

# Ellsworth Advisors, LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Ellsworth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (234) 281-2894 or by email at: [mschwab@ellsworthadvisors.com](mailto:mschwab@ellsworthadvisors.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 Ellsworth Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Ellsworth Advisors, LLC's CRD number is: 297464.*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Ellsworth Advisors, LLC on 02/15/2019 are described below. Material changes relate to Ellsworth Advisors, LLC's policies, practices or conflicts of interests.

- Ellsworth Advisors, LLC has updated Item 10.C.
- Ellsworth Advisors, LLC has updated their primary address (Front Page)
- Ellsworth Advisors, LLC has updated their telephone number (Front Page)
- Ellsworth Advisors, LLC has updated their assets under management (Item 4. E)
- Ellsworth Advisors, LLC has updated language in Item 14A.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Ellsworth Advisors, LLC (hereinafter "Ellsworth") is a Limited Liability Company organized in the State of Ohio. The firm was formed in March 2018, and the principal owner is Ellsworth Advisors Holdings, LLC.

### **B. Types of Advisory Services**

#### *Portfolio Management Services*

Ellsworth offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Ellsworth creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) to aid in the selection of a portfolio that matches each client's specific situation. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

Ellsworth evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Ellsworth will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

Ellsworth seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of Ellsworth's economic, investment or other financial interests. To meet its fiduciary obligations, Ellsworth attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, Ellsworth's policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is Ellsworth's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent, including initial public offerings ("IPOs") and other investment opportunities that might have a limited supply, among its clients on a fair and equitable basis over time of those who are eligible.

Ellsworth has discretion to choose third-party investment advisers to manage all or a portion of the client's assets. Before selecting other advisers for clients, Ellsworth will ensure those other advisers are properly licensed or registered as an investment adviser. Ellsworth conducts due diligence on any third-party investment adviser, which may

involve one or more of the following: phone calls, references, meetings, and review of the third-party adviser's organization, performance and investment strategy. Ellsworth then makes investments with a third-party investment adviser by investing with the third-party adviser. These investments may be allocated either through the third-party adviser's fund or through a separately managed account managed by such third party adviser on behalf of Ellsworth's client. Ellsworth may also allocate among one or more private equity funds or private equity fund advisers. Ellsworth will review the ongoing performance of the third-party adviser(s) as a portion of the client's portfolio.

### *Pension Consulting Services*

Ellsworth offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). ERISA requires plan sponsor to have a "named fiduciary" that should be a Committee made up of Officers.

A 3(21) Adviser renders investment advice on a regular basis for compensation; discretionary authority over management or disposition of assets; known as investment "advisor"; adviser makes recommendations; committee decides & retains responsibility for outcomes;

A 3(38) Manager must acknowledge status in writing; must be RIA, bank or insurance company; known as investment "manager"; committee grants discretionary authority to manage assets; manager provides asset management for committee; liability shifts from committee to manager; Committee retains liability for selection & monitoring of manager, including reasonableness of fees.

Pension consulting may include any of the following:

- o Investment Advisory Services
- o Investment Policy Statement
- o Discretionary Investment Changes (3(38)) plans),
- o Ongoing Investment Recommendations (3(21) plans),
- o Ongoing Investment Monitoring,
- o Qualified Default Investment Alternative Assistance ("QDIA),
- o Discretionary Model Portfolios (3(38)) plans),
- o Non-Discretionary Model Portfolios (3(21) plans), and
- o Performance Reports
- o Consulting Services
- o Service Provider Liaison,
- o Education Services to Plan Committee,
- o Participant Enrollment,
- o Participant Education,
- o Plan Search Support/Vendor Analysis,
- o Benchmarking Services, and
- o Assistance Identifying Plan Fees

These services are based on the goals, objectives, demographics, time horizon, and/or risk tolerance of the plan and its participants.

These services are based on the goals, objectives, demographics, time horizon, and/or risk tolerance of the plan and its participants.

### ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning.

### ***Services Limited to Specific Types of Investments***

Ellsworth generally limits its investment advice to mutual funds, fixed income securities, insurance products including annuities, equities, hedge funds, private equity funds, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds, non-U.S. securities, venture capital funds and private placements, although Ellsworth primarily recommends publicly-traded securities. Ellsworth may use other securities as well to help diversify a portfolio when applicable.

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

Ellsworth will tailor a program for each individual client. This will include an interview session to help to understand the client's specific needs and requirements. Ellsworth may use model allocations together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Ellsworth from properly servicing the client account, or if the restrictions would require Ellsworth to deviate from its standard suite of services, Ellsworth reserves the right to end the relationship. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Ellsworth from properly servicing the client account, or if the restrictions would require Ellsworth to deviate from its standard suite of services, Ellsworth reserves the right to end the relationship.

## **D. Wrap Fee Programs**

Ellsworth acts as portfolio manager for and sponsor of a wrap fee program, which is an investment program where the client pays one stated fee. However, this brochure describes Ellsworth's non-wrap fee advisory services; clients utilizing Ellsworth's wrap fee portfolio management should see the separate Wrap Fee Program Brochure. Ellsworth manages the investments in the wrap fee program, but does not manage those wrap fee accounts any differently than it would manage non-wrap fee accounts. Ellsworth receives



the advisory fee set forth in the separate Wrap Fee Program Brochure as a management fee under the wrap fee program.

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

Ellsworth has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$ 309,412,375.00	\$ 211,000,000.00	March 2019

### **Item 5: Fees and Compensation**

#### **A. Fee Schedule**

##### *Portfolio Management Fees*

Total Assets Under Management	Annual Fees
All Assets	1.00%

These fees are negotiable depending upon the needs of the client and complexity of the situation and the final fee schedule is attached as Schedule A of the Investment Management Agreement. Ellsworth uses an average of the daily balance in the client's account throughout the billing period, for purposes of determining the market value of the assets upon which the advisory fee is based.

These fees are generally negotiable and the final fee schedule will be memorialized in the client's advisory agreement. Clients may terminate the contract without penalty, for full refund, within five business days of signing the contract. Thereafter, clients may terminate the contract with five days' written or verbal notice.

##### *Selection of Other Advisers Fees*

Ellsworth will receive its standard fee on top of the fee paid to the third party adviser. This relationship will be memorialized in each contract between Ellsworth and each third-party adviser. The fees will not exceed any limit imposed by any regulatory agency.

Ellsworth may engage in the selection of third-party money managers, but does not have any such arrangements in place at this time. This service may be canceled with 30 days' notice.

## *Pension Consulting Services Fees*

### **Asset-Based Fees for Pension Consulting**

Total Assets Under Management	Annual Fee
All Assets	0.50%

Ellsworth uses an average of the daily balance in the client's account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

These fees are generally negotiable and the final fee schedule will be memorialized in the client's advisory agreement.

Clients may terminate the agreement without penalty for a full refund of Ellsworth's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the pension consulting agreement generally with five business days' written notice.

### **Fixed Fees**

The rate for creating client pension consulting plans is between \$2,500 and \$150,000. The final fee schedule will be memorialized in the client's advisory agreement. This service may be canceled with five business days' written notice.

## *Financial Planning Fees*

### **Fixed Fees**

The negotiated fixed rate for creating client financial plans is between \$1,000 and \$100,000.

Clients may terminate the agreement without penalty, for full refund of Ellsworth's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may terminate the Financial Planning Agreement generally upon written notice.

## **B. Payment of Fees**

### *Payment of Portfolio Management Fees*

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a monthly basis. Fees are paid in arrears.

### ***Payment of Pension Consulting Fees***

Asset-based pension consulting fees can be withdrawn directly from the client's accounts with client's written authorization on a monthly basis. Fees are paid in arrears.

Fixed pension consulting fees are paid via check or wire. These fees are paid in arrears upon completion.

### ***Payment of Selection of Other Advisers Fees***

The timing, frequency, and method of paying fees for selection of third-party managers will depend on the specific third-party adviser selected.

### ***Payment of Financial Planning Fees***

Financial planning fees are paid via check or wire.

Fixed financial planning fees are paid in arrears upon completion.

## **D. Prepayment of Fees**

Ellsworth collects its fees in arrears. It does not collect fees in advance.

## **C. Client Responsibility For Third Party Fees**

This brochure describes Ellsworth's non-wrap fee advisory services; clients utilizing Ellsworth's wrap fee portfolio management should see the separate Wrap Fee Program Brochure for additional details regarding third party fees. Client accounts not participating in the wrap fee program are responsible for the payment of all third party fees (i.e., custodian fees, commissions, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by Ellsworth. Please see Item 12 of this brochure regarding broker/custodian.

## **E. Outside Compensation For the Sale of Securities to Clients**

Brett David Baskin, Timothy Banks Clepper, Kelly Michael Kuennen and Michael Maxwell Schindler are insurance agents. In these roles, they may accept compensation for the sale of investment products to Ellsworth clients.

### ***1. This is a Conflict of Interest***

Supervised persons may accept compensation for the sale of investment products, including commissions from the sale of insurance products to Ellsworth's clients.

## ***2. Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase Ellsworth recommended products through other brokers or agents that are not affiliated with Ellsworth.

## ***3. Commissions are not Ellsworth's primary source of compensation for advisory services***

Commissions are not Ellsworth's primary source of compensation for advisory services.

## ***4. Advisory Fees in Addition to Commissions or Markups***

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on investment products recommended to clients.

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

Ellsworth does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

Ellsworth generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans

There is no account minimum for any of Ellsworth's services.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

Ellsworth's methods of analysis include Charting analysis, Cyclical analysis, Fundamental analysis, Modern portfolio theory, Quantitative analysis and Technical analysis.

**Charting analysis** involves the use of patterns in performance charts. Ellsworth uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Cyclical analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

#### *Investment Strategies*

Ellsworth uses long term trading, short term trading and options trading (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

#### *Methods of Analysis*

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is

that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

**Quantitative analysis** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

### ***Investment Strategies***

Ellsworth's use of options trading generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Options transactions** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value, as well as the possibility of leveraged loss of trading capital due to the leveraged nature of stock options.

**Selection of Other Advisers:** Although Ellsworth will seek to select only money managers who will invest clients' assets with the highest level of integrity, Ellsworth's selection process cannot ensure that money managers will perform as desired and Ellsworth will have no control over the day-to-day operations of any of its selected money managers. Ellsworth would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift" or even regulatory breaches or fraud.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency. The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income. Ellsworth's use of options trading generally holds greater risk of capital loss.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Hedge funds** often engage in leveraging and other speculative investment practices that may increase the risk of loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; may involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Private equity** funds carry certain risks. Private equity fund investments do not sell publicly and are therefore illiquid. An investor may not be able to exit a private equity fund or sell its interests in the fund before the fund closes. Capital calls will be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment. Private equity funds



are subject to various other risks, including the lack of control over the acquisition, management and disposition of investments and the investment risks associated with the types of assets and securities that the private equity fund invests in.

**Private placements** carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

**Venture capital funds** invest in start-up companies at an early stage of development in the interest of generating a return through an eventual realization event; the risk is high as a result of the uncertainty involved at that stage of development. Venture capital fund investments do not sell publicly and are therefore illiquid. An investor may not be able to exit a venture capital fund or sell its interest in the fund before the fund closes. Venture capital funds are subject to various other risks, including the lack of control over the acquisition, management and disposition of investments and the investment risks associated with the types of assets and securities that the venture capital fund invests in.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Non-U.S.** securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

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

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither Ellsworth nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Ellsworth nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Ellsworth has independent licensed insurance agents, and from time to time, will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. Ellsworth always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to utilize the services of any representative of Ellsworth in connection with such individual's activities outside of Ellsworth.

Timothy Banks Clepper is President of Kaulig Companies Ltd., a single member family office, and Kaulig Capital, LLC, the private investment arm of Kaulig Companies Ltd. Both Kaulig Capital, LLC and Kaulig Companies Ltd. are clients of Ellsworth; therefore, Timothy Banks Clepper's role with both the Kaulig companies and Ellsworth could result in a conflict of interest; however, Ellsworth will always act in the best interest of its clients.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

Ellsworth has discretion to choose third-party investment advisers to manage all or a portion of the client's assets. Clients will pay Ellsworth its standard fee in addition to the standard fee for the advisers to which it directs those clients. This relationship will be

memorialized in each contract between Ellsworth and each third-party advisor. The fees will not exceed any limit imposed by any regulatory agency. Ellsworth will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. Ellsworth will ensure that all recommended advisers are licensed or notice filed in the states in which Ellsworth is recommending them to clients.

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

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

Ellsworth has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Ellsworth's Code of Ethics is available at no charge upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

Ellsworth and its associated persons may have material financial interest in investment opportunities that Ellsworth may recommend for purchase or sale by clients. For example, a private placement in real estate.

This presents a conflict of interest in that Ellsworth or its related persons may receive more compensation from investment in a security in which Ellsworth or a related person has a material financial interest than from other investments. Client approval will be sought for client investment in such recommendations and, if granted, such approval will be binding. Ellsworth always acts in the best interest of the client consistent with its fiduciary duties and clients are not required to invest in such investments if they do not wish to do so.

Due diligence will be conducted on all private placements. This will include the determination if the private placement is a security. Matthew Kaulig, President of Kaulig Capital, Kaulig Venture Holdings LLC, an indirect owner of Ellsworth Advisors, may be invested in the recommended private placements along with other employees of Ellsworth Advisors. In some cases, Kaulig Capital will receive compensation from the deal sponsored for soliciting purchasers.

Private placements will only be recommended to accredited investors who are already well diversified in traditional products. These types of opportunities may also be

extended to related persons of Ellsworth, prospects, or other individuals who are well known by the senior management of Ellsworth.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Ellsworth may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Ellsworth to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. Ellsworth will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Ellsworth may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Ellsworth to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, Ellsworth will never engage in trading that operates to the client's disadvantage if representatives of Ellsworth buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on Ellsworth's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and Ellsworth may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in Ellsworth's research efforts. Ellsworth will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

Ellsworth participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent [and unaffiliated] SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include

custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program.

### ***1. Research and Other Soft-Dollar Benefits***

Ellsworth receives research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). Ellsworth entered into a soft-dollar arrangement consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and Ellsworth does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. Ellsworth benefits by not having to produce or pay for the research, products or services, and Ellsworth will have an incentive to recommend a broker-dealer based on receiving research or services.

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

Ellsworth receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

Ellsworth will require clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

If Ellsworth buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, Ellsworth would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. Ellsworth would determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any).

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

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts for Ellsworth's advisory services provided on an ongoing basis are reviewed at least annually by Kelly Kuennen, Managing Director; Max Schindler, Sr. Vice President; or Brett Baskin, Vice President, with regard to clients' respective investment policies and risk tolerance levels. All accounts at Ellsworth are assigned to these reviewers.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Michelle Schwab, Chief Compliance Officer. Financial planning clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

With respect to financial plans, Ellsworth's services will generally conclude upon delivery of the financial plan.

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client of Ellsworth's advisory services will be provided, at least quarterly, a report detailing the client's account, including assets held, asset value, and amount of fees charged. This written report will come from the custodian.

Each financial planning client will receive the financial plan upon completion.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Ellsworth participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member

FINRA/SIPC. TD Ameritrade is an independent [and unaffiliated] SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which Ellsworth custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program.

As disclosed above, Ellsworth participates in TD Ameritrade's institutional advisor program and Ellsworth may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Ellsworth's participation in the Program and the investment advice it gives to its clients, although Ellsworth receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Ellsworth participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have Ellsworth's fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Ellsworth by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by Ellsworth's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit Ellsworth but may not benefit its client accounts. These products or services may assist Ellsworth in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Ellsworth manage and further develop its business enterprise. The benefits received by Ellsworth or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

Ellsworth also participates in TD Ameritrade's Additional Services Program. Ellsworth will receive certain additional economic benefits which may or may not be offered to any other independent advisors that participate in the Additional Services Program. These benefits include full or partial payment of a retirement planning tool (Retirement Planning Advisory Group), a portfolio management system (eMoney), and an electronic proxy voting platform (Broadridge-ProxyEdge). Ellsworth may have a conflict of interest in recommending to its clients that their assets be held in custody with TD Ameritrade and in placing transactions for client accounts with TD Ameritrade, because TD Ameritrade considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Ellsworth's client accounts when determining whether to provide or continue providing Additional Services to Ellsworth; and that Ellsworth's receipt of Additional Services does not diminish Ellsworth's duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

As part of its fiduciary duties to clients, Ellsworth endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic



benefits by Ellsworth or its related persons in and of itself creates a conflict of interest and may indirectly influence the Ellsworth's choice of TD Ameritrade for custody and brokerage services.

#### **B. Compensation to Non – Advisory Personnel for Client Referrals**

Ellsworth may enter into written arrangements with third parties to act as solicitors for Ellsworth's investment management services. Solicitor relationships will be fully disclosed to each Client to the extent required by applicable law. Ellsworth will ensure each solicitor is exempt, notice filed, or properly registered in all appropriate jurisdictions. All such referral activities will be conducted in accordance with Rule 206(4)-3 under the Advisers Act, where applicable.

### **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, Ellsworth will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

### **Item 16: Investment Discretion**

Ellsworth provides discretionary and non-discretionary investment advisory services to clients. The advisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, Ellsworth generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share. In some instances, Ellsworth's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to Ellsworth).

### **Item 17: Voting Client Securities (Proxy Voting)**

Ellsworth acknowledges its fiduciary obligation to vote proxies on behalf of those clients that have delegated to it, or for which it is deemed to have, proxy voting authority. Ellsworth will accept voting authority for client securities in certain cases. When Ellsworth does accept voting authority for client securities, it will always seek to vote in the best interests of its clients. Clients may direct Ellsworth on how to vote client securities by communicating their wishes in writing or electronically to Ellsworth. When voting client proxies Ellsworth will always hold the interests of the clients above its own interests. Clients of Ellsworth may obtain the voting record of



Ellsworth on client securities by contacting Ellsworth at phone number or e-mail address listed on the cover page of this brochure.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Ellsworth neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Ellsworth nor its management has any financial condition that is likely to reasonably impair Ellsworth's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

Ellsworth has not been the subject of a bankruptcy petition in the last ten years.