

# Parallel Advisors, LLC

SEC File Number: 801 – 68107

## **Part 2A, Firm Brochure**

**Dated: October 31, 2019**

Contact: Sangeetha Srinivasan, Chief Compliance Officer  
150 Spear Street, Suite 950  
San Francisco, California 94105  
Phone: 415-728-9198  
[www.paralleladvisors.com](http://www.paralleladvisors.com)

This brochure provides information about the qualifications and business practices of Parallel Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (866) 627-6984 or [sangeetha.srinivasan@paralleladvisors.com](mailto:sangeetha.srinivasan@paralleladvisors.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 Parallel Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Parallel Advisors, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training

## Item 2           Material Changes

There have been no material changes made to Parallel Advisors, LLC's disclosure statement since last year's Annual Amendment filing on March 29, 2018.

**ANY QUESTIONS: Parallel Advisors' Chief Compliance Officer, Sangeetha Srinivasan, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

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#### **Item 4            Advisory Business**

- A. Parallel Advisors, LLC's (the "Registrant") is a limited liability company formed on January 27, 2006 in the state of California. The Registrant became registered as an Investment Adviser Firm in August 2006, and is therefore a Fiduciary as that term is defined in the Investment Advisers Act of 1940. The Registrant is principally owned by Jerry E. Rendic, the Registrant's Managing Member.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, estates, pension and profit sharing plans and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The Registrant provides discretionary investment advisory services on a *fee-only* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management, generally between 0.25% and 1.50%.

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

#### **RETIREMENT PLAN SERVICES**

The Registrant also provides retirement plan consulting/management services, pursuant to which it assists sponsors of self-directed retirement plans organized under the Employee Retirement Security Act of 1974 ("ERISA"). The terms and conditions of the engagement shall be set forth in a Retirement Plan Services Agreement between the Registrant and the plan sponsor.

If the plan sponsor engages the Registrant in an ERISA Section 3(21) capacity, the Registrant will assist with the selection and/or monitoring of investment options (generally open-end mutual funds and exchange traded funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts.

If the plan sponsor chooses to engage the Registrant in an ERISA Section 3(38) capacity, Registrant may provide the same services as described above, but may also: create specific asset allocation models that Registrant manages on a discretionary basis, which plan participants may choose in managing their individual retirement account; and/or modify the investment options made available to plan participants on a discretionary basis.

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

The Registrant may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant's planning and consulting fees are negotiable, but generally range up to \$1,000 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services.

If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided.

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

### **PARALLEL PORTFOLIO PROGRAM**

When consistent with a client's investment objectives, Registrant may offer portfolio management services through its Parallel Portfolio Program (the "PPP"), an automated investment program through which clients are invested in a range of investment strategies Registrant has constructed and manages, each consisting of a portfolio of exchange traded funds ("ETFs") and a cash allocation. The client may instruct Registrant to exclude up to three ETFs from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co."). Registrant uses the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the PPP. Registrant is independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (CS&Co. and its affiliates are sometimes collectively referred to as "Schwab").

Registrant, and not Schwab, is the client's investment adviser and primary point of contact with respect to the PPP. As between Registrant and Schwab, Registrant is solely responsible, and Schwab is not responsible, for determining the appropriateness of the PPP for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. Registrant has contracted with SPT to provide Registrant with the Platform, which consists of technology and related trading and account management services for the PPP. The Platform enables Registrant to make the PPP available to clients online and includes a system that automates certain key parts of its investment process (the "System"). The

System includes an online questionnaire that helps Registrant determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that Registrant will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but Registrant then makes the final decision and selects a portfolio based on all the information it has about the client. The System also includes an automated investment engine through which Registrant manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

Registrant charges clients a fee for its services as described below under Item 5, Fees and Compensation. Registrant's fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the PPP. Schwab does receive other revenues in connection with the PPP, which are described below.

Registrant does not pay SPT fees for the Platform so long as it maintains \$100 million in client assets in accounts at CS&Co. that are not enrolled in the PPP. If Registrant does not meet this condition, then it must pay SPT an annual licensing fee of 0.10% of the value of its clients' assets in the PPP. This arrangement presents a **conflict of interest**, as it provides an incentive for Registrant to recommend that clients maintain their accounts at CS&Co. Notwithstanding, Registrant may generally recommend to its clients that investment management accounts be maintained at CS&Co. based on the considerations discussed in Item 12 below, which mitigates this conflict of interest.

Clients enrolled in the PPP are limited in the universe of investment options available to them. For example, the investment options available are limited to ETFs, whereas Registrant recommends various other types of securities in its other services. The PPP is designed to provide guidance and professional assistance to individuals who are beginning the process of accumulating wealth. Clients will have access to their accounts and a financial interface online but will also have the opportunity to confer with Registrant with respect to their account.

### **Rebalancing**

The System will rebalance a client's account periodically by generating instructions to CS&Co. to buy and sell shares of ETFs and depositing or withdrawing funds through the "Sweep Program", considering the asset allocation for the client's investment strategy. Rebalancing trade instructions can be generated by the System when (i) the percentage allocation of an ETF varies by a set parameter established by Registrant, (ii) Registrant decides to change the ETFs or their percentage allocations for an investment strategy or (iii) Registrant decides to change a client's investment strategy, which could occur, for example, when a client makes changes to their investment profile or imposes or modifies restrictions on the management of their account. Accounts below \$5,000 may deviate farther than the set parameters as well as the target allocation of the selected investment profile. Rebalancing below \$5,000 may impact the ability to maintain positions in selected asset classes due to the inability to buy or sell at least one share of an ETF. For example, withdrawal requests may require entire asset classes to be liquidated to generate and disburse the requested cash.

### **Sweep Program**

Each investment strategy involves a cash allocation (“Cash Allocation”) that will be held in a sweep program at Charles Schwab Bank (the “Sweep Program”). The Cash Allocation will be a minimum of 4% of an account’s value to be held in cash, and may be higher, depending on the investment strategy chosen for a client. The Cash Allocation will be accomplished through enrollment in the Sweep Program, a program sponsored by CS&Co. By enrolling in the PPP, clients consent to having the free credit balances in their brokerage accounts at CS&Co. swept into deposit accounts (“Deposit Accounts”) at Charles Schwab Bank (“Schwab Bank”) through the Sweep Program. Schwab Bank is an FDIC-insured depository institution that is a Schwab affiliate. The Sweep Program is a required feature of the PPP. If the Deposit Account balances exceed the Cash Allocation for a client’s investment strategy, the excess over the rebalancing parameter will be used to purchase securities as part of rebalancing. If clients request cash withdrawals from their accounts, this likely will require the sale of ETF positions in their accounts to bring their Cash Allocation in line with the target allocation for their chosen investment strategy. If those clients have taxable accounts, those sales may generate capital gains (or losses) for tax purposes. In accordance with an agreement with CS&Co., Schwab Bank has agreed to pay an interest rate to depositors participating in the Sweep Program that will be determined by reference to an index.

### **TAX PREPARATION SERVICES**

The Registrant may be engaged by clients to provide tax preparation and/or planning services. All such services shall be performed by the Registrant’s supervised persons or staff. In these limited circumstances, the Registrant charges an hourly fee that varies depending upon the scope and complexity of the tax services required.

### **MISCELLANEOUS**

#### **Limitations of Financial Planning and Non-Investment Consulting/Implementation**

**Services.** To the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. The Registrant does not serve as a law firm, accounting firm, or insurance agency, and no portion of Registrant’s services should be construed as legal, accounting, or insurance implementation services. Accordingly, Registrant does not prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Registrant or its representatives.

If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided.

**Unaffiliated Private Investment Funds.** Registrant may also provide investment advice regarding unaffiliated private investment funds. Registrant, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Registrant’s role relative to the private investment funds shall

be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of “assets under management” for purposes of Registrant calculating its investment advisory fee. Registrant’s clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund’s offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Valuation.** If Registrant bills an investment advisory fee based upon the value of private investment funds or otherwise references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value for all private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor. The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

**Independent Managers.** Registrant may allocate (and/or recommend that a portion of a client’s investment assets among unaffiliated independent investment managers (“Independent Manager(s)”) in accordance with the client’s designated investment objective(s). In such situations, the Independent Manager(s) will have day-to-day responsibility for the active discretionary management of the allocated assets. Registrant will continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. The Registrant generally considers the following factors when recommending Independent Manager(s): the client’s designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, Registrant’s advisory fee as set forth in Item 5.

**Retirement Plan Rollovers – No Obligation / Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted, (ii) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant.

**Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange-traded funds are available directly to the public. Thus, a prospective client can obtain many of

the funds that may be utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive the Registrant's initial and ongoing investment advisory services.

**Use of DFA Mutual Funds:** Registrant utilizes mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers. Thus, if the client was to terminate Registrant's services, and not transition to another adviser who utilizes DFA funds, restrictions regarding additional purchases of, or reallocation among other, DFA funds will generally apply. **Registrant's Chief Compliance Officer, Sangeetha Srinivasan, remains available to address any questions that a client or prospective client may have regarding the above.**

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

**Initial Public Offering (IPO) Policy.** Registrant, through its clearing/custodial firm relationships, has access to IPO shares for certain securities. Therefore, in these circumstances, Registrant may purchase and/or recommend for purchase IPOs for its individual client accounts. In the event of any such recommendations, Registrant, after first determining that the client is qualified for such specific IPO (i.e., suitable for the client relative to the client's investment objective(s), financial situation and current asset allocation, may (to the extent possible under the circumstances) purchase such IPO. To the extent possible and applicable under the circumstances, Registrant will allocate individual client IPO share purchases among qualified individual clients on a rotational basis or some other fair and equitable basis. To the extent possible and applicable under the circumstances, the Registrant will use reasonable efforts to allocate available IPO shares on a fair and equitable basis in accordance with the terms and conditions of the aforementioned policy.

**ByAllAccounts and eMoney.** In conjunction with the services provided by ByAllAccounts, Inc. and eMoney, the Registrant may also provide periodic comprehensive reporting services, which can incorporate all of the client's investment assets including those investment assets that are not part of the assets managed by the Registrant (the "Excluded Assets"). The Registrant's service relative to the Excluded Assets is limited to reporting services only, which does not include investment implementation. Because the Registrant does not have trading authority for the Excluded Assets, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not the Registrant, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. **Rather, the client and/or their other advisors that maintain trading authority, and not the Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets.** Without limiting the



above, the Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that the Registrant provide investment management services (whereby the Registrant would have trading authority) with respect to the Excluded Assets, the client may engage the Registrant to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between the Registrant and the client.

The eMoney platform also provides access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Registrant. Finally, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Registrant's assistance or oversight.

**Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant **may** maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee. **The Registrant's Chief Compliance Officer, Sangeetha Srinivasan, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.**

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

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

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not sponsor a wrap fee program.
- E. As of January 31, 2019, the Registrant had \$2,386,830,147 in assets under management on a discretionary basis.

## Item 5            Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

The Registrant provides discretionary investment advisory services on a *fee-only* basis. The Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value of the assets placed under the Registrant's management. The Registrant's annual investment advisory fee is negotiable but is generally between 0.30% and 1.25% as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
From \$1 to \$250,000	1.25%
From \$250,001 to \$2,000,000	1.00%
From \$2,000,001 to \$4,000,000	0.85%
From \$4,000,001 to \$6,000,000	0.70%
From \$6,000,001 to \$10,000,000	0.60%
From \$10,000,001 to \$25,000,000	0.50%
Above \$25,000,001	0.30%

\* The Registrant generally requires an annual minimum fee of \$3,000 for its investment advisory services. Therefore, should a client maintain less than \$240,000 in assets under the Registrant's management, the client's fee for investment advisory services would be in excess of the above stated fee schedule. Notwithstanding the above, at no time shall the Registrant's effective investment advisory fee exceed 2.00% of the client's assets under management.

The Registrant's investment advisory fee is negotiable at Registrant's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with the Registrant and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

### RETIREMENT PLAN SERVICES

The Registrant provides pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. The terms and conditions of the engagement shall generally be set forth in the *Investment Advisory Agreement* between the Registrant and the plan sponsor. The Registrant's annual advisory fee is negotiable but is generally between 0.15% and 0.70% as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
From \$1 to \$1,000,000	0.70%
From \$1,000,001 to \$3,000,000	0.50%
From \$3,000,001 to \$5,000,000	0.35%
From \$5,000,001 to \$10,000,000	0.25%
Above \$10,000,001	0.15%

\* The Registrant generally requires an annual minimum fee of \$5,000 for its retirement plan services. Therefore, should a client maintain less than \$714,286 in assets under the Registrant's management, the client's fee for investment advisory services would be in excess of the above stated fee schedule. Notwithstanding the above, at no time shall the Registrant's effective investment advisory fee exceed 2.00% of the client's assets under management.

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

The Registrant may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range up to \$1,000 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

### PARALLEL PORTFOLIO STRATEGY

Should a client choose to engage the Registrant to provide discretionary investment advisory services on a fee-only basis through PPP, the Registrant's annual fee shall vary according to the market value of the assets placed under the Registrant's management, per the Investment Advisory Services fee schedule stated above. As described above, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co as part of PPP. Schwab does receive other revenues in connection with PPP. Specifically, Schwab Bank® earns interest revenue on the cash in PPP accounts. Also, Schwab affiliates can earn revenue from the underlying assets in PPP accounts. This revenue comes from managing Schwab ETFs™ and providing services relating to third-party ETFs that Adviser may select for the portfolios. Finally, Schwab may receive payments from the trading firms and exchanges where ETF trades are routed for execution.

For purposes of determining value, securities and other instruments traded on a market for which actual transaction prices are publicly reported are valued at the last reported sale price on the principal market in which they are traded. In certain circumstances, fees may be negotiable.

### TAX PREPARATION SERVICES

The Registrant's hourly fee for tax preparation services is negotiable but generally ranges between \$100 and \$300, depending upon the scope and complexity of the services required.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice.
- C. As discussed below in Item 12, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend Charles Schwab and Co., Inc. ("*Schwab*"), Fidelity Brokerage Services ("*Fidelity*") and/or TD Ameritrade ("*Ameritrade*") serve as the broker-dealer/custodian for client investment management assets. *Fidelity*, *Schwab* and/or *Ameritrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions).

In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Furthermore, for those clients who invest in private investment funds and/or use independent managers, additional management and/or other fees may be incurred.

**Asset Based Pricing Limitations.** Registrant may recommend that it clients enter into an asset based pricing agreement with the account custodian. Under an asset based pricing arrangement, the amount that the client will pay the custodian for account commission/transaction fees is based upon a percentage (%) of the market value of the client's account (generally, the greater the market value, the lower the %). This differs from transaction-based pricing, which assesses a separate commission/transaction fee against the client's account for each account transaction. Account investment decisions are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by the client to the account custodian. Registrant does not receive any portion of the asset based transaction fees payable by the client to the account custodian. Registrant continues to believe that its clients may benefit from an asset based pricing arrangement. The client can request at any time to switch from asset based pricing to transactions based pricing, however, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Thus, given the variances in trading volume, any decision by the client to switch to transaction based pricing could prove to be economically disadvantageous. **Registrant's Chief Compliance Officer, Sangeetha Srinivasan, remains available to address any questions about asset based pricing.**

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter (**except** during the initial quarter, during which Registrant's investment advisory fee shall be prorated and paid quarterly, in arrears).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

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

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, business entities, pension and profit sharing plans, trusts, estates, and charitable organizations.

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

- A. The Registrant shall utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

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

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases- are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also utilize and/or use separately managed accounts that utilize certain options transactions. (*See discussion below*).

**Covered Call Writing.** Covered call writing is the sale of in-, at-, or out-of- the money call option against a long security position held in a client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

**Options Strategies.** The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

**Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for their accounts

#### **Risks Specific to the PPP Strategy**

ETFs in which the strategy may invest involve certain inherent risks generally associated with investments in a portfolio of securities, including the risk that the general level of security prices may decline, thereby adversely affecting the value of each unit of the ETF.

Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of securities held. ETFs in which the strategies invest have their own fees and expenses as set forth in the ETF prospectuses. ETFs may have exposure to derivative instruments, such as futures contracts, forward contracts, options, and swaps. There is a risk that a derivative may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may fail to honor its contract terms, causing a loss for the ETF. Use of these instruments may also involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so. Some ETFs available, including Schwab ETFs™, are less than 10 years old. Accordingly, there is limited data available to use when assessing the investment risk of some of these ETFs. As a result, one or more of the following may occur: (i) poor liquidity in or limited availability of the ETFs, or (ii) lack of market depth causing the ETFs to trade at excessive premiums or discounts

- C. Currently, the Registrant primarily allocates client investment assets among various fixed income securities, mutual funds, exchange traded funds, and/or *Independent Manager(s)*, on a discretionary basis in accordance with the client's designated investment objective(s).

Registrant's management of Model Portfolios has been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Registrant's Model Portfolios, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to Registrant's management of Model Portfolios:

1. Initial Interview – at the opening of the account, Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly Registrant shall notify the client to advise Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, Registrant shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – Registrant shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct Registrant not to purchase certain securities;

- 8. No Pooling – the client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
- 9. Separate Account - a separate account is maintained for the client with the Custodian;
- 10. Ownership – each client retains indicia of ownership of the account (e.g., right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

Registrant believes that its annual investment advisory fee is reasonable in relation to: (1) the advisory services provided under the Financial Planning and Investment Management Agreement; and (2) the fees charged by other investment advisers offering similar services/programs. However, Registrant’s annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Registrant’s annual investment advisory fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses). Please Note: Registrant’s investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

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

The Registrant has not been the subject of any reportable disciplinary actions.

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

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

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

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

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant



also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Access Persons must also provide the Chief Compliance Officer with quarterly transaction reports. And, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

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

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Fidelity*, *Schwab* and/or *Ameritrade*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Fidelity*, *Schwab* and/or *Ameritrade* (or another broker-dealer/custodian) to clients include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

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

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

There is no corresponding commitment made by the Registrant to a broker-dealer or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Event Benefits

Registrant has received from third party vendors, certain additional economic benefits used in conjunction with planned marketing events ("Event Benefits") that may or may not be offered to the Registrant again in the future. Specifically, the Event Benefits include partial payment for certain vendor expense typically incurred when catering a seminar or gathering.

Over the past two years, various third party vendors have offered Event Benefits to the Registrant, which were accepted as one off payments, generally between \$5,000 and \$10,000, made directly to third party service providers. These payments were made infrequently and irregularly, and the Registrant has no expectation that these Event Benefits will be offered again; however, the Registrant reserves the right to negotiate for future Event Benefits. Third Party vendors provide Event Benefits to Registrant in their sole discretion and at their own expense, and neither the Registrant nor its clients pay any fees to these vendors for the Event Benefits.

### **Brokerage Practices Under PPP**

Client accounts enrolled in the PPP are maintained at, and receive the brokerage services of, Schwab, a broker-dealer registered with the SEC and a FINRA/SIPC member. While clients are required to use CS&Co. as custodian/broker to enroll in the PPP, the client decides whether to do so and opens its account with Schwab by entering into a brokerage account agreement directly with Schwab. Registrant does not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then Registrant cannot manage the client's account through the PPP. Schwab may aggregate purchase and sale orders for ETFs across accounts enrolled in the PPP, including both accounts for Registrant's clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like Registrant. Through Schwab Advisor Services, Schwab provides Registrant and its clients, both those enrolled in the PPP and clients not enrolled in the PPP, with access to its institutional brokerage services— 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 Registrant manage or administer its clients' accounts, while others help it manage and grow its business. Schwab's support services described below are generally available on an unsolicited basis (Registrant does not have to request them) and at no charge to Registrant. The availability of Schwab's products and services to Registrant is not based on Registrant giving particular investment advice, such as buying particular securities for its clients. Here is a more detailed description of Schwab's support services:

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 Registrant might not otherwise have access or that would require a significantly higher minimum initial investment by Registrant's clients. Schwab's services described in this paragraph generally benefit the client and the client's account.

Schwab also makes available to Registrant other products and services that benefit Registrant but may not directly benefit the client or its account. These products and services assist Registrant in managing and administering Registrant's clients' accounts. They include investment research, both Schwab's own and that of third parties. Registrant may use this research to service all or some substantial number of Registrant's clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

Schwab also offers other services intended to help Registrant manage and further develop Registrant' 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, it will arrange for third-party vendors to provide the services to Registrant. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of Registrant' personnel.

The availability of services from Schwab benefits Registrant because Registrant does not have to produce or purchase them. Registrant does not have to pay for these services, and they are not contingent upon Registrant committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the PPP, as described above under Item 4, Registrant does not pay SPT fees for the Platform so long as it maintain \$100 Million in client assets in accounts at Schwab that are not enrolled in the PPP. In light of Registrant' arrangements with Schwab, Registrant may have an incentive to recommend that clients maintain their accounts with CS&Co. based on its interest in receiving Schwab's services that benefit its business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This presents a conflict of interest. When making such a recommendation, however, Registrant believes that its recommendation of Schwab as custodian and broker is in the best interests of its clients. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only Registrant.

**The Registrant's Chief Compliance Officer, Sangeetha Srinivasan, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts

managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant's Chief Compliance Officer, Sangeetha Srinivasan, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

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

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

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

## Item 14 Client Referrals and Other Compensation

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

There is no corresponding commitment made by the Registrant to *Fidelity*, *Schwab* and/or *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. **The Registrant's Chief Compliance Officer, Sangeetha Srinivasan, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

- B. **Participation in Fidelity Wealth Advisor Solutions®.** The Registrant participates in the Fidelity Wealth Advisor Solutions® Program (the "*WAS Program*"), through which Registrant receives referrals from Fidelity Personal and Workplace Advisors LLC ("*FPWA*"), a registered investment adviser and *Fidelity*. The Registrant is independent and not affiliated with *FPWA* or any *Fidelity* company. *FPWA* does not supervise or control Registrant, and *FPWA* has no responsibility or oversight for Registrant's provision of investment management or other advisory services.

Under the *WAS Program*, *FPWA* acts as a solicitor for Registrant, and Registrant pays referral fees to *FPWA* for each referral received based on Registrant's assets under management attributable to each client referred by *FPWA* or members of each client's household. The *WAS Program* is designed to help investors find an independent investment advisor, and any referral from *FPWA* to Registrant does not constitute a recommendation or endorsement by *FPWA* of Registrant's particular investment management services or strategies. More specifically, Registrant pays the following amounts to *FPWA* for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by *FPWA* and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, Registrant has agreed to pay *FPWA* a minimum annual fee amount in connection with its participation in the *WAS Program*. These referral fees are paid by Registrant and not the client.

To receive referrals from the *WAS Program*, Registrant must meet certain minimum participation criteria, but Advisor may have been selected for participation in the *WAS Program* as a result of its other business relationships with *FPWA* and its affiliates, including Fidelity Brokerage Services, LLC ("*FBS*"). As a result of its participation in the *WAS Program*, Registrant has a conflict of interest with respect to its decision to use certain affiliates of *FPWA*, including *FBS*, for execution, custody and clearing for certain client accounts, and the Registrant may have an incentive to suggest the use of *FBS* and its affiliates to its advisory clients, whether or not those clients were referred to Registrant as part of the *WAS Program*. Under an agreement with *FPWA*, Registrant has agreed that it will not charge clients more than the standard range of advisory fees to cover solicitation fees paid to *FPWA* as part of the *WAS Program*. Pursuant to these arrangements, Registrant has agreed not to solicit clients to transfer their brokerage

accounts from affiliates of *FPWA* or establish brokerage accounts at other custodians for referred clients other than when Registrant's fiduciary duties would so require, and Registrant has agreed to pay *FPWA* a one-time fee equal to 0.75% of the assets in a client account that is transferred from *FPWA*'s affiliates to another custodian; therefore, Registrant has an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of *FPWA*. However, participation in the *WAS Program* does not limit Registrant's duty to select brokers on the basis of best execution.

## **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

We urge you to carefully review all qualified custodian statements. To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

We urge you to carefully review all qualified custodian statements. The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

The Registrant engages in other practices and services on behalf of its clients that require disclosure at ADV Part 1, Item 9. Some of the practices and services subject the affected account(s) to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. In addition, certain clients have signed asset transfer authorizations which permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds to "third parties." These arrangements are also reflected at ADV Part 1, Item 9, but in accordance with the guidance provided in the SEC's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

The Registrant's Chief Compliance Officer, Sangeetha Srinivasan, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

## **Item 16      Investment Discretion**

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

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

## **Item 17      Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

### **Class Action Lawsuits**

Occasionally, securities held in the accounts of clients will be the subject of class action lawsuits. The Registrant has retained the services of Chicago Clearing Corporation to provide a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. Chicago Clearing Corporation actively seeks out any open and eligible class action lawsuits. Additionally, Chicago Clearing files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of our clients. Chicago Clearing's filing fee is contingent upon the successful completion and distribution of the settlement proceeds from a class action lawsuit. In recognition of Chicago Clearing's services, Chicago Clearing receives 20% of our clients' share of the settlement distribution. Where the Registrant receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by clients, it will work to assist clients and Chicago Clearing Corporation in the gathering of required information and submission of claims. **Clients may opt out of the Chicago Clearing Corporation's service by contacting The Registrant's Chief Compliance Officer, Sangeetha Srinivasan.**

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **Item 18      Financial Information**

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



**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Sangeetha Srinivasan, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**