [info@matthiaspw.com](mailto:info@matthiaspw.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state authority.

Additional information about the Adviser also is available on the SEC's website at  
**[www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov)**.

## **Item 2 - Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV”, which amends the disclosure document that advisers provide to clients as required by SEC Rules. This Brochure is a document which the Adviser provides to its clients as required by SEC rules.

Since the last amendment to this Brochure filed on March 21, 2018, the following material changes have been made:

- Item 1: the contact email address for the Adviser has been updated to [info@matthiaspw.com](mailto:info@matthiaspw.com).
- Item 4: a description of the Adviser’s Business Advisory Services has been added, which discloses that the Adviser may be engaged to provide advisory services relating to closely held or other businesses owned and operated by clients.
- Item 5: the description of the fees the Adviser charges for services has been updated to indicate that the Adviser may charge an annualized fee of up to 2.00% of the sum of the fair market value of assets under management when engaged to provide additional services.
- Item 5: the required minimum account size has been updated to \$5 million, and the minimum annual fee has been updated to \$50,000.
- Item 15: First American Bank has been identified as a custodian who holds client accounts at the Adviser.

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## **Item 4 - Advisory Business**

### General Information

Matthias Private Wealth, LLC, a Florida limited liability company, was formed in July 2017. The Adviser delivers comprehensive investment advisory services, including portfolio management, financial planning, estate planning and charitable planning, as well as tax planning and consulting services and bookkeeping services to individuals, trusts, estates, charitable organizations, corporations, limited liability companies, other business entities and pension and profit-sharing plans, as further described below.

The Adviser is a related person of Matthias & Matthias, PL, a law firm for which Richard R. Matthias serves as managing partner ("Matthias & Matthias, PL"). The Adviser seeks to coordinate client services with these and other professionals to provide a coherent host of services managed within one team of professionals in a collaborative workspace. Other professionals (*e.g.*, attorneys, accountants, insurance agents and others, collectively referred to herein as "outside professionals") are engaged directly by the client on an as-needed basis.

### Principal Owners

Richard R. Matthias is the sole principal owner of the Adviser.

## **SERVICES PROVIDED**

### Investment Advisory Services

*Investment Plan.* The Adviser provides discretionary and non-discretionary portfolio management services as well as financial planning, estate planning and charitable planning services to individuals, trusts, estates, charitable organizations, corporations, limited liability companies, other business entities and pension and profit-sharing plans.

At the outset of each client relationship, the Adviser spends time with the client, asking questions, discussing the client's investment experience and financial circumstances, and broadly identifying major goals of the client. Based on all of the information gathered, the Adviser generally develops with each client the client's investment objectives and guidelines (the "Investment Plan"), generally taking into account the client's age, financial circumstances, occupation and employment, investment goals and risk tolerance level.

The Investment Plan is a reflection of the client's current financial picture and future goals and outlines the types of investments the Adviser will make or recommend on behalf of the client based on the Adviser's own research and analysis in order to meet those goals. The elements of the Investment Plan are shared periodically with each client, but are not necessarily written documents.

The Adviser may provide clients investment advice with respect to cash, publicly traded securities, or privately traded investments, such as business interests, real estate and various intangible assets, and may consider assets which are not under the Adviser's immediate control or direction. The Adviser may consider the tax implications for a client of one or more strategies that may be used in carrying out an Investment Plan. In addition, the Adviser may consult with the client's outside professionals (*e.g.*, legal, tax, estate planning advisors), to ensure the Investment Plan is consistent with the client's larger wealth plan, and Matthias & Matthias, PL may serve as one such outside

professional. With respect to certain matters, the Adviser may advise clients to seek the assistance of outside professionals and coordinate with these outside professionals.

A client's Investment Plan will be updated from time to time when requested by the client, or when determined to be necessary or advisable by the Adviser based on updates to the client's financial or other circumstances.

*Portfolio Management.* To implement the client's Investment Plan, the Adviser will manage the client's investment portfolio on a discretionary or a non-discretionary basis pursuant to an investment advisory agreement with the client. As a discretionary investment adviser, the Adviser will have the authority to supervise and direct the portfolio without prior consultation with the client. Clients who choose a non-discretionary arrangement must be contacted prior to the execution of any trade in the account(s) under management. This may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Notwithstanding the foregoing, clients may impose certain written restrictions on the Adviser in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of the Adviser.

*Use of Sub-Advisers.* When appropriate and in accordance with the Investment Plan for a client, the Adviser may engage on behalf of a client one or more separate account managers (each, a "Sub-Adviser") to manage all or a portion of a client's portfolio. Having access to various Sub-Advisers offers a wide variety of manager styles, increases opportunities for portfolio diversity and allows clients the opportunity to utilize more than one Sub-Adviser if necessary to meet the needs and investment objectives of the client. Factors that the Adviser considers in selecting Sub-Advisers generally include the client's stated investment objective(s), management style, performance, risk level, reputation, financial strength, reporting, pricing, and research.

The Sub-Adviser(s) will generally be granted discretionary trading authority to provide investment advisory services for the portfolio, and the Adviser will be granted discretion to engage or terminate Sub-Advisers for a client's portfolio. When one or more Sub-Advisers are utilized, the Sub-Advisers' fees are generally separate from and in addition to the Adviser's fees.

With respect to assets managed by a Sub-Adviser, the Adviser's role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the Sub-Adviser(s), and to assist the client in understanding the investments of the portfolio.

*Financial Planning.* In conjunction with portfolio management services, on an annual or other periodic basis, the Adviser offers financial planning through its Personal and Trust Finances services.

Depending on a client's particular situation, financial planning may include some or all of the following: wealth plan review, portfolio review, updates to the Investment Plan, personal financial statement review, risk management, budgeting, comprehensive review of all client assets (including those outside the portfolio), retirement planning, education funding and tax strategies and concepts, and each service may be coordinated with clients' outside professionals, and Matthias & Matthias, PL may serve as such an outside professional. While financial planning services will not include detailed analyses of specific securities, it may incorporate personal income and expense analysis as well as cash flow and liquidity discussions for assets owned individually by clients or indirectly via a business entity or trust for which clients have a beneficial or legal interest. Financial plans may, but are not always, reduced to a written document.

The goal of financial planning is to assess the financial circumstances of the client in order to more effectively develop the client's Investment Plan. Financial planning is offered as a complement to a client's Investment Plan and is not offered as a stand-alone service.

*Estate Planning.* At a client's direction, the Adviser may annually review the client's estate plan in conjunction with its portfolio management services to address tax law changes and fluctuating asset levels, among other issues. Clients may direct the Adviser to coordinate estate planning with the client's outside professionals. Certain clients may engage Matthias & Matthias, PL to provide legal services in connection with estate planning pursuant to a separate agreement between the client and Matthias & Matthias PL.

*Charitable Planning.* In concert with the tax, legal and estate planning advice provided to clients by outside professionals, the Adviser may annually review the current status and future direction of a client's charitable plan and adjust the client's Investment Plan accordingly.

#### Tax Coordination Services

The Adviser offers tax coordination services to clients, which includes coordinating services provided by outside professionals, including Matthias & Matthias, PL, with respect to state income tax, federal income tax, estate, gift and generation-skipping tax returns for individual U.S. residents, individual nonresident aliens, estates, trusts, corporations, partnerships, schedule C businesses, foundations, charitable organizations and other not-for-profit and for-profit entities. The Adviser's coordination services generally are provided in conjunction with other services provided by the Adviser, and no additional fee is charged for such services.

#### Tax Planning, Consulting & Preparation Services

The Adviser offers tax planning, consulting and assistance in preparation of state and federal income taxes and estate, gift and generation-skipping taxes for individual U.S. residents, individual nonresident aliens, estates, trusts, corporations, partnerships, schedule C businesses, foundations, charitable organizations and other not-for-profit and for-profit entities. The Adviser may outsource such tax services to unaffiliated or affiliated tax service providers. All such tax services are provided pursuant to one or more separate agreements with the client for an additional fee.

*Special Projects.* The Adviser may be engaged to provide a client with tax-related services with respect to a discrete, special project, which may involve tax planning or other related matters. In such case, the scope of the project will be agreed upon by the client and the Adviser at the time of the engagement.

### Bookkeeping Services

The Adviser offers bookkeeping services through its Cash Flow product offering, which may include check writing, bill pay, accounts payable, accounts receivable, reconciliation, statement production and may include maintenance of a general ledger, which entails booking and coding expenditures and receipts for clients' tax work. The Adviser may provide bookkeeping services for accounts which are not part of the Adviser's portfolio management services and for businesses controlled by the Adviser's clients. The Adviser's bookkeeping services generally are provided in conjunction with other services provided by the Adviser. All such bookkeeping services are provided pursuant to one or more separate agreements with the client and are generally for an additional fee. For check writing and bill pay services, the Adviser requires that a minimum cash balance be maintained, which may impact overall account performance, and such minimums are determined on a case by case basis. The Adviser may outsource such bookkeeping services to unaffiliated or affiliated bookkeeping service providers.

### Special Asset Transactions

Occasionally, the Adviser may be engaged to provide clients with advice or services with respect to the purchase, sale or management of assets other than securities, such as real estate, private loans, vehicles or other special assets. These services will be detailed in a separate agreement between the Adviser and the client. Where the transaction requires the engagement of outside professionals, such as attorneys or accountants, the Adviser will, if requested by the client, coordinate with such outside professionals. Certain clients may engage Matthias & Matthias, PL, a law firm for which Richard R. Matthias serves as managing partner, to provide legal services in connection with such transactions, but the Adviser does not require that clients do so. If clients engage Matthias & Matthias, PL in connection with such a transaction, the respective services to be provided by the Adviser and Matthias & Matthias, PL will be detailed in separate agreements between the client and the Adviser and Matthias & Matthias, PL, respectively.

### Ancillary Services

Occasionally, the Adviser may be engaged to provide clients with advice or services other than, or, in addition to, those listed above, which may include consulting services relating to closely held or other businesses owned and operated by clients. In this event, those services will be detailed in a separate agreement between the Adviser and the client.

### Type and Value of Assets Currently Managed

As of January 31, 2019, the Adviser had \$79,237,248 in discretionary regulatory assets under management and \$28,054,919 in non-discretionary regulatory assets under management.

## **Item 5 - Fees and Compensation**

### General Fee Information

Fees paid to the Adviser are exclusive of all custodial and transaction costs paid to the client's custodian, brokers or other third party consultants. Please see *Item 12 – Brokerage Practices* for additional information. Fees paid to the Adviser are also separate and distinct from the fees and expenses charged by mutual funds, exchange traded funds ("ETFs") or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each

fund's prospectus or offering materials). The client should review all fees charged by funds, brokers, the Adviser and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

Portfolio management fees are generally payable quarterly, in advance, but the Adviser may enter into arrangements where fees are billed in arrears or on a monthly basis. If management begins after the start of a quarter, fees will be prorated accordingly. Fees are normally debited directly from client account(s), unless other arrangements are made. Typically, fees are charged as a percentage of assets under management and are calculated at the close of each calendar quarter or month (as applicable), but there may be instances where the Adviser enters into flat-fee arrangements with certain clients on a case-by-case basis.

#### Investment Advisory, Tax Coordination, Financial Planning, Estate Planning and Charitable Planning Fees

For its typical advisory services, the Adviser generally charges its clients an annualized fee of up to 1.00% of the sum of the fair market value of assets under management at the end of the prior quarter; however, clients that engage the Adviser to provide services in addition to portfolio management may be charged an annualized fee of up to 2.00% of the sum of the fair market value of assets under management, depending on the nature and scope of such additional services.

To determine the market value of equity securities in a client's account that are listed or traded on a national securities exchange or quoted on the over-the-counter market, the Adviser uses the closing price of such securities as reported by the account's custodian on the day of valuation, if available. Other assets and securities for which market quotations are not readily available are valued at fair market value as determined in good faith by the Adviser. The Adviser's valuation policies are subject to change and available upon request.

The minimum account size for portfolio management services is generally \$5 million, but the Adviser reserves the right to accept smaller accounts, subject to a minimum annual fee equal to \$50,000 (\$12,500 per quarter). The Adviser may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where the Adviser deems it appropriate under the circumstances.

Either the Adviser or the client may terminate their investment advisory agreement at any time, subject to any written notice requirements in the investment advisory agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to the Adviser from the client will be invoiced or deducted from the client's account prior to termination.

*Sub-Adviser Fees.* When one or more Sub-Advisers are utilized, the Sub-Advisers' fees are generally separate from and in addition to the Adviser's fees. The Sub-Advisers' fees are normally debited directly from client account(s), unless other arrangements are made.

*Financial Planning, Estate Planning, Charitable Planning Fees.* When the Adviser provides financial planning, estate planning and/or charitable planning services to clients, these fees generally will be included in the portfolio management fees, up to a maximum of three hours total on an annual basis. If such services exceed three hours on an annual basis, hourly fees will be charged as negotiated with each client. The Adviser generally does not provide stand-alone financial planning, estate planning or charitable planning services.



### Tax Planning, Consulting & Preparation Fees

All tax services are provided pursuant to one or more separate agreements with the client for an additional fee. The Adviser may outsource such tax services to unaffiliated or affiliated tax service providers.

### Bookkeeping Services

All bookkeeping services are provided pursuant to one or more separate agreements with the client and are generally for an additional fee payable quarterly, in advance, as a percentage of the market value of assets under management. The Adviser may outsource such bookkeeping services to unaffiliated or affiliated bookkeeping service providers.

### Special Asset Transactions and Ancillary Services Fees

When the Adviser provides services with respect to special asset transactions or other ancillary services to clients, these fees are negotiated at the time of the engagement for such services.

### Costs and Expenses

The Adviser may charge a client for certain operational expenses associated with services provided to the client, including mail and courier costs. Any such charges would be invoiced to the client and payable upon receipt.

### Use of Outside Professionals

In some cases, where a client has instructed the Adviser to coordinate its services with those of a client's outside professionals, clients may request that the fees charged by outside professionals be billed directly to the Adviser for convenience. In such cases, the client will pay the fees of the outside professionals to the Adviser, who will then remit such amounts to the outside professionals on the client's behalf. The Adviser does not "upcharge" any such amounts or otherwise charge the client for providing such a service.

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

The Adviser does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because the Adviser has no performance-based fee accounts, it has no side-by-side management.

## **Item 7 - Types of Clients**

The Adviser serves high net worth individuals, trusts, estates, charitable organizations, corporations, limited liability companies, other business entities and pension and profit-sharing plans.

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

### Methods of Analysis

The Adviser reviews each client's Investment Plan and develops a customized investment strategy, seeking to optimize risk-adjusted returns within each asset class and allocation for each client. The Adviser uses a wide array of securities and investments to meet the unique needs of clients. The primary vehicles for investment used by the Adviser are common stock, private placement securities (for those clients who qualify under the Securities Act of 1933, as amended), bond funds, fixed-income securities, mutual funds and ETFs.

In selecting investments for an individual account in accordance with the client's Investment Plan, the Adviser generally applies traditional fundamental analysis and may utilize any of the following: economic indicators, financial statements, liquidity spreads, yield curves, balance sheets, publicly available research, reports and market intelligence. The Adviser may consider, without limitation, the following factors:

- Financial strength ratios
- Price-to-earnings ratios
- Dividend yields
- Growth rate-to-price earnings ratios

The Adviser may incorporate other methods of analysis, including technical analysis, which involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. The Adviser may evaluate and select individual bonds or bond funds based on a number of factors including, without limitation, rating, yield and duration.

Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, as applicable and without limitation, past performance, fee structure, portfolio manager, fund sponsor, overall ratings for safety and returns, and other factors.

### Investment Strategies

The Adviser's strategic approach is to invest each portfolio in accordance with the Investment Plan that has been developed specifically for each client. This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances:

*Long Term Purchases* – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

*Short Term Purchases* – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

As market conditions and the Investment Plans of clients change, the Adviser updates and rebalances client portfolios with consideration for tax implications as and when the Adviser deems appropriate.

## Risk of Loss

While the Adviser seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While the Adviser manages client investment portfolios or selects one or more Sub-Advisers based on the Adviser's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that the Adviser or a Sub-Adviser allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that the Adviser's or a Sub-Adviser's specific investment choices could underperform their relevant indexes.

*Economic Conditions.* Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws may adversely affect the business prospects or perceived prospects of companies. While the Adviser or a Sub-Adviser performs due diligence on the companies in whose securities it invests, economic conditions are not within the control of the Adviser or the Sub-Adviser and no assurances can be given that the Adviser or the Sub-Adviser will anticipate adverse developments.

*Equity Market Risks.* The Adviser and any Sub-Advisers will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investment funds have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (*e.g.*, bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Private Placements Risks.* Privately issued securities, including those which may be sold only in accordance with Rule 144A under the Securities Act of 1933, as amended, are restricted securities and are not registered with the U.S. Securities and Exchange Commission. The liquidity of the market for specific privately issued securities may vary. Accordingly, the Adviser or a Sub-Adviser may not be able to redeem or resell interests in a privately issued security at an advantageous time or at an advantageous price, which may result in a loss to a client's account.

*Fixed Income Risks.* The Adviser and any Sub-Advisers may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, the Adviser and any Sub-Advisers may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940, as amended. Pooled investment funds charge fees that are in addition to the fees charged by the Adviser.

*Risks Related to Alternative Investment Vehicles.* From time to time and as appropriate, the Adviser and any Sub-Advisers may invest a portion of a client's portfolio in alternative vehicles. The value of client portfolios will be based in part on the value of alternative investment vehicles in which they are invested, the success of each of which will depend heavily upon the efforts of their respective managers. When the investment objectives and strategies of a manager are out of favor in the market or a manager makes unsuccessful investment decisions, the alternative investment vehicles managed by the manager may lose money. A client account may lose a substantial percentage of its value if the investment objectives and strategies of many or most of the alternative investment vehicles in which it is invested are out of favor at the same time, or many or most of the managers make unsuccessful investment decisions at the same time.

*Foreign Securities Risks.* The Adviser and any Sub-Advisers may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the United States. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

*Lack of Diversification.* Client accounts may not have a diversified portfolio of investments at any given time, and a substantial loss with respect to any particular investment in an undiversified portfolio will have a substantial negative impact on the aggregate value of the portfolio.

*Non-Discretionary Assets Held in Client Portfolios.* Certain clients may request that the Adviser hold non-discretionary assets within managed portfolios subject to special instructions from the client. Clients that enter into such arrangements with the Adviser should understand that they will not receive the full benefits of the Adviser's discretionary management services with respect to such non-discretionary assets, which means that the Adviser will have no obligation to make or recommend any buy-sell decisions with respect to any such asset, even during periods of adverse market conditions or when the Adviser otherwise believes that such actions are likely to benefit the client or avoid adverse consequences. Further, clients should be aware that such assets will be included in the calculation of the Adviser's fees, in addition to any custodial, transaction or other third-party fees and expenses associated with such non-discretionary assets.

*Risks Related to Additional Personal Services.* Certain clients may engage the Adviser to provide additional services, including, without limitation, tax services, bill pay services, bookkeeping services, trust services and other related personal or business services. The Adviser makes no

representation or warranty regarding its performance of these services and will have no liability for any loss suffered by a client as a result of such services. No recommendations of the Adviser should be used by a client as a substitute for competent accounting or tax counsel provided by the client's personal attorney or independent accountant and/or tax advisor (with the exception of certain tax or legal services that a client has expressly contracted with the Adviser to provide pursuant to a separate agreement). Additionally, the Adviser will have no responsibility for the acts of any other third party (including affiliates of the Adviser) providing services to the client, whether in connection with the Portfolio or otherwise. Certain services, such as bill pay services, require that the client make available to the Adviser prompt and sufficient information and funds, and grant the Adviser sufficient authority, to permit the Adviser to perform such services. When engaged by a client to do so, the Adviser may sell securities in the client's Portfolio accounts from time to time in order to ensure an appropriate amount of cash is available to satisfy certain client obligations, which may trigger or cause additional tax liability to the client. If clients engage Matthias & Matthias, PL or any other affiliate of the Adviser in connection with any transaction or other services, the respective services to be provided by the Adviser and the affiliate will be subject to their own separate fees, which will be detailed in separate agreements between the client and the Adviser and the affiliate, respectively.

#### **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no disciplinary events to report.

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

The Adviser has relationships that are material to its advisory business or its clients, as further described below.

##### *Matthias & Matthias, PL*

Richard R. Matthias, the sole principal owner of the Adviser, is also the owner and managing partner of Matthias & Matthias, PL, a law firm. Certain clients of the Adviser may engage the legal services of Matthias & Matthias, PL, which would cause Mr. Matthias to receive compensation through his position at Matthias & Matthias, PL. Legal services provided by Mr. Matthias or Matthias & Matthias, PL are separate and distinct from the Adviser's services, and are provided for separate and typical compensation. The Adviser does not provide any legal services. Any communications between clients of the Adviser and the Adviser are not afforded attorney-client privilege or any other form of privilege allowed by and between a licensed attorney and client; such privilege is limited to and can only be asserted when a client specifically and separately engages and communicates with Mr. Matthias in his capacity as an attorney, Matthias & Matthias, PL or other legal counsel. Clients are not obligated, contractually or otherwise, to use the services of Matthias & Matthias, PL or to act upon any of the Adviser's recommendations with respect to outside professionals.

##### *First American Bank of Chicago*

Richard R. Matthias, the sole principal owner of the Adviser, also serves as the Audit Committee Chair, Trust Committee member and a member of the Board of Directors of First American Bank of Chicago ("First American"), an Illinois-chartered, privately held full-service bank with locations in Illinois and Florida. Mr. Matthias has minority beneficial ownership and legal interests in First American. The Adviser may utilize First American as a Sub-Adviser to manage all or a portion of certain clients' portfolios. Neither the Adviser nor First American pays referral fees to the other.

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

### Code of Ethics and Personal Trading

The Adviser has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. The Adviser's Code has several goals. First, the Code is designed to assist the Adviser in complying with applicable laws and regulations governing its investment advisory business. Under the Advisers Act, the Adviser owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires Adviser associated persons to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for the Adviser's associated persons (managers, officers and employees). Under the Code's Professional Standards, the Adviser expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, the Adviser associated persons are not to take inappropriate advantage of their positions in relation to the Adviser clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time the Adviser's associated persons may invest in the same securities recommended to clients. This may create a conflict of interest because associated persons of the Adviser may invest in securities ahead of or to the exclusion of the Adviser's clients. Under its Code, the Adviser has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, including generally disallowing trading by an associated person in any security within one day before any client account trades or considers trading the same security and the creation of a restricted securities list, reporting and review of personal trading activities and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

### Participation or Interest in Client Transactions

As outlined above, the Adviser has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. In addition, clients may at times invest alongside associated persons of the Adviser in private placements or separately-managed accounts. The Adviser may receive fee breaks in connection with these investments based on the size of its total investment, which will benefit its clients as well as its associated persons. These types of investments may create a conflict of interest, because the Adviser may be incentivized to place clients in investments alongside its associated persons in order to receive any such fee breaks or to satisfy certain minimum investment thresholds. In the event of any identified potential conflicts of interest, the Adviser's goal is to place client interests first.

Consistent with the foregoing, the Adviser maintains policies regarding participation in initial public offerings ("IPOs") and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If an associated person wishes to participate in an IPO or invest in a private placement, he/she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

If associated persons trade with client accounts (*e.g.*, in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with the Adviser's written policy.

## **Item 12 - Brokerage Practices**

### Best Execution and Benefits of Brokerage Selection

When given discretion to select the brokerage firm that will execute orders in client accounts, the Adviser seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, the Adviser may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of the Adviser's clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

The Adviser may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets. The Adviser may effect trades for client accounts at Schwab, or may in some instances, consistent with the Adviser's duty of best execution and specific investment advisory agreement with each client, elect to execute trades elsewhere. Although the Adviser may recommend that clients establish accounts at Schwab, it is ultimately the client's decision to custody assets with Schwab. The Adviser is independently owned and operated and is not affiliated with Schwab.

Schwab provides the Adviser with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as the Adviser maintains a pre-established minimum amount of client assets in accounts at Schwab. These services are not soft dollar arrangements, but are part of the institutional platform offered by Schwab. Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For the Adviser's client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab also makes available to the Adviser other products and services that benefit the Adviser but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Adviser accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist the Adviser 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 the Adviser's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help the Adviser manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to the Adviser. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Adviser. Schwab may also provide other benefits such as educational events or occasional business entertainment of Adviser personnel. In evaluating whether to recommend that clients custody their assets at Schwab, the Adviser may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### Directed Brokerage

Clients may direct the Adviser to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangement that the Adviser has with Schwab is designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, the fact that a client chooses to use the brokerage and/or custodial services of these alternative service providers may in fact result in a certain degree of delay in executing trades for their account(s) and otherwise adversely affect management of their account(s).

By directing the Adviser to use a specific broker or dealer, clients who are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") confirm and agree with the Adviser that they have the authority to make the direction, that there are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

#### Aggregated Trade Policy

The Adviser may enter trades as a block where possible and when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block. Block trading allows the Adviser to execute equity trades in a timelier, equitable manner, and may reduce overall costs to clients.



The Adviser will only aggregate transactions when it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients, and is consistent with the terms of the Adviser's investment advisory agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all of the Adviser's transactions in a given security on a given business day, with transaction costs generally shared pro-rata based on each client's participation in the transaction. On occasion, owing to the size of a particular account's pro rata share of an order or other factors, the commission or transaction fee charged could be above or below a breakpoint in a pre-determined commission or fee schedule set by the executing broker, and therefore transaction charges may vary slightly among accounts. Accounts may be excluded from a block due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

The Adviser will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment over time, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of the Adviser. The Adviser's books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement, and the Adviser will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

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

Managed portfolios are reviewed at least quarterly, but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by the Adviser. Factors that may result in a review of an account include, but are not limited to, the following: a change in general client circumstances (*e.g.*, marriage, divorce, retirement); or economic, political or market conditions materially affecting the client's account. One of the Adviser's investment adviser representatives or principals is responsible for reviewing all accounts.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. The Adviser will provide additional written reports as needed or requested by the client. Clients should carefully compare the statements that they receive from the Adviser against the statements that they receive from their account custodian(s).

For those clients to whom the Adviser provides separate tax planning and consulting services and bookkeeping services, reviews are conducted on an as-needed or agreed-upon basis. Such reviews are conducted by one of the Adviser's investment adviser representatives or principals.

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

Richard R. Matthias, the sole principal owner of the Adviser, is also the owner and managing partner of Matthias & Matthias, PL, a law firm. In providing investment advisory and other related services to clients that have also engaged Matthias & Matthias, PL, Mr. Matthias may provide legal and tax services through Matthias & Matthias, PL, for which he would receive compensation through his position at Matthias & Matthias, PL. Neither the Adviser nor Matthias & Matthias, PL receives referral fees from the other. Please see *Item 10 – Other Financial Industry Activities and Affiliations* for more information.

Richard R. Matthias, the sole principal owner of the Adviser, also serves as the Audit Committee Chair, Trust Committee member and a member of the Board of Directors of First American, an Illinois-chartered, privately held full-service bank with locations in Illinois and Florida. Mr. Matthias is a minority owner of First American. The Adviser may utilize First American as a Sub-Adviser to manage all or a portion of certain clients' portfolios. Neither the Adviser nor First American pays referral fees to the other.

As noted above, the Adviser may receive some benefits from Schwab based on the amount of client assets held at Schwab. Please see *Item 12 - Brokerage Practices* for more information. However, neither Schwab nor any other party is paid to refer clients to the Adviser.

#### **Item 15 - Custody**

The Adviser is deemed to have custody of certain client assets due its various bookkeeping and bill pay practices. In addition, the Adviser may be deemed to have "soft" custody of client assets because the Adviser's portfolio management fees are normally debited directly from client account(s), unless other arrangements are made. The Adviser has adopted the appropriate policies and procedures to monitor and supervise its practices. The Adviser has also retained an independent accounting firm to perform a surprise audit and internal controls report as prescribed by Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended.

One of Schwab and First American Bank is the qualified custodian of nearly all client accounts at the Adviser. From time to time however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify the Adviser of any questions or concerns. Clients are also asked to promptly notify the Adviser if the custodian fails to provide statements on each account held.

From time to time and in accordance with the Adviser's investment advisory agreement with clients, the Adviser will provide additional reports. As mentioned above, the account balances reflected on these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting, pending trades or other similar issues.

## **Item 16 - Investment Discretion**

As described in **Item 4 - Advisory Business**, the Adviser manages portfolios on a discretionary or a non-discretionary basis. For discretionary accounts, after an Investment Plan is developed for the client's investment portfolio, the Adviser will execute that Investment Plan without specific consent from the client for each transaction. A Limited Power of Attorney ("LPOA") is executed by the client, giving the Adviser the authority to carry out various activities in the account, generally including the following: (i) trade execution; (ii) the ability to request checks on behalf of the client; and (iii) the withdrawal of advisory fees directly from the account. The Adviser then directs investment of the client's portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with the Adviser and the requirements of the client's custodian. The discretionary relationship is further described in the investment advisory agreement between the Adviser and the client.

For non-discretionary accounts, the client may also execute an LPOA, which allows the Adviser to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the investment advisory agreement between the Adviser and the client, the Adviser does not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action. As with discretionary accounts, clients may limit the terms of the LPOA, subject to the investment advisory agreement with the client and the requirements of the client's custodian.

## **Item 17 - Voting Client Securities**

As a policy and in accordance with the Adviser's investment advisory agreement, the Adviser does not vote proxies related to securities held in client accounts. However, where a Sub-Adviser is utilized to manage all or a portion of a client's portfolio, the Sub-Adviser may have adopted policies and procedures with respect to the voting of proxies. The proxy voting policies of a Sub-Adviser are disclosed in the Sub-Adviser's firm brochure (Form ADV, Part 2A), which is available from the Adviser upon request. Clients may contact the Adviser with questions relating to proxy procedures and proposals; however, the Adviser generally does not research particular proxy proposals.

## **Item 18 - Financial Information**

The Adviser does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure with respect to this item.