

**Item 1: Cover Page**  
**Part 2A of Form ADV: Firm Brochure**  
**March 25, 2019**



**DDD Partners, LLC *dba***  
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**Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Tschetter Wealth Advisors. If clients have any questions about the contents of this brochure, please contact us at 425-998-9960. 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 our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #301548.

Please note that the use of the term "registered investment adviser" and description of our firm and/or our associates as "registered" does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## Item 2: Material Changes

Tschetter Wealth Advisors is required to make clients aware of information that has changed since the last annual update to the Firm Brochure ("Brochure") and that may be important to them. Clients can then determine whether to review the brochure in its entirety or to contact us with questions about the changes.

Since our last annual updating amendment in March 2018, we have made the following material changes in our Brochure:

1. We have updated the language in Item 4 and Item 5 of our brochure to more accurately describe certain services and the fees associates with those services. Specifically, we no longer refer to our portfolio management services as a "wrap fee program" as that is not the accurate industry term. Our business practices have not changed, and we continue to absorb the buy and sell transaction fees for exchange-traded stocks, ETFs, and mutual funds charged in our clients' accounts by the custodian. See *Item 5 – Fees and Compensation* of this brochure for more details on the fees we charge to clients, the types of fees charged to clients, and the inherent conflicts of interest present when Tschetter Wealth Advisors pays for a client's transaction fees.
2. We have added detail to our trade allocation policies outlined in this brochure, *Item 12 – Brokerage Practices* of this brochure, under the section titled Aggregation of Purchase or Sale.
3. *Item 12 – Brokerage Practices* of this brochure includes details of the services provided to us by Charles Schwab, the custodian we recommend to you. This information was previously contained in our ADV Appendix and has not been changed materially.
4. We are now organized under the laws of the state of Washington and as such our firm's CRD number has changed to 301548. See Item 1 and Item 4 for details about our firm.

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## Item 4: Advisory Business

DDD Partners, LLC dba Tschetter Wealth Advisors (“we,” “us,” “our,” “Tschetter Wealth Advisors”) is dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed under the laws of the State of Washington in 2017. Our firm is wholly owned by Richard Tschetter, David Tschetter and Dustin Brumbaugh.

Our firm provides asset management and investment consulting services for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. As a fiduciary it is our duty to always act in the client’s best interest. This is accomplished in part by knowing the client. Our firm has established a service-oriented advisory practice with open lines of communication. Working with clients to understand their investment objectives while educating them about our process, facilitates the kind of working relationship we value.

### **Types of Advisory Services Offered**

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#### **Comprehensive Portfolio Management:**

As part of our Comprehensive Portfolio Management service clients are provided asset management and financial planning or consulting services. This comprehensive service is designed to assist clients in meeting their financial goals with use of a financial plan or consultation.

We conduct client meetings to understand each client’s current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we present an investment approach to the client consisting of individual stocks, bonds, exchange traded funds (“ETFs”), mutual funds and/or other securities or investments. Once we have determined the appropriate portfolio, we continuously and regularly monitor it, and rebalance the account as needed based upon the client’s individual needs, stated goals and objectives.

Upon client request, we provide a summary of observations and recommendations for the planning or consulting aspects of this service.

#### **Financial Planning & Consulting:**

Our firm provides a variety of standalone financial planning and consulting services to clients for the management of financial resources based upon an analysis of current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan or rendering a financial consultation for clients based on the client’s financial goals and objectives. This planning or consulting may encompass Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, or Business and Personal Financial Planning.

Written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. Our firm provides clients with a summary of their financial situation, and observations for financial planning

engagements. Financial consultations are not typically accompanied by a written summary of observations and recommendations, as the process is less formal than the planning service. Assuming that all the information and documents requested from the client are provided promptly, plans or consultations are typically completed within 6 months of the client signing a contract with our firm.

### **Third-Party Money Managers:**

We may utilize the services of a third-party money manager, an unaffiliated investment adviser, to manage a portion of your assets. In situations where we select a third-party manager to manage a portion of a client's overall portfolio, that outside manager is chosen with the goal of meeting a particular investment goal for the client's specific circumstances. The third-party manager will manage that portion of your portfolio allocated to them and will have discretionary authority over those specific assets. We will continue to monitor your portfolio to ensure the other adviser's management and investment style remain aligned with your overall investment goals and objectives. We will make changes to a strategy or select another manager as needed. The third-party manager will charge a fee for their services, which are separate and in addition to fees we charge. A detailed description of the other adviser's services and fees is provided in their ADV Part 2A.

### **Tailoring of Advisory Services**

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We offer individualized investment advice to our portfolio management clients. Clients have the opportunity to place reasonable restrictions on the types of investments to be held in their portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

### **Participation in Wrap Fee Programs**

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We do not offer or participate in a wrap fee program. A wrap fee is a single fee a client pays for investment management and execution services, a portion of which is then paid out to related parties providing those services. No portion of our management fee is paid to a third-party. Your custodian invoices Tschetter Wealth Advisors for certain transaction fees in your account and we pay your custodian directly. See Item 5 of this brochure for more details around fees and expenses related to your accounts with our firm.

### **Regulatory Assets Under Management**

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As of March 13, 2019, we managed assets of approximately \$426.7 million on a discretionary basis and \$269.1 million on a non-discretionary basis.

## Item 5: Fees & Compensation

### **Compensation for Our Advisory Services**

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#### **Comprehensive Portfolio Management:**

##### **Fee Schedule:**

The maximum annual fee charged for this service will not exceed 1.50%. Fees to be assessed will be outlined in the advisory agreement to be signed by the client. Annualized fees are billed on a pro-rata basis monthly in advance based on the value of the account(s) on the last day of the previous month. Fees are negotiable and will be deducted from client account(s). In rare cases, we will agree to directly invoice. As part of the fee deduction process, Clients understand the following:

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting Tschetter Wealth Advisors to be directly paid from the custodian;
- c) We will send an invoice directly to the custodian for the amount of the advisory fee; and
- d) If we send an internally-produced statement to the client, we strongly urge the client to compare the information we provide in that statement with the information from the qualified custodian.

#### **Financial Planning & Consulting:**

Our firm charges on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. The fee-paying arrangements will be determined on a case-by-case basis and will be detailed in the signed agreement. Our firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 months.

#### **Third-Party Money Managers:**

Advisory fees that you pay to a third-party manager are separate from fees we charge. Such fees will be established and payable in accordance with the ADV Part 2 disclosure document provided by any such third-party adviser.

### **Other Types of Fees & Expenses**

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Tschetter Wealth Advisors absorbs the transaction fees incurred in client accounts for buys and sells of exchange-traded stocks, ETFs, and mutual funds. Clients are responsible for the transaction fees charged in other types of securities.

Clients will also pay other fees and charges imposed by the chosen custodian including but not limited to charges imposed directly by a mutual fund, index fund, or exchange traded fund, which will be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified

retirement plan fees, and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees, other fees and taxes on brokerage accounts and securities transactions, and fees for trades executed away from your chosen custodian. Tschetter Wealth Advisors does not receive any portion of these fees.

### **Termination & Refunds**

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Portfolio Management services may be terminated by the client or Tschetter Wealth Advisors writing at any time. Upon notice of termination we will process a pro-rata refund of the unearned portion of the advisory fees charged in advance at the beginning of the month.

Financial Planning & Consulting clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

### **Commissionable Securities Sales**

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Tschetter Wealth Advisors does not receive commissions for the sale of any investment product. However, one of the firm's Partners and an Investment Advisory Representative (IAR) with the firm, David Tschetter, is a registered representative with an unaffiliated broker-dealer, Purshe Kaplan Sterling Investments, Inc ("PKS"), member FINRA/SIPC. David is able to accept compensation for the sale of investment products through PKS, including distribution or service ("trail") fees from the sale of mutual funds. This presents a conflict of interest and gives our IAR an incentive to recommend investment products based on the compensation received. Clients have the option to purchase investments products through another broker or dealer. See Item 10 of this brochure and the IAR's ADV Part 2B brochure supplement for details of the conflicts of interest this incentive creates.

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

We do not charge performance-based fees.

## **Item 7: Types of Clients & Account Requirements**

We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Corporations, Limited Liability Companies and/or Other Business Types.

We do not impose requirements for opening and maintaining accounts or otherwise engaging us.

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

The following methods of analysis and investment strategies may be utilized in formulating our investment advice and/or managing client assets, provided that such methods and/or strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

### General Risks of Owning Securities

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 mutual 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.

The prices of, and the income generated by, most debt securities held by a client's account may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in our firm having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.

The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This means that the current market values for these securities will fluctuate with changes in interest rates.

Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing, financial reporting, disclosure, regulatory and legal standards and practices could also affect investments in securities of foreign issuers. Additional factors may include expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs. Various administrative difficulties, such as delays in clearing and settling portfolio transactions, or in receiving payment of dividends can increase risk. Finally, investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

### Investment Strategies

**Proprietary Models:** Tschetter Wealth Advisors develops proprietary asset allocation models and investment strategies as part of our investment process. The purpose of these models and strategies is to create a foundation for clients' investment portfolios based on their individual risk tolerance,



investment timeframe, and specific investment goals. Our proprietary models provide recommended percentage allocation ranges to specific asset classes based on risk tolerance. Our risk tolerance models typically range from aggressive to conservative, with several levels in between. We then tailor our investment model to fit clients' individual investment needs and goals. The risks associated with our proprietary models reflect risks similar to that of asset allocation strategies. This includes that a client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that a client's actual holdings may deviate from the model over time and if not corrected, may no longer be appropriate for the client's goals.

We determine asset allocation for each client to ensure the appropriate mix in light of investment objective and risk tolerance. Our firm periodically reviews and rebalanced portfolios to maintain target allocation. Standard portfolio classifications are as follows, although we customize allocation when/as necessary:

- Aggressive Growth (100/0)
- Moderate Growth (80/20)
- Moderate Balanced (60/40)
- Balanced (50/50)
- Income and Growth (40/60)
- Income (20/80)

Performance for portfolios may be benchmarked against an appropriate blend of market indices depending on asset and strategy allocation. Strategy benchmarks are specified below.

**Equity Portfolio Management:** We primarily build out equity allocations using individual stocks through two strategies, Dividend Growth and Capital Appreciation. The amount invested in each strategy may be adjusted to suit an individual's specific objectives or risk tolerance; a neutral mix utilized in the majority of equity allocations is 50/50. Buy/sell decisions for individual equities is driven by third party research recommendations and our team's own due diligence. Equity allocations, sector weights vs. benchmark, and individual position sizes are regularly monitored using proprietary tools developed by the team as well as tools provided by 3rd party vendors. A typical stock portfolio will contain 30-40 individual stocks with an average position size of ~3%. We monitor company fundamentals and valuation metrics on a weekly basis using analytical tools developed internally.

**Dividend Growth Strategy:** This strategy seeks to provide capital appreciation and an above average dividend yield with a concentrated portfolio of equity holdings. Using both fundamental and quantitative research, the investment team identifies companies that have a proven track record of dividend and earnings growth as well as a positive outlook for future growth. The goal of the strategy is to emphasize consistent and growing income while minimizing risk. Quantitative and qualitative screening tools are employed to identify companies that have a minimum 10-year history of consecutive dividend increases and have a positive outlook for future growth. The companies that meet the initial investment criteria are then subject to additional fundamental analysis using third party research and screening tools.

The companies that are identified and selected for this strategy tend to be Large Cap, national or multi-national firms that are generally leaders in their industries with strong, consistent management teams. Commitment to a stable and growing dividend and broad sector diversification serve as the strategy's primary risk management tools. Our firm seeks to make long-term

investments with low portfolio turnover in order to minimize capital gains tax liability. Reasons a stock may be removed from the portfolio may include, but are not limited to, a cut to the dividend, no increase in the dividend within the required time frame, or deterioration in the fundamentals of the company. We also apply valuation considerations to the portfolio decision process. The Dividend Growth strategy targets 15 individual stocks for inclusion. Our benchmark for the Dividend Growth Strategy is the S&P 500.

**Capital Appreciation Strategy:** This strategy seeks to provide capital appreciation with a concentrated portfolio of equity holdings. Using both fundamental and quantitative research, the investment team identifies companies it believes are priced below intrinsic value. The goal of the strategy is to maximize risk-adjusted returns with an emphasis on stock price growth. The companies that are identified and selected for the Capital Appreciation strategy may be Small, Mid, or Large-Cap companies. We look for attractive valuation opportunities using a variety of fundamental measures and also emphasize companies with a solid financial position. We monitor company fundamentals and valuation metrics for companies we own on an ongoing basis utilizing financial database (FactSet) and spreadsheet tools developed by the team. The Capital Appreciation strategy targets 15-25 stocks for inclusion. Our benchmark for the Capital Appreciation strategy is the S&P 500.

**Fixed Income Portfolio:** If the account is of sufficient size to implement a sound portfolio of individual bonds, we identify corporate, municipal, or treasury bonds for construction of bond ladders. We generally target a minimum of 10 positions in a bond ladder so that at purchase no single issue should represent more than 10% of a fixed income portfolio. We analyze portfolio characteristics (maturities, call features, duration, credit quality, etc.) using 3rd party software. We may shift the duration, bond type, or quality profile of the fixed income portfolio based on our view of relative value/risk offered in the market. Generally, solid investment grade (A or better from major ratings agencies S&P, Moody's, and/or Fitch) rated bonds comprise the large majority of a fixed income portfolio. although we may utilize high yield bonds as appropriate.

## **Methods of Analysis**

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Securities analysis methods rely on the assumption that the companies whose securities are purchased and/or sold, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While our firm is alert to indications that data may be incorrect, there is always a risk that our firm's analysis may be compromised by inaccurate or misleading information.

**Cyclical Analysis:** Statistical analysis of specific events occurring at a sufficient number of relatively predictable intervals that they can be forecasted into the future. Cyclical analysis asserts that cyclical forces drive price movements in the financial markets. Risks include that cycles may invert or disappear and there is no expectation that this type of analysis will pinpoint turning points, instead be used in conjunction with other methods of analysis.

**Fundamental Analysis:** The analysis of a business's financial statements (usually to analyze the business' assets, liabilities, and earnings), health, and its competitors and markets. When analyzing a stock, futures contract, or currency using fundamental analysis there are two basic approaches one can use: bottom up analysis and top down analysis. The terms are used to distinguish such analysis from other types of investment analysis, such as quantitative and technical. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives: (a) to conduct a company stock valuation and predict its probable price evolution; (b) to make a projection on its business performance; (c) to evaluate its management and

make internal business decisions; (d) and/or to calculate its credit risk; and (e) to find out the intrinsic value of the share.

When the objective of the analysis is to determine what stock to buy and at what price, there are two basic methodologies investors rely upon: (a) Fundamental analysis maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by purchasing the mispriced security and then waiting for the market to recognize its "mistake" and reprice the security; and (b) Technical analysis maintains that all information is reflected already in the price of a security. Technical analysts analyze trends and believe that sentiment changes predate and predict trend changes. Investors' emotional responses to price movements lead to recognizable price chart patterns. Technical analysts also analyze historical trends to predict future price movement. Investors can use one or both of these different but complementary methods for stock picking. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Mutual Fund and/or Exchange Traded Fund ("ETF") Analysis:** Analysis of the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. The underlying assets in a mutual fund or ETF are also reviewed in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the Client's portfolio. The funds or ETFs are monitored in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as our firm does not control the underlying investments in a fund or ETF, managers of different funds held by the Client may purchase the same security, increasing the risk to the Client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the Client's portfolio.

**Technical Analysis:** A security analysis methodology for forecasting the direction of prices through the study of past market data, primarily price and volume. A fundamental principle of technical analysis is that a market's price reflects all relevant information, so their analysis looks at the history of a security's trading pattern rather than external drivers such as economic, fundamental and news events. Therefore, price action tends to repeat itself due to investors collectively tending toward patterned behavior – hence technical analysis focuses on identifiable trends and conditions. Technical analysts also widely use market indicators of many sorts, some of which are mathematical transformations of price, often including up and down volume, advance/decline data and other inputs. These indicators are used to help assess whether an asset is trending, and if it is, the probability of its direction and of continuation. Technicians also look for relationships between price/volume indices and market indicators. Technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns. Technical analysis is widely used among traders and financial professionals and is very often used by active day traders, market makers and pit traders. The risk associated with this type of analysis is that analysts use subjective judgment to decide which pattern(s) a particular instrument reflects at a given time and what the interpretation of that pattern should be.

**Third-Party Money Manager Analysis:** The analysis of the experience, investment philosophies, and past performance of independent third-party money managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. Analysis is completed by monitoring the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of the due-diligence process, the manager's compliance and business enterprise risks are surveyed and reviewed. A risk of investing with a third-party manager who has been successful in the past is that they may not be able to replicate that success in the future. In addition, as our firm does not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as our firm does not control the manager's daily business and compliance operations, our firm may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

## **Asset Classes**

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**Alternative Investments:** Hedge funds, commodity pools, Real Estate Investment Trusts ("REITs"), Business Development Companies ("BDCs"), and other alternative investments generally involve a high degree of risk and can be illiquid due to restrictions on transfer and lack of a secondary trading market. They can be highly leveraged, speculative and volatile, and an investor could lose all or a substantial amount of an investment. Alternative investments may lack transparency as to share price, valuation and portfolio holdings. Complex tax structures often result in delayed tax reporting. Compared to mutual funds, hedge funds and commodity pools are subject to less regulation and often charge higher fees. Alternative investment managers typically exercise broad investment discretion and may apply similar strategies across multiple investment vehicles, resulting in less diversification.

**Debt Securities (Bonds):** Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. Bonds with longer rates of maturity tend to have greater interest rate risks.

Certain additional risk factors relating to debt securities include: (a) When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.; (b) Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.; (c) Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices. (d) Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors. Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond risk of lost

principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.; (e) If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.; (f) There may be little trading in the secondary market for particular debt securities, which may affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

Our firm attempts to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that our firm will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

**Exchange Traded Funds:** An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. The vast majority of ETFs are designed to track an index, so their performance is close to that of an index mutual fund, but they are not exact duplicates. A tracking error, or the difference between the returns of a fund and the returns of the index, can arise due to differences in composition, management fees, expenses, and handling of dividends. ETFs benefit from continuous pricing; they can be bought and sold on a stock exchange throughout the trading day. Because ETFs trade like stocks, you can place orders just like with individual stocks - such as limit orders, good-until-canceled orders, stop loss orders etc. They can also be sold short. Traditional mutual funds are bought and redeemed based on their net asset values ("NAV") at the end of the day. ETFs are bought and sold at the market prices on the exchanges, which resemble the underlying NAV but are independent of it. However, arbitrageurs will ensure that ETF prices are kept very close to the NAV of the underlying securities. Although an investor can buy as few as one share of an ETF, most buy in board lots. Anything bought in less than a board lot will increase the cost to the investor. Anyone can buy any ETF no matter where in the world it trades. This provides a benefit over mutual funds, which generally can only be bought in the country in which they are registered.

One of the main features of ETFs are their low annual fees, especially when compared to traditional mutual funds. The passive nature of index investing, reduced marketing, and distribution and accounting expenses all contribute to the lower fees. However, individual investors must pay a brokerage commission to purchase and sell ETF shares; for those investors who trade frequently, this can significantly increase the cost of investing in ETFs. That said, with the advent of low-cost brokerage fees, small or frequent purchases of ETFs are becoming more cost efficient.

**Fixed Income:** Fixed income is a type of investing or budgeting style for which real return rates or periodic income is received at regular intervals and at reasonably predictable levels. Fixed-income investors are typically retired individuals who rely on their investments to provide a regular, stable income stream. This demographic tends to invest heavily in fixed-income investments because of the reliable returns they offer. Fixed-income investors who live on set amounts of periodically paid income face the risk of inflation eroding their spending power.

Some examples of fixed-income investments include treasuries, money market instruments, corporate bonds, asset-backed securities, municipal bonds and international bonds. The primary risk associated with fixed-income investments is the borrower defaulting on his payment. Other considerations include exchange rate risk for international bonds and interest rate risk for longer-dated securities. The most common type of fixed-income security is a bond. Bonds are issued by federal governments, local municipalities and major corporations. Fixed-income securities are recommended for investors seeking a diverse portfolio; however, the percentage of the portfolio dedicated to fixed income depends on your own personal investment style. There is also an opportunity to diversify the fixed-income component of a portfolio. Riskier fixed-income products, such as junk bonds and longer-dated products, should comprise a lower percentage of your overall portfolio.

The interest payment on fixed-income securities is considered regular income and is determined based on the creditworthiness of the borrower and current market rates. In general, bonds and fixed-income securities with longer-dated maturities pay a higher rate, also referred to as the coupon rate, because they are considered riskier. The longer the security is on the market, the more time it has to lose its value and/or default. At the end of the bond term, or at bond maturity, the borrower returns the amount borrowed, also referred to as the principal or par value.

**Individual Stocks:** A common stock is a security that represents ownership in a corporation. Holders of common stock exercise control by electing a board of directors and voting on corporate policy. Investing in individual common stocks provides us with more control of what you are invested in and when that investment is made. Having the ability to decide when to buy or sell helps us time the taking of gains or losses. Common stocks, however, bear a greater amount of risk when compared to certificate of deposits, preferred stock and bonds. It is typically more difficult to achieve diversification when investing in individual common stocks. Additionally, common stockholders are on the bottom of the priority ladder for ownership structure; if a company goes bankrupt, the common stockholders do not receive their money until the creditors and preferred shareholders have received their respective share of the leftover assets.

**Mutual Funds:** A mutual fund is a company that pools money from many investors and invests the money in a variety of differing security types based the objectives of the fund. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value ("NAV") plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which is calculated daily after market close.

The benefits of investing through mutual funds include: (a) Mutual funds are professionally managed by an investment adviser who researches, selects, and monitors the performance of the securities purchased by the fund; (b) Mutual funds typically have the benefit of diversification. Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.; (c) Some mutual funds

accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.; and (d) At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages: (a) Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.; (b) Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.; and (c) With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit, and cannot use losses to offset these gains.

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## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and the account(s) could enjoy a gain, it is also possible that the stock market may decrease and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing in the stock market, are appropriately diversified in investments, and ask any questions.

**Capital Risk:** Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100% of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

**Company Risk:** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

**Credit Risk:** Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required.

Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

**Currency Risk:** Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, German mark, Euro, Japanese yen, French franc, etc.).

**Economic Risk:** The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

**Equity (Stock) Market Risk:** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

**Financial Risk:** Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

**Fixed Income Securities Risk:** Typically, the values of fixed-income securities change inversely with prevailing interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as prevailing interest rates rise, which may cause your account value to likewise decrease, and vice versa. How specific fixed income securities may react to changes in interest rates will depend on the specific characteristics of each security. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of a bond to decline.

**Inflation Risk:** Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources



and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk:** Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Legal/Regulatory Risk:** Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

**Liquidity Risk:** Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

**Manager Risk:** There is always the possibility that poor security selection will cause your investments to underperform relative to benchmarks or other funds with a similar investment objective.

**Market Risk:** The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company's intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

**Market Timing Risk:** Market timing can include high risk of loss since it looks at an aggregate market versus a specific security. Timing risk explains the potential for missing out on beneficial movements in price due to an error in timing. This could cause harm to the value of an investor's portfolio because of purchasing too high or selling too low.

**Operational Risk:** Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a

result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

**Past Performance:** Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

### **Description of Material, Significant or Unusual Risks**

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We generally invest client cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on client cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a cash account so that our firm may debit advisory fees for our services related to our Portfolio Management services, as applicable.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

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

As discussed in Item 5 of this brochure, one of the firm's Partners, David Tschetter, is also a registered representative of an unaffiliated broker-dealer, PKS. He is also a licensed insurance agent. He maintains his registration with a broker-dealer and insurance licensing for the purpose of providing clients with access to certain investment products and solutions not currently offered on our investment advisory platform.

As a result of such broker-dealer and insurance transactions, representatives receive normal and customary commissions. A conflict of interest exists as these commissionable securities and insurance product sales create an incentive to recommend products based on the compensation earned. To mitigate this potential conflict, David will only recommend such transactions when they are in the client's best interest. Additional information about David's other industry affiliates can be found in his ADV Part 2B brochure supplement.

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

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all employees to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all employees will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and its employees must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

We recognize that the personal investment transactions of our employees must be carried out in a way that does not endanger the interest of any client. At the same time, we also believe that if investment goals are similar for clients and for our employees, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, we have established procedures for transactions effected by our employees for their personal accounts. In order to monitor compliance with our personal trading policy, we generally request employees trade alongside clients in a block transaction, if possible, to minimize potential conflicts. If not trading in a block with clients, we require pre-clearance on individual stock transactions. We also obtain and review a quarterly securities transaction report for all associated person accounts for which they have direct or beneficial ownership.

In order to minimize this conflict of interest, our employees will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our employees will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day unless included in a block trade.

Neither our firm nor any employee recommends buys or sells for client accounts, securities in which our firm or a related person has a material financial interest without prior disclosure to the client.

Employees of our firm buy and sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics.

## **Item 12: Brokerage Practices**

Our firm does not maintain custody of client assets (although our firm may be deemed to have custody of client assets if give the authority to withdraw assets from client accounts. See *Item 15 Custody*, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Our firm recommends that clients use Charles Schwab & Co., Inc. ("Schwab"),

a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Our firm is independently owned and operated, and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed. While our firm recommends that clients use Schwab as custodian/broker, clients will decide whether to do so and open an account with Schwab by entering into an account agreement directly with them. Our firm does not open the account. Even though the account is maintained at Schwab, we can still use other brokers to execute trades.

Our firm seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. A wide range of factors are considered, including, but not limited to:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- prior service to our firm and our other clients
- availability of other products and services that benefit our firm.

### **Products & Services Available from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like our firm. They provide our firm and clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help manage or administer our client accounts while others help manage and grow our business. Schwab's support services are generally available on an unsolicited basis (our firm does not have to request them) and at no charge to our firm. The availability of Schwab's products and services is not based on the provision of particular investment advice, such as purchasing particular securities for clients. Here is a more detailed description of Schwab's support services:

### **Services that Benefit Clients**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which our firm might not otherwise have access or that would require a significantly higher minimum initial investment by firm clients. Schwab's services described in this paragraph generally benefit clients and their accounts.

## **Services that May Not Directly Benefit Clients**

Schwab also makes available other products and services that benefit our firm but may not directly benefit clients or their accounts. These products and services assist in managing and administering our client accounts. They include investment research, both Schwab's and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping and client reporting.

## **Services that Generally Benefit Only Our Firm**

Schwab also offers other services intended to help manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, Schwab will arrange for third-party vendors to provide the services to our firm. Schwab may also discount or waive fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide our firm with other benefits, such as occasional business entertainment for our personnel.

Irrespective of direct or indirect benefits to our client through Schwab, our firm strives to enhance the client experience, help clients reach their goals and put client interests before that of our firm or associated persons.

## **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits our firm because our firm does not have to produce or purchase them. Our firm does not have to pay for these services, and they are not contingent upon committing any specific amount of business to Schwab in trading commissions or assets in custody.

In light of our arrangements with Schwab, a conflict of interest exists as our firm may have incentive to require that clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our firm rather than based on client interest in receiving the best value in custody services and the most favorable execution of transactions. As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of Schwab as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to

recommend Schwab and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions. Our firm believes that the selection of Schwab as a custodian and broker is the best interest of our clients. It is primarily supported by the scope, quality and price of Schwab's services, and not Schwab's services that only benefit our firm.

### **Aggregation of Purchase or Sale**

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We may aggregate the securities to be purchased or sold in client accounts if we deem such a block trade is likely to result in more favorable pricing for our clients. This means execution prices for identical securities on behalf of multiple client accounts in any one business day are averaged. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation. However, there may be circumstances preventing us from treating all accounts equally in connection with every trade. Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all securities purchase or sold for client accounts, we will allocate the securities in accordance with our order allocation procedures to ensure the fair and equitable treatment of all accounts, which may be done on a pro-rata or random allocation basis.

## **Item 13: Review of Accounts or Financial Plans**

Our management personnel or financial advisors review accounts on at least an annual basis for our Portfolio Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm does not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when our Portfolio Management clients are contacted. Our firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. Our firm does not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately engage our firm for a post-financial plan meeting or update to their initial written financial plan.

## Item 14: Client Referrals & Other Compensation

### **Charles Schwab & Co., Inc.**

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We receive economic benefit from Schwab in the form of the support products and services made available to our firm and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described above in Item 12 of this brochure. The availability of Schwab's products and services is not based on our firm giving particular investment advice, such as buying particular securities for our clients.

### **Referral Fees**

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We do not compensate anyone outside of TWA for client referrals. We do receive fees from anyone for referral of clients to third parties.

## Item 15: Custody

Our firm does not generally have custody of client funds or securities. We do, however, have custody in certain instances where a client signs a standing letter of authorization (SLOA) that allows us to move money to a designated third party without obtaining a signature from the client each time.

All of our clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. If our firm decides to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

We are in compliance with the conditions set forth the SEC relating to SLOAs and, therefore, do not obtain a surprise exam for those assets. We have adopted the following safeguards in conjunction with our custodian, Schwab:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.

- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16: Investment Discretion**

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. When clients grant our firm non-discretionary authority, we are required to obtain the client's permission prior to effecting securities transactions. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

## **Item 17: Voting Client Securities**

SEC Rule 206(4)-6 requires investment advisers who have voting authority with respect to securities held in their clients' accounts to monitor corporate actions and vote proxies in their clients' interests. Our firm is required by the SEC to adopt written policies and procedures, make those policies and procedures available to clients, and retain certain records with respect to proxy votes cast.

We vote client proxies when authorized to do so in writing by a client. We understand our duty to vote client proxies and to do so in the best interest of our clients. Furthermore, it is understood that any material conflicts between our interests and those of our clients with regard to proxy voting must be resolved before proxies are voted. We subscribe to a proxy monitor and voting agent service, which includes access to proxy analyses with research and vote recommendations. We will generally vote in accordance with the recommendations, but may vote in a different fashion on particular votes if we determine that such actions are in the best interest of our clients. Where applicable, we will consider any specific voting guidelines designated in writing by a client. Clients may request a copy of our written policies and procedures regarding proxy voting and/or information on how particular proxies were voted by contacting our Chief Compliance Officer.

### **Proxy Voting Guidelines**

Where voting authority exists, we utilize the services of a third party service provider to vote client proxies. The service provider we have selected is an independent provider of proxy research, voting recommendations and voting services. We believe this independence limits their potential conflicts around decisions relating to publicly-traded securities. Our policy is to vote proxies in the best



interests of our clients. We have adopted the voting guidelines of our service provider, but may choose to vote differently under certain circumstances. We retain detailed Proxy Voting Principals and Guidelines, updated each year, which we will provide to clients upon request.

Generally, our firm votes FOR or AGAINST proposals or nominees, but may ABSTAIN in certain instances. Some voting is determined on a case-by-case basis to ensure the recommendation is appropriate. We will defer to instruction from clients in all voting matters. Records of all issues and votes are maintained and reported to clients as requested.

We recognize that under certain circumstances our firm may have a conflict of interest between us and our clients. Such circumstances may include, but are not limited to, situations where our firm or one or more of our affiliates, including officers, directors and employees, has or is seeking a client relationship with the issuer of the security that is the subject of the proxy vote. Our firm shall periodically inform our employees that they are under an obligation to be aware of the potential for conflicts of interest on the part of our firm with respect to voting proxies on behalf of funds, both as a result of our employee's personal relationships and due to circumstances that may arise during the conduct of our business, and to bring conflicts of interest of which they become aware to the attention of the proxy manager. Our firm shall not vote proxies relating to such issuers on behalf of client accounts until our firm has determined that the conflict of interest is not material or a method of resolving such conflict of interest has been agreed upon by our management team. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence our decision-making in voting a proxy. Materiality determinations will be based upon an assessment of the particular facts and circumstances. If our firm determines that a conflict of interest is not material, our firm may vote proxies notwithstanding the existence of a conflict. If the conflict of interest is determined to be material, the conflict shall be disclosed to our management team and our firm shall follow the instructions of the management team.

We will maintain files relating to our proxy voting procedures, a record of each voted, and the research documenting the rationale for how your proxies were voted for 5 years. We will also retain a copy of each written client request for information on how our firm voted such client's proxies, and a copy of any written response to any client request for information on how our firm voted their proxies. Our general policies and procedures regarding proxy voting are disclosed here. Detailed guidelines and information on how particular proxies were voted are available upon request to our Chief Compliance Officer.

## **Item 18: Financial Information**

Our firm has never been the subject of a bankruptcy proceeding. Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.