



## **Form ADV Disclosure Brochure and Privacy Policy**

### **Main Office:**

1914 Willamette Falls Drive

Suite 180

West Linn, OR 97068

503-387-3615

[www.etesianwa.com](http://www.etesianwa.com)

**UPDATED: May 30, 2019**

## **Item 1 – Introduction to Form ADV**

This updated ADV Part 2 (“Brochure”) provides information about the qualifications and business practices of **ETESIAN WEALTH ADVISORS Inc. (Etesian) and Etesian Spark (Spark)**. We are providing this information to each advisory client and prospective advisory client in compliance with SEC rules. If you have any questions, or need additional information about Etesian or the contents of this Brochure, please contact us at 503-387-3615 or [Info@EtesianWealthAdvisors.com](mailto:Info@EtesianWealthAdvisors.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.

**ETESIAN WEALTH ADVISORS Inc.** is an SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. This ADV and the written communications of an Adviser are intended to provide you with information about which you determine to hire or retain an Adviser.

Additional information about ETESIAN WEALTH ADVISORS Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

**This updated Brochure, dated June 1, 2019**, is prepared as required by the SEC’s new reporting requirements and rules. This document details any material changes in our structure, details new reporting information required by regulation, and additional information that our previous Brochure did not require.

Since our last ADV update dated February 2019, we have changes to report. This change is our address which, changed on June 1, 2019 from 17040 Pilkington Road, Suite 300, Lake Oswego, OR to 1914 Willamette Falls Dr., Suite 180, West Linn, OR 97068. Our Brochure may be requested by contacting Stan Lochrie, President and Compliance Officer at 503-387-3615 or [Stan.Lochrie@EtesianWealthAdvisors.com](mailto:Stan.Lochrie@EtesianWealthAdvisors.com). This brochure is also on our website [www.EtesianWealthAdvisors.com](http://www.EtesianWealthAdvisors.com), free of charge. Lochrie does not receive compensation for his duties as the compliance officer. Jesse Steele and Benjamin Wright are now partial owners of Etesian Wealth Advisors, Inc.

Additional information about Etesian Wealth Advisors, Inc. is available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with Etesian who are registered or are required to be registered, as Investment Advisor Representatives of Etesian.

## TABLE OF CONTENTS

<b>ITEM 1 - INTRODUCTION TO ADV .....</b>	<b>2</b>
FIRM LOCATIONS .....	2
FIRM OWNERS .....	2
FIRM WEBSITE ADDRESSES .....	2
FIRM CHIEF COMPLIANCE OFFICER .....	2
<b>ITEM 2 – MATERIAL CHANGES TO OUR ADV .....</b>	<b>2</b>
CHANGES TO FIRMS INVESTMENT ADVISOR REPRESENTATIVES .....	2
<b>ITEM 3 – TABLE OF CONTENTS .....</b>	<b>3</b>
<b>ITEM 4 – ADVISORY BUSINESS .....</b>	<b>5</b>
INVESTMENT SUPERVISORY SERVICES – NATURE OF SERVICES .....	5
ACCOUNT MANAGEMENT SERVICES – NATURE OF SERVICES .....	6
CONSULTING SERVICES – NATURE OF SERVICES .....	6
AUTOMATED INVESTMENT SERVICES (ETESIAN SPARK)– NATURE OF SERVICES.....	6
FINANCIAL PLANNING SERVICES – NATURE OF SERVICES .....	7
TYPES OF INVESTMENT USED .....	7
CLIENT RESTRICTIONS ON ASSETS MANAGED .....	9
ASSETS MANAGED BY ETESIAN WEALTH ADVISORS .....	19
<b>ITEM 5 – FEES, CLIENTS, AND COMPENSATION .....</b>	<b></b>
ASSETS UNDER MANAGEMENT (AUM) - NUMBER OF ADVISORY CLIENTS .....	10
ETESIAN’S ADVISORY CLIENTS WITHOUT AUM .....	10
ETESIAN’S ADVISORY CLIENTS THAT ARE NON-US CITIZENS .....	10
COMPENSATION PAID DIRECTLY OR INDIRECTLY TO ETESIAN FOR CLIENT REFERRALS .....	10
AUDITS FOR CUSTODIAL RULE EXAMINATIONS .....	10
CONSULTING CLIENT FEES .....	10
MINIMUM ACCOUNT SIZE AND FEES .....	10
STATEMENT CONCERNING FEES .....	11
CONSULTING FEES .....	12
FINANCIAL PLANNING FEES .....	12
RETIREMENT PLAN FEES .....	12
CONDITION FOR MANAGING ACCOUNTS .....	12
VALUATION OF PUBLICALLY TRADED SECURITIES .....	13
VALUATION OF PRIVATELY ISSUED SECURITIES .....	13
OTHER DISCLOSURES ON ETESIAN’S IAR’S AND SUPERVISED PERSONNEL .....	13
<b>ITEM 6 – PERFORMANCE BASED FEES .....</b>	<b>13</b>
<b>ITEM 7 – TYPES OF CLIENTS.....</b>	<b></b>
ACCREDITED INVESTORS .....	14
OTHER TYPES OF CLIENTS .....	14
<b>ITEM 8 – METHODS OF ANALYSIS, STRATEGIES, RISK.....</b>	<b>14</b>
SECURITY ANALYSIS .....	14
SOURCES OF RESEARCH INFORMATION .....	14
TYPES OF INVESTMENT STRATEGIES .....	14
ETESIAN GLOBAL FIXED INCOME STRATEGIES .....	15
FIXED INCOME RISKS .....	15
ETESIAN GLOBAL EQUITY STRATEGIES .....	16
STATEMENT OF EQUITY RISKS .....	16
PRIVATELY ISSUED SECURITIES AND RISK .....	17
ADDITIONAL COMMENTS ON RISK .....	17

CYBER SECURITY RISKS.....	17
<b>ITEM 9 – DISCIPLINARY INFORMATION.....</b>	<b>18</b>
<b>ITEM 10 – OTHER ACTIVITIES AND AFFILIATIONS .....</b>	<b>18</b>
<b>ITEM 11 – ETESIAN’S CODE OF ETHICS.....</b>	<b>18</b>
<b>ITEM 12 – BROKERAGE AND CUSTODIAL PRACTICES.....</b>	<b>19</b>
NON-DISCRETIONARY ACCOUNTS .....	19
DISCRETIONARY ACCOUNTS .....	19
RECOMMENDED BROKERAGE .....	20
SOFT DOLLAR COMPENSATION .....	20
INVESTMENT AND BROKERAGE DISCRETION .....	20
AGGREGATED TRADING .....	21
ETESIAN’S INDEPENDENCE OF ANY CUSTODIAN .....	21
PRIME BROKERAGE ARRANGEMENTS .....	21
CUSTODIANS .....	21
HOW ETESIAN SELECTS “QUALIFIED” CUSTODIANS .....	22
BROKERAGE AND CUSTODIAN COSTS AND FEES .....	22
ETESIAN’S RELATIONSHIP WITH CHARLES SCHWAB AND COMPANY .....	22
TRADE ERROR POLICIES .....	24
<b>ITEM 13 – REVIEW OF ACCOUNTS AND REPORTING .....</b>	<b>24</b>
INDIVIDUAL CLIENT ACCOUNT REVIEW .....	24
RETIREMENT PLAN CLIENT ACCOUNT REVIEW .....	24
CONSULTING CLIENT ACCOUNT REVIEW .....	24
FINANCIAL PLANNING ACCOUNT REVIEW .....	24
QUARTERLY REPORTING .....	25
ELECTRONIC REPORTING .....	25
<b>ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION.....</b>	<b>25</b>
<b>ITEM 15 – CUSTODY OF ASSETS .....</b>	<b>25</b>
<b>ITEM 16 – INVESTMENT DISCRETION .....</b>	<b>25</b>
<b>ITEM 17 – VOTING CLIENT SECURITIES .....</b>	<b>25</b>
<b>ITEM 18 – FINANCIAL INFO, PRIVACY POLICY AND BUSINESS CONTINUITY</b>	
<b>PLANS .....</b>	<b>26</b>
FINANCIAL INFORMATION .....	26
BUSINESS CONTINUITY AND DISASTER RECOVERY PLANS .....	26
PRIVACY POLICY NOTICES .....	27
COLLECTION OF PERSONAL FINANCIAL INFORMATION-SOURCES .....	28
DISCLOSURE OF PERSONAL AND PUBLIC INFORMATION .....	28
PROTECTION OF SENSITIVE INFORMATION-SECURE ENVIRONMENT .....	28
<b>FORM ADV Part 2B – LIST OF PERSONNEL.....</b>	<b>29</b>

#### Item 4 – Advisory Business

Etesian Wealth Advisors Inc. is a Registered Investment Advisory Firm (RIA) with the main office located at:

17040 Pilkington Road, Suite 300  
Lake Oswego, OR 97035

Our satellite office is located at:

528 East Spokane Falls Boulevard, Suite 501  
Spokane, WA 99201

Stanley C. Lochrie, Barbara J. Lochrie, Jesse Steele and Benjamin Wright are the owners of Etesian Wealth Advisors Inc. Stan has been in the Advisory business since 1990 and Barb since 2009. Etesian has been in business since January 2010.

Etesian has six employees including 4 Investment Advisor Representatives who are registered under Etesian to provide investment advisory services. Stan Lochrie, Jesse Steele, George Gabriel and Benjamin Wright, are registered as Investment Advisor Representatives (IAR's) of Etesian and statutory employees of the firm. Lochrie, Steele, Gabriel, and Wright are registered with one or more State Securities Authorities, and none are registered with another Registered Investment Advisory firm or Broker/Dealer.

All of Etesian's Investment Advisor Representatives' credentials and experience are listed in Part 2B of the ADV at the end of this brochure. Stan Lochrie serves as Etesian's compliance officer and is not compensated for those duties.

Etesian is considered a fiduciary to our clients on all the accounts and relationships we manage. As a fiduciary, we are compelled to place the clients' interests above all others including our own. The primary focus of Etesian is multidisciplinary wealth management that includes financial planning, consulting on financial matters, and asset management services. The most significant part of our revenue comes from asset management services for the management of client accounts on a discretionary basis. We also manage accounts on a non-discretionary basis, we furnish investment advice through consultation, and we provide advice on matters not directly involving securities, including financial and estate planning.

Etesian's website addresses:

- [www.etesianwa.com](http://www.etesianwa.com)
- [www.etesianspark.com](http://www.etesianspark.com)
- Etesian at LinkedIn

Specifically, Etesian provides the following services to clients:

- Supervision of accounts (*"Investment Supervisory Services"*)
- Management of accounts on a non-discretionary basis (*"Account Management Services"*)
- Consulting on investment-related matters that do not involve management or supervision of assets (*"Consulting Services"*)
- Financial planning (*"Financial Planning Services"*)
- Retirement Plan Services (*"Retirement Planning Services"*)
- Automated Invested Services (*"Robo-Advisory Services"*)

### **Investment Supervisory Services - Nature of Services**

Etesian's Investment Supervisory Services are generally performed as a consulting project for hourly fees. Projects may include (but not be limited to):

- Assessment of the client's investment needs and objectives
- Development of an asset allocation strategy designed to meet the client's objectives
- Identification of suitable style objectives and investment vehicles for the client's goals
- Recommendations for investment vehicles on behalf of the client
- Performance of investment manager due diligence, negotiate fees and provide recommendations for the selection, monitoring, and replacement of investments
- Review the custodial platform and expense controls
- Perform evaluation and benchmark reviews with on-going monitoring and review of client accounts
- Develop strategies to address low-cost basis stock, concentrated positions and restricted assets

In connection with offering Investment Supervisory Services, Etesian, through discussions with the client, gathers and compiles information about the client's financial circumstances, investment objectives, risk tolerance, time horizon, investment preferences and other relevant factors. Etesian analyzes this information and prepares an investment strategy that is unique to each client in the form of an Investment Policy Statement ("IPS") that includes risk/reward profile, asset allocation and investment portfolio recommendations, and asset classes, as well as rebalancing strategies.

### **Consulting and Account Management Services - Nature of Services**

Etesian manages accounts on a discretionary or non-discretionary basis as outlined in Etesian's Account Management Service agreement (Investment Advisory Agreement). Our account Management Services include the following:

- Assessment of the client's investment needs and objectives
- Development of an asset allocation strategy designed to meet the client's objectives
- Preparation of a comprehensive financial plan (as outlined under "Financial Planning Services")
- Identification of suitable style objectives and investment vehicles for the client's goals
- Creation of an investment policy
- Setting up of a Client website for account reporting and financial planning
- Initiating trades in client accounts
- Working with custodians to arrange deposits, disbursements, and other transactions within client accounts
- Periodic in-person meetings and on-going monitoring and review of all client accounts at the custodian
- Account reporting and tax optimization functions and planning
- Account rebalancing as appropriate to each client's unique situation

Investment Policy Statement (IPS)-The purpose of the IPS is to provide Etesian with written, strategic plans to direct investment decisions for each client. The creation of the IPS provides Etesian the opportunity to discuss investment objectives with clients as well as educate them on various techniques and strategies. This information will allow Etesian to assess whether a particular security or investment manager is suitable for a client and serve as the basis for establishing the client's strategic asset allocation. A focus on potential account losses which are

consistent with a particular allocation is discussed to help a client visualize historical examples of risk/reward potentials and serve as the basis for establishing the client's strategic allocations.

Etesian then recommends portfolio assets based upon each client's strategic and tactical investment strategy as outlined in the IPS and, with the client's authorization, allocates them among various securities and investments and any third party money managers recommended by Etesian and selected by the client.

### **Automated Investment Advisory Services – Nature of Services (Automated Robo Advisory platform services offered by Etesian Spark)**

Etesian Wealth Advisors offers an automated investment service through Etesian Spark. The Spark platform is based on modern portfolio theory that makes it possible for anyone to access client-directed, state-of-the-art portfolio management, at a qualified custodian, with lower costs. Etesian Spark's investment objective is to seek maximum long-term, risk-adjusted, after-tax, net of fee returns in a portfolio that the client chooses on a Platform at Charles Schwab, the custodian for Spark assets. Spark was launched in December 2017 and additional information about Etesian Spark at <http://www.etesianspark.com> We encourage visiting our main website [www.etesianwa.com](http://www.etesianwa.com) for further information. Nature of Services provided on our automated Spark Platform:

- Automated assessment of the client's investment objectives, risk profile, and time horizons
- Automated asset allocation strategy designed to meet the client's objectives and time horizons
- Automated investment policy matching the client's preferences
- Automated risk categorized portfolios choices for account implementation
- Automated on-going client access for trading, monitoring performance, and reviewing accounts
- Automated account reporting and automated account rebalancing

### **How Etesian Spark works**

Etesian Spark accounts are self-directed investments in Exchange Traded Funds (ETF'S). The assets of Etesian Spark clients are managed as part of a professionally managed investment plan in which all expenses, including brokerage commissions, management fees, and administrative costs, are "wrapped" into a single charge with custody of assets at Charles Schwab. The Spark Program provides clients with investment guidance, portfolio management, and basic brokerage services for one comprehensive fee based on a percentage of individual account assets (see Fee Schedule below). Etesian Spark uses Exchange Traded Funds (ETF's) that are designed to seek an investment return suitable to the goals and risk profile of each distinct client account at minimal costs. Etesian Spark determines and suggests an appropriate course of action for the client by reviewing each client's report and suitability parameters. This review may include the type of account, goals, overall financial condition, income, assets, risk tolerance, and other factors unique to the individual client's situation. Based on these client parameters, Spark will design, revise, and reallocate a client's custom portfolio. Etesian Spark manages each client account on an individualized basis. To implement Etesian Wealth Advisor's continuous investment advice, Etesian provides the portion of the Etesian Spark Program pertaining portfolio management services only on a discretionary basis. Etesian Wealth Advisors will contact clients periodically to determine whether their financial situation or risk profile has changed, or if they want to modify their Account. In connection with its EMX financial planning services, Etesian Spark makes its recommendations on a non-discretionary basis.

### **Etesian Wealth Advisors Financial Planning Services - Nature of Services**

Etesian develops a financial plan for each of its clients and a website for each client. The secure financial planning website can be accessed without additional planning charges. As part of our planning services, Etesian maintains both the planning website and financial information necessary to keep the clients plan current. The clients' online financial plan can be assessed at any time via the secure website that is secured with the client's login credentials.

With additional authorization provided by the client, each financial plan can be updated with the clients current account values on a daily basis. Etesian manages the input of information relative to cash flows, taxes, estate planning, goals, spending, asset values and all aspects of each client's comprehensive financial needs. This information is continually used to assist Etesian in the preparation of reporting and consulting on the client's entire financial picture. Financial Planning Services include:

- A customized Website for each client for all reporting and analysis
- Assisting the client in setting long and short-term goals
- Preparing a personal financial statement, cash flow statement and asset allocation
- Preparing a retirement/long-term planning and insurance analysis
- Developing a savings plan to reach long-term goals
- Reviewing auto and home insurance coverage
- Providing a customized financial plan and cash flow analysis

### **Etesian Spark Financial Planning Services, client initiated and managed - Nature of Services**

Etesian Spark also provides access to self-directed financial planning software to all its Clients via a third party, eMoney Advisor Software (EMX). The purpose of EMX is to help Spark's Clients explore potential future financial scenarios, including retirement and college funding, and provide advice on reaching their financial goals. EMX links our clients' other financial accounts, including bank, brokerage, retirement, college savings, loan and credit card accounts and mortgages, to eliminate the need for the traditional financial planner interview that is usually required to acquire the necessary inputs to build a financial plan. Input and implementation of the financial planning information into EMX is entirely at the Client's discretion, and the information that the client enters into the financial planning software, or information obtained by linking other accounts to the software, is done at the sole discretion of each Spark client. Etesian Spark does not represent that eMoney Advisor Software's financial planning guidance is based on or meant to replace a comprehensive evaluation of a Client's entire financial plan, considering all the Client's circumstances. Etesian Spark cannot ensure the accuracy or completeness of data provided by clients or third parties. Access to EMX is subject to change at Etesian Spark's discretion with thirty days' notice.

Spark Financial Planning Services include:

- A customized and secure client website dedicated to planning and analysis purposes
- A client directed planning platform to set long and short-term financial goals
- Access to personal financial statements, cash flow statements, and asset allocation with a secure internet connection.
- A self-directed platform for the development of long-term financial planning, analysis, and reporting

### **Retirement Plan Services (corporate retirement plans)- Nature of Services**

Etesian provides retirement plan services to plan sponsors, which include:

- Preparation of Investment Policy Statement
- Performance Monitoring Reporting
- Performance Reports
- Investment Recommendations
- Education Services to Plan Committee
- Participant Enrollment and Education
- Selection of Qualified Default Investment Alternative
- Plan Search Support/Vendor Analysis



At no time will Etesian act as a trustee to the Plan. We cannot be responsible for the acts, omissions, or solvency of any broker, agent, or independent contractor or other advisor selected in good faith to take any action to negotiate or consummate a transaction for a consulting service we provide. Our services are not designed and should not be relied upon as a substitute for individual business judgment, nor are they meant to mitigate the necessity of personal review and analysis of a particular investment. Our services are designed to supplement the fiduciaries' own planning analysis and aid them in fulfilling their business financial goals and objectives.

### **Types of Investments used in Etesian Accounts**

Both Etesian and Etesian Spark offer advice on a broad spectrum of investments and investment programs including short-term money market securities, corporate, municipal and US government fixed income securities, exchange listed over-the-counter and foreign equities, investment company securities such as mutual funds and Exchange Traded Funds (ETF's) Both Mutual Funds and Exchange Traded Funds (ETF's) may include derivative securities such as warrants and options and direct participation partnerships. Investments such as commodities and futures contracts will be provided as part of mutual funds. We can also provide advice about any type of preexisting investment held in a client's portfolio when opening an account with Etesian Wealth Advisors, Inc.

**Note of Importance on account management and security selection** - Because we perform advisory services for more than one client account, it is possible that conflicts of interests are created as they relate to managing any one account in context to how we manage the allocation of investment opportunities among all accounts we manage. When this potential conflict happens, we work to resolve all such conflicts in a manner that is fair to all of our clients. As a result, we give advice and take action for one client that is different than the advice given or action taken for another client. In that regard, we have no obligation to recommend or conduct the purchase, or sale, of any security that our advisors, managers, members, officers, or employees choose to purchase or sell for their own accounts, or for the account of another client. If it is our opinion that a sale or purchase of a particular security is unsuitable, impractical, or undesirable for a specific client, that transaction will not be placed. As an example, in some situations, there might not be sufficient available supply of a particular security for all of our clients for whom it might be suitable. In such a case of limited availability, we will, within our sole discretion, determine in a manner of our choosing how to allocate the security among our clients. However, it is our policy to allocate investment opportunities over a period of time on a fair and equitable basis to all clients to the extent it is practical to do so.

### **Client restrictions on assets managed, purchased, or sold**

In certain circumstances, a client may restrict what securities, or type of securities, that can, or cannot, be held, bought, or sold in their portfolios. In such cases, the specific restrictions must be in writing and listed on the IPS, and then those assets will be held in a separate account with restricted trading authority by Etesian. In cases of restrictions, no trades will be initiated by Etesian on these accounts without client permissions. In other circumstances, a client can specify what type of securities he/she would not like held in the account. This is generally the case with socially responsible investing. The specific restrictions must be provided to us in writing and incorporated as part of the client IPS.

Where restrictions apply on accounts managed by Etesian, the potential for loss in the account might be elevated. In these situations, we inform the client of the potential risks to the best extent possible.

### **Assets managed by Etesian Wealth Advisors and Etesian Spark**

As of December 31, 2018 we manage approximately the following client assets:

**Discretionary assets -- \$213,299,291**

**Non-Discretionary Assets --** **\$1,900,000**  
**Total Asset Managed --** **\$215,199,291**

### **ITEM 5 – Fees and Compensation**

Etesian and its investment advisory representatives receive compensation in connection with various services offered to clients. The compensation paid to Etesian and its Investment Advisor Representatives may vary depending on the services provided and the amounts involved. Therefore, Etesian or the Investment Advisor Representative may have an incentive to recommend a service that offers greater compensation to Etesian or the Investment Advisor Representative.

Actual fees charged to investment advisory clients vary significantly from client to client and may be higher or lower than indicated in the standard fee schedules below, depending upon a number of factors including the amount of assets under management, the scope of services provided, the complexity of the client's financial situation and the type of assets being managed.

#### **Minimum Account Size and Fees at Etesian Wealth Advisors, Inc.**

Etesian does not impose a minimum account size or minimum fee. We typically offer our investment advisory services for a percentage of assets under management. Below, we have outlined our standard investment management fees for each type of distribution channel. Fees for Investment Supervisory Services and Account Management Services are payable quarterly in arrears. Fees payable for Investment Supervisory and Management Services are calculated as an annual percentage fee of the value of assets under our management and then those annual fees are prorated and charged on a quarterly basis in arrears.

Those annual fees are as follows:

<u>Assets Managed</u>	<u>Standard Fee</u>
• \$0 - \$2,000,000	1.10%
• \$2,000,001 - \$5,000,000	0.85%
• \$5,000,001 - \$10,000,000	0.65%
• \$10,000,001 – Up	0.55%

Clients will also be subject to other fees and expenses in connection with their account that are charged by the custodian, or particular investments, as detailed below. Fees and expenses in connection with mutual funds are in addition to Etesian's fees and those fees are described in detail in each fund's prospectus. Our fees are prorated from the date of inception through the date of termination.

Our fees are based upon the account balance on the last day of the calendar quarter and are deducted from client accounts on a quarterly basis, in arrears, as a direct debit to Etesian as specified in the investment advisory agreement. For accounts with custody at Schwab or another custodian, that are terminated mid-quarter, our investment management fees will be prorated for each day of the current quarter until the date the written termination notice is effective. Either party may terminate the Investment Advisory Agreement at any time by providing written notice to the other party.

Other fees and expenses charged by your custodian, broker-dealers, and other service providers and not by Etesian, may vary depending upon the investment company (mutual fund, ETF, etc.) and the type of investment (fixed income, stock, REIT, etc.). Examples of other fees that would be in addition to Etesian's fee(s) include (but are not limited to):

1. ADR Fees-ADR (American Depository Receipt) is a fee for the receipt of shares of foreign-based companies that entitles the shareholder to all dividends and capital gains in particular Foreign securities. ADRs allow Americans to buy shares of foreign-based securities on American exchanges instead of having to go to overseas markets. ADR fees compensate agents (banks and investment banks) for inventorying the foreign stocks and managing registration, compliance and recordkeeping services. In general terms, ADR fees range from \$0.01-\$0.03 per share.
2. Custodian Fees (fees vary from Custodian to Custodian)-
  - a. Custodial Transaction Fees may apply to the following:
    - i. Equity Trades
    - ii. Mutual Fund Trades
    - iii. Bond Trades
    - iv. ETF Trades
    - v. Wiring Fees for funds transfer, postage and handling fees, etc.

### Minimum Account Size and Fees at Etesian Spark

Etesian Spark has a minimum account size of \$5,000. Fees for Investment Supervisory Services and Account Management Services are payable quarterly in arrears. Fees payable for Investment Supervisory and Management Services on Etesian Spark are calculated as an annual percentage fee of the value of assets under our management, and then those annual fees are prorated and charged on a quarterly basis in arrears. Those annual fees are as follows:

<u>Assets Managed</u>	<u>Standard Fee</u>
• \$5,000 – Up	0.35%

### A statement regarding fees at Etesian and Etesian Spark:

Our firm strives to deliver its services while paying close attention to managing all the costs that our clients are subject to paying (fees from fund companies, ETF Sponsors, Custodians, etc.) for the management of their investments. In an effort to achieve cost-effective expense ratios, Etesian has a bias toward using individual securities (bonds and stocks which have a \$0 holding cost in client accounts) and Exchange Traded Funds (which have very low expense ratios). However, we do use no-load mutual funds in Client accounts to achieve diversification and overall market exposure as needed. In those cases, we employ an investment selection process that we believe is objective and in our clients' best interest from a cost, reward, and risk management perspective.

### Consulting Fees

Etesian negotiates fees with its consulting clients based on the type of client and particular services rendered. Etesian may charge a fixed fee, an hourly fee, or some combination of the two fee structures. A portion of the fees is payable in advance, with the balance due upon completion of the engagement. If a consulting engagement is paid in advance, when the client accepts in writing that the consulting work has been completed and the client has overpaid for the work, Etesian will refund the unearned consulting fees.

### Financial Planning Fees

A one-time flat fee is charged depending upon the complexity of the client's financial situation. New clients will be charged a minimum financial planning fee of \$1,500 with more complex financial planning fee up to \$10,000, or more, depending upon the engagement. This fee may be waived for new clients who engage Etesian to manage their assets following delivery of their financial plan.

### Retirement Plan & Consulting Fees:

Generally, minimum fees do not apply to retirement plan consulting. Fees payable to Etesian for Retirement Plan Services are calculated as a percentage of assets under management as follows:

<u>Plan Assets</u>	<u>Standard Fee</u>
• \$0 - \$3,000,000 Million	0.50%
• \$3,000,001 - \$5,000,000 Million	0.35%
• \$5,000,001 - \$10,000,000 Million	0.25%
• \$10,000,001 - \$20,000,000 Million	0.20%
• \$20,000,001 - and Over	0.15%

Fees for Retirement Plan Services are payable quarterly in arrears and based upon account values the last day of each calendar quarter. Fees payable to any third party money manager selected by the client are in addition to the fees payable for Etesian's work. In addition, clients will also be subject to other fees and expenses in connection with their account, including execution costs, fees and expenses charged directly or indirectly by mutual funds, ETFs or other funds in which their assets are invested, their custodian, broker-dealers, and other service providers. Fees and expenses in connection with mutual funds are described in each fund's prospectus and ultimately borne by the funds' owners.

Services to Retirement Plan clients may also be acquired on a project or consulting basis. Etesian negotiates fees with its consulting clients based on the type of client and particular services rendered. Etesian may charge a fixed fee, an hourly fee or some combination of the foregoing. Such fees may be partially payable in advance, with the balance due upon completion of the engagement. If a consulting engagement is paid in advance, when the client accepts in writing that the consulting work has been completed and the client has overpaid for the work, Etesian will refund the unearned consulting fees.

### **Conditions for Managing Accounts:**

All fees are subject to negotiation and there are no other fees such as acceptance or termination fees. Clients will be expected to notify Etesian of any changes in their financial situation, investment objectives or account restrictions. Etesian Wealth Advisors, Inc. does not necessarily require a minimum amount to be invested to perform services. Etesian will follow the fee schedule negotiated for financial planning, consulting and investment advisory services regardless of the account size.

Item 12 (below) further describes the factors that Etesian considers in selecting or recommending brokers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions, fees, etc.)

### **Valuation of Publicly Traded Securities**

Publicly traded securities in your account(s) managed by us are held by the custodian that we recommend but are ultimately chosen by you. We use the securities valuation provided by the independent qualified custodian for reporting and billing purposes. Publicly traded securities are usually valued as of the end of business on the last trading day of the calendar quarter.

### **Valuation of Privately Issued Securities**

Some of our clients hold privately issued securities in their managed account portfolios. In some cases, your independent qualified custodian will hold the privately issued securities on your behalf. These privately issued securities are not publicly traded and therefore do not have a daily indication of their fair market value. It is our

policy to use the value provided by your account custodian or by you and we commonly do not charge fees on privately issued securities. This value is usually the last known transaction price to value these non-publicly traded securities for reporting and billing purposes. In the case of privately issued notes, your custodian normally reports their value at par or the original issue amount. Because the original issue amount or last known transaction price for these securities or their original price may be from a date far in the past, it may be higher or lower than the actual fair value of the securities at the portfolio valuation date. Your custodian usually receives values for privately issued securities directly from the issuer of the securities, we do not value your securities nor do we verify the values provided by the issuer of the securities or your custodian are correct.

#### **Other disclosure on Etesian's IAR's, Supervised Personnel, and clients**

- Etesian has 4 Investment Advisor Representatives involved in investment trading, security selection, and investment research- Stan Lochrie, Jesse Steele, George Gabriel and Benjamin Wright.
- None of Etesian's Investment Advisor Representatives are registered with a Broker/Dealer.
- No other Advisory Firms or organizations solicit advisory clients on behalf of Etesian Wealth Advisors.

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

Etesian **does not** charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

In general terms, Etesian provides comprehensive wealth management services to the following types of clients:

- Individuals and their Families
- Corporate Executives and Business Owners
- Multi-Generational Families
- Private and Public Foundations and Charitable Organizations
- Corporate Pension and Profit Sharing plans
- Endowments and Not-for-Profit Organizations

Limitations to authority may be based upon specific written objectives and guidelines between Etesian and the client, ERISA, or other regulatory bodies.

#### **Accredited/Qualified Investors**

We do not recommend unregulated, privately issued securities to our clients. However, from time to time we are asked to consult on, or to render our opinion on, privately issued securities. Because these privately issued securities are not registered with the SEC or other regulatory organizations, the issuers of these securities require that clients, purchasing these privately issued securities, be Accredited Investors or Qualified Investors depending upon the type and structure of the investment. The issuer of the privately issued securities will require the purchasers of these types of investment to attest that they are Accredited, or Qualified, to purchase the investment by acknowledging, among other things, their net worth and income. Etesian is not the issuer of any privately issued securities and we generally avoid such types of investments. If privately held securities are held in accounts for our clients, Etesian will not charge advisory fees on those particular assets and they are managed on a non-discretionary basis.

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

#### **Security Analysis**

Etesian's primary method to determine the suitability of an investment includes fundamental research of the equity markets. Etesian believes in managing publicly traded securities which have characteristics that indicate that the investments meet high standards (size, balance sheet strength, cash holding, debts, etc.) and is determined to be suitable for the client's particular situation (risk profile, reward, time horizon, etc.). Etesian adheres to strict risk controls such as fundamental analysis, screenings against peer groups, searches of historical information and filings, etc., to reduce volatility and help maximize returns.

All portfolio decisions are driven by basic analysis, which includes but is not limited to:

- Fundamental and technical analysis including charting as well as some cyclical weighting based on macroeconomic analysis
- Financial newspapers and magazines
- Research services prepared by others, such as Schwab Institutional, Fidelity Investments, Morningstar® and Fiduciary 360™
- Corporate rating services
- Commercially available services regarding investments and taxation of investments Annual Reports, prospectuses, filings with the SEC Company press releases Internal analysis and research
- Privately issued securities are analyzed in a similar method but the investment's issuers will normally not meet the same standards set for publicly traded securities because much of the information about privately issued securities is not available to us.

### **Principal Sources of Information**

Etesian's sources of information used in financial analysis include (but are not limited to): financial periodicals, research materials prepared by others including research departments of brokerage firms, corporate rating services, annual reports to shareholders, prospectuses, investor relations' material. In the case of privately issued securities, the information about the issuer will typically come from the issuer. Often no independent third party verified information about an issuer of privately issued securities can be obtained.

### **Types of Investment Strategies**

Etesian Wealth Advisors Inc. offers advice on a wide spectrum of investments and investment programs, including short-term money market securities; corporate, municipal and US government fixed income securities; exchange listed, over-the-counter and foreign equities; investment company securities such as mutual funds; derivative securities such as warrants and options; direct participation partnerships and privately issued notes. Investments such as commodities and futures contracts will be provided as part of a mutual fund. We may also provide advice about any type of preexisting investment held in a client's portfolio when opening an account with Etesian Wealth Advisors Inc.

Typical investment time horizon is greater than one year depending on each client's unique circumstances as outlined in the IPS. However, on occasion securities will be sold prior to that time depending upon the conditions of the markets, the prospects for price appreciation of the particular security or other reasons consistent with the specific client as outlined in each unique IPS.

### ***Etesian Global Fixed Income Strategies:***

- Etesian Wealth Advisors builds and manages individual-issue corporate, US Treasury, and municipal bond portfolios customized to a client's specific diversification requirements, income needs, time horizon, tax considerations and state of residence. In some cases, when we feel appropriate, we will recommend a client purchase or privately issued note.
- For accounts with smaller allocations to fixed income, Etesian will use mutual funds and/or ETFs.



Our strategy is to assess the overall direction of interest rates and determine position durations accordingly. We analyze the yield curve in an attempt to determine the most advantageous portfolio construction. We determine the relative attractiveness of corporate vs. municipal and government and/or government agency securities. Based on the results of our analysis, we adjust durations/maturities when conditions indicate and shorten portfolio exposure when necessary to preserve capital. This means that when we believe interest rates are falling, we lengthen duration to take advantage of the increased returns that should be available as rates drop. Likewise, when market indicators warn of forces that threaten the markets, the Etesian Portfolio Manager(s) will seek to shorten portfolio maturities and durations with the goal of limiting potential declines.

### **Fixed Income Market Risk**

- A rise in interest rates can cause accounts participating in this strategy to decline in value. When interest rates are low, the income distribution from fixed income securities can be reduced.
- The value of any of the investments may decline in response to events affecting the issuer of securities, its credit rating or any underlying assets backing the securities; such as the effect on mortgage-related securities from real estate market weakness or defaults on underlying mortgages.
- The duration of fixed income securities affects the risk or price volatility of these securities. Longer-term securities are generally more sensitive to interest rates and their prices more volatile than shorter-term securities.

### **Fixed Income Management Risk**

Our judgments about the attractiveness, value, and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated.

### **Fixed Income Credit Risk**

- There is a risk that issuers and counterparties will not make payments on the securities they issue.

Individual securities can be downgraded by rating agencies, which can cause their values to fall. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality can lead to greater volatility in the price of a security, which can affect liquidity and our ability to sell the security.

### ***Etesian Global Equity Strategies-Etesian Dividend Focus Strategy:***

This strategy consists of building and managing individual-issue common stock portfolios designed to provide meaningful dividend income while maintaining exposure to the market. The strategy primarily focuses on investing in large-cap common stocks (comprised primarily of domestic securities but may hold foreign ADR's as well) that provide strong growth potential and attractive dividend and yield opportunities and seeks to create a portfolio structure that is less volatile and more predictable than the overall stock market. Companies are selected based on their ability to consistently pay and increase dividends over time. We currently also favor companies that have a share buyback program in place. We also evaluate based upon a comprehensive scoring process that reviews valuation, earnings, expectations, key financial issues and technical price behavior.

### ***Etesian Equity Strategies provided by Third-Party Managers:***

Etesian uses mutual funds and Exchange Traded Funds to gain exposure to a tax managed global equity portfolio. The strategies are offered through external money managers, mutual funds and equity or indexing strategies for various investment disciplines as desired by the client and when appropriate for the client's situation.

We examine the experience, expertise, investment philosophies and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to successfully invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due diligence process, we survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager, who has been successful in the past, is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is 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 we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

### **Equity Markets Risk:**

- An investor could lose money due to a sudden decline in the share price or to an overall decline in the stock market. Factors such as U.S. economic growth and market conditions, interest rates and political events affect the equity markets.
- Our strategy for managing these portfolios may not achieve the desired results or may be less effective than other strategies in a particular market environment.
- Investments in foreign equity securities involve increased risk due to political, social and economic developments abroad as well as differences between regulatory practices.
- A higher turnover rate may indicate higher transaction costs and can result in higher taxes in taxable accounts. These costs may also affect the strategies' performance.

### **Equity Management Risk:**

- Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated.
- The value of an individual security can be more volatile than the market as a whole or our intrinsic value approach may fail to produce the intended results.
- Our estimate of intrinsic value may be wrong or, even if our estimate of intrinsic value is correct, it may take a long period of time before the price and intrinsic value converge.

We conduct quantitative and qualitative research, drawing on analytic tools and a database of traditional and alternative asset managers. Security selection follows similar protocols. For all the investments we make, our due diligence efforts are thorough and ongoing.

- Investments in small and mid-cap companies have, in the past and, in the future, may be riskier than investments in larger cap established companies.
- The securities of mid and small cap companies may trade less frequently and in smaller volumes than securities of larger companies.
- Small and mid-cap companies might be more vulnerable to economic, market and industry changes.

### ***Etesian Alternative Investment Strategies***

In certain client situations, we use our limited alternative investment line-up to complement our long only fixed income and equity strategies. These alternative strategies include Real Estate, Gold, Master Limited Partnerships,



and various single strategy hedge fund styles. Etesian's alternative investment strategies are built to have a lower correlation with other major asset classes and provide a source of absolute return to a broadly diversified portfolio.

### **Alternative Investment Risks**

- Alternative investments in Real Estate Investment Trusts (REITs), although not a direct investment in real estate, are subject to the risks associated with investing in real estate.
- The value of these Real Estate Investment Trust securities will rise and fall in response to many factors including economic conditions, the demand for rental property and changes in interest rates.
- Alternative Investment strategies are intended to further diversify investor holdings and are not considered as a stand-alone investment program.

### **Privately Issued Securities:**

***Privately issued securities involve a higher degree of risk.*** We do not recommend privately issued securities to our clients. However, when clients have privately issued securities that they would like held in their account(s), we advise that caution must be exercised as private securities have the following characteristics:

- Privately issued securities are illiquid.
- Privately issued securities often have higher expenses.
- Privately issued securities generally do not have a market to sell in and should you want to sell them now or in the future, it is not assured that any market will exist.
- Privately issued securities cannot be used as security or collateral for a loan.
- Privately issued securities are restricted securities and cannot be legally sold or transferred by you without the consent of the issuer.
- Privately issued securities are sold with a Private Placement Memorandum or Offering Statement.
- Before you purchase a privately issued security, you should read and understand the contents of the Private Placement Memorandum.
- The Private Placement Memorandum contains additional discussion and disclosures about the risks associated with privately issued securities.

**Additional Comments on Risks** - Any investment carries an element of risk. We strive to help our clients understand the risks and how this risk is relative to investing to meet their financial goals. In that regard, we will provide our best assessment of the risks associated with the investment we manage for our clients. However, any investment or economic analysis that we provide will rely upon representations and financial information that is collected from many sources. **As such, we cannot express any form of assurance on the achievability of the accuracy of the information we collect.** All reports, financial statement projections and analyses are intended exclusively for use in developing and implementing portfolios for our clients. Any past or current performance metrics used to determine the suitability of a security in an individual portfolio are not represented as guarantees or any assurances of future performance.

Additionally, we do not compile, review or audit financial statements of individual companies we research and recommend. As a result, we will not express any assurance on a company's future performance, including the reasonableness of assumptions and other data that we may collect. In addition, our services are not designed to discover fraud, irregularities or misrepresentations made in materials provided to us concerning potential investments.

### **Cybersecurity Risk**

The computer systems, networks and devices used by Etesian employ a variety of protections that are designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. However, despite the rigorous protections we have established and employed, various systems, networks, or devices can potentially be breached. A cybersecurity

breach has the potential to negatively impacted our clients. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

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

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Etesian or the integrity of Etesian's management or our Advisors. Etesian has no information applicable to this Item 9 at this time.

However, state regulators require that all formal investigations and disciplinary actions taken by regulators, customer disputes, certain criminal charges and/or convictions, as well as any IAR's financial disclosures, such as bankruptcies and unpaid judgments or liens, be filed with FINRA. If this type of information would be material to your decision to do business with Etesian, please refer to FINRA's Broker Check at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for more information about us.

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

Etesian does not have any affiliations with any broker-dealers, other Investment Advisors, or any other professionals working in the Financial Industry. Etesian, on occasion, will recommend that a portion of the assets for a client be managed by one or more sub-advisors (mutual funds and ETF's). If this is the case, the clients' accounts hold these investment and no referral fees are paid to Etesian for the fund or ETF. The clients who utilize the sub-advisor(s) (mutual fund or ETF) will incur investment management fee(s) by that fund (see fund/ETF prospectus), in addition to the fee that they pay to Etesian.

### **Item 11 – Etesian's Code of Ethics**

#### **Participation or Interest in Client Transactions**

Etesian and its employees, including investment advisory representatives, from time to time make investments for their own accounts. As a result, Etesian and its employees may purchase or sell securities that are recommended to, purchased by, or sold to clients. Personal securities transactions by persons associated with Etesian are subject to Etesian's Code of Ethics, which requires employees to report all securities holdings and transactions and requires pre-clearance from the firm's Chief Compliance Officer for certain securities transactions. Etesian designed these policies to mitigate actual or potential conflicts of interest with clients investments. A copy of the Firm's Code of Ethics will be provided to any client or prospective client upon request.

Etesian anticipates that it will recommend to investment advisory clients, or prospective clients, the purchase or sale of securities in which Etesian, its affiliates and/or clients, directly or indirectly, have a position of interest. Etesian's employees and persons associated with Etesian are required to follow Etesian's Code of Ethics. Subject to

satisfying this policy and applicable laws, officers, directors and employees of Etesian and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Etesian's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Etesian will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Etesian's clients. In addition, the Code of Ethics requires pre-clearance of many transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Etesian and its clients.

## **Item 12 – Brokerage Practices**

### **Non-Discretionary Accounts**

In certain cases, we open accounts on a non-discretionary basis for clients. Non-discretionary accounts are not managed by Etesian and it is the client's responsibility to exercise their own judgment regarding transactions in these accounts. In these instances, Etesian may offer opinions, but will not affect transactions in the accounts.

### **Discretionary Accounts**

Where Etesian has discretionary management authority, we are authorized by each client to determine the securities to be bought or sold and the total amount of securities to be bought or sold without the approval of the client, subject to the client's investment policy (IPS) guidelines and restrictions established by the client that may limit our authority to buy or sell certain types of securities. In addition, and in such cases, Etesian has the authority to determine without specific client consent, the broker or dealer for securities transactions in the client's account. Etesian's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution services with respect to its accounts' portfolio transactions. The best net price, considering brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

These factors include, but are not limited to: Etesian's knowledge of negotiated commission rates and spreads currently available; nature of the security being traded; size and type of transaction; nature and character of the markets for the security to be purchased or sold; desired timing of the trade; current and expected activity in the market for the particular security; confidentiality; execution, clearance and settlement capabilities, as well as the reputation and perceived soundness of the broker-dealer selected. Other factors, which are considered, include Etesian's knowledge of actual or apparent operational problems of any broker-dealer; the transactions to be executed; historical experience with the broker-dealer; and the reasonableness of spreads or commissions. In addition, as described below, brokers and dealers who provide brokerage and research services to Etesian, either directly or from third parties, may receive orders for transactions resulting in commissions being earned by them. In most cases, Etesian will execute client transactions with the client's custodial broker-dealer. It is the experience of Etesian that with respect to most transactions, particularly transactions in mutual fund securities, the custodian's broker-dealer will provide best execution.

### **Recommended Brokerage**

Where a client has not established an arrangement with a custodial broker-dealer, we will generally recommend that clients establish a custodian brokerage relationship with Charles Schwab & Co., Inc (Schwab). It is Etesian's experience that Schwab is generally capable of providing the required service, has a good business reputation, has

provided good service to Etesian clients in the past and offers a reasonable commission structure. However, there is no guarantee that best execution will be achieved on every transaction.

### **Soft Dollars**

The term “soft dollars” is a term used in finance to describe a means by which financial firms, brokers, and brokerage are paid for their services by a third party as opposed to the normal direct fees paid (or hard dollars) by the client. Etesian does not accept soft dollar compensation from any financial product.

However, there are certain circumstances that soft dollar (non-monetary) arrangements will be accepted by Etesian- Under Section 28(e) of the Securities Exchange Act of 1934, an investment advisor can accept soft dollars, and is generally deemed to have acted lawfully and in a manner consistent with its fiduciary duties to clients’ under federal and state law, if the advisor determines in good faith that the benefits received by the advisor are reasonable in relation to the value of the brokerage and research products or services provided on behalf of their client.

For purposes of Section 28(e), the (non-monetary) benefits received by Etesian through a broker or another financial firm include:

- Written information and analyses concerning specific securities, companies or sectors;
- News, quotation, statistics and pricing services, as well as discussions with research personnel and consultants;
- Information from databases and other technical and/or telecommunications services utilized in the investment management process;
- Other consulting in connection with investigating and monitoring potential and existing investments and other products and/or services providing lawful and appropriate assistance to the investment advisor in the performance of its investment decision making responsibilities, without regard to whether the research products or services benefit or solely benefit the account bearing the commission charge.

Etesian fiduciary duty to clients is very important and we will maintain our this duty by only using soft dollar arrangements consistent with Section 28(e). If a product or service obtained provides both research and non-research assistance to Etesian (i.e., a “mixed use item”), we will pay for that non-qualified product or service from our own resources.

### **Investment or Brokerage Discretion**

Clients receiving Investment Supervisory Services provide Etesian with the written authority to determine which securities to buy or sell, and the amount of securities that are bought or sold. All trading activity in publicly traded securities, in connection with the client's account, is effectuated by the custodian of the account at the request of Etesian. The purchase or sale of privately issued securities in your account is only done after you have approved of the purchase or sale in writing. We will never purchase or sell privately issued securities on your behalf without your written consent.

For our investment management services, Etesian recommends that clients establish brokerage accounts with independent custodians. In connection with this recommendation for a custodian, Etesian has considered the following:

- Price of the security and cost of the transaction
- Commission rate
- Speed and promptness of execution
- Responsiveness
- Confidentiality

- Back office capabilities
- Willingness and ability to handle complex trades
- Knowledge of, and access to potential market participants
- Reputation, overall knowledge of market and financial stability

### **Aggregated Trades**

Orders will generally be entered for execution on a first-in, first-out basis. Etesian may, in its discretion and to the extent permitted by law, aggregate or “bunch” orders being placed for execution at the same time for the account of one or more clients where it believes that aggregation is appropriate and in the best interest of its clients. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among Etesian's clients in proportion to the purchase and sale orders placed for each client account on any given day.

### **Etesian is independent of any custodian**

Account Management Services are provided for accounts opened at Etesian, with assets held in custody at various custodians. A separate account application and agreement will be executed between the client and the custodian and all trading activity in connection with client accounts will be effectuated by the custodian, except when the client elects to establish a prime brokerage arrangement, in which case, trades will be executed by other broker-dealers. Clients will authorize the custodian to pay Etesian's fees directly from one or more accounts maintained with each custodian.

### **Prime Brokerage Arrangements**

Etesian may use its discretionary authority to trade away from your broker custodian (Schwab or other custodians) when purchasing or selling fixed income securities.

This allows us to seek competitive fixed income offerings beyond what is offered by the custodian's inventory. It is not used in all cases or for every account Etesian manages. Each trade placed with a broker other than your custodian has an additional cost, which is charged by your custodian to settle the trade. This fee will be in addition to any markup, or markdown, that you may pay to purchase or sell your security. Etesian does not participate in these fees.

### **Custodians**

Custodians are the entities that have physical possession of client assets. Etesian primarily uses Charles Schwab and Company for its brokerage and custodial services. Etesian is always independent of the custodian and clients always reserve the right to choose the custodian of their assets.

Etesian does not maintain custody of the assets that we manage on our client's behalf; although we may be deemed to have custody of your assets if you give us the authority to withdraw assets from your account (see Item 15 – Custody, below). Your assets must be maintained in an account at a "qualified custodian" for our investment management services. A "qualified custodian" includes a bank or savings association with deposits insured by the FDIC, a registered broker/dealer, a registered futures commission merchant, or a foreign financial institution holding client assets. "Qualified custodians" must deliver account statements directly to clients—not through advisors like Etesian—on at least a quarterly basis. The qualified custodian's account statement must include account positions, values, and all transactions within the statement period.

The majority of our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as their qualified custodian. As stated above, we are independently owned and operated and are not affiliated with Schwab. Schwab will hold assets in a brokerage account and buy and sell securities when we instruct them on such transactions. While we may recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “Your Brokerage and Custody Costs”).

### **How We Select and Recommend “Qualified” Brokers/Custodians:**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are most advantageous to you when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us 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 the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us From Schwab”)

### **Your Brokerage and Custody Costs**

Custodians generally do not charge you separately for custody services but are they are compensated by charging you commissions or other fees on trades that it executes or that settle into your account. Custodians commission rates and asset-based fees applicable to our client accounts were negotiated based on the condition that our clients collectively maintain assets in accounts at the custodian. This commitment benefits you because the overall asset-based fees you pay are lower than they would be otherwise. In addition to these fees, the custodian charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, to minimize your trading costs, we have the custodians execute most trades for your account. We have determined that having the custodian execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How We Select Brokers/Custodians”).

### **Etesian’s relationship with Charles Schwab and Company**



Charles Schwab is in the business serving the needs of independent investment advisory firms like us. They provide our clients and us 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 us manage or administer our clients' accounts; while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200.

**Following is a more detailed description of Schwab's support services related to Etesian:**

**Services That Benefit You:**

- 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 of which we might not otherwise have access, or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.
- **Access to Schwab's research platform at [www.schwab.com](http://www.schwab.com)**

**Services that Schwab offers Etesian that May Not Directly Benefit You:**

- Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account.
- These products and services assist us in managing and administering our clients' accounts.
- They include investment research, both Schwab's own and that of third parties.
- We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab.

In addition to investment research, Schwab also makes available, and Etesian takes advantage of using Schwab software and systems technology that:

- Provides us access to client account data (such as duplicate trade confirmations and account statements) and account tax information
- Facilitate our trades and execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payments of our fees from our clients' accounts
- Assists us with back-office functions, recordkeeping, and client reporting

Schwab offers services that not only benefit Etesian but are intended to help Etesian manage and further develop our business enterprise. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. 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 our personnel.

The Schwab services that Etesian uses in that regard are:

- Educational conferences and events
- Publications and conferences on practice management and business succession

### **Etesian interest in Schwab's Account Services and Schwab's Robo Advisory Platform**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. (Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody.) The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us. We have \$213,299,291 in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab to avoid paying Schwab quarterly service fees presents a material conflict of interest.

### **Trade Errors Policy**

There is the risk that we could make an error in submitting a trade order on your behalf. If this occurs, we will act in the client's best interest to place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, the Advisor, named for the error, will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

### **Item 13 – Review of Accounts**

#### **Individual Client Account Review**

Accounts are reviewed on at least a monthly basis for suitability, performance, and consistency with the client's investment objectives. Stanley C. Lochrie, President of Etesian, or his designee is responsible for reviewing accounts for which Etesian provides Investment Supervisory and/or Account Management Services. However, triggering factors (market movements, buy/sell of a security, risk control parameters, sell disciplines) will compel Etesian and other investment managers to review accounts more frequently. Etesian also analyzes the investment allocations (which may include both liquid and non-liquid securities) of its investment advisory clients more frequently if necessary depending upon market conditions.

#### **Pension Client Account Review ("Retirement Planning Services")**

Accounts are reviewed on at least a quarterly basis for suitability, performance and consistency with the client's investment objectives. Stanley C. Lochrie, President of Etesian, or his designee is responsible for reviewing accounts for which Etesian provides Investment Supervisory and/or Account Management Services.



### **Consulting client account Review (“Consulting Services”)**

Accounts are reviewed on at least a semi-annual basis for suitability, performance and consistency with the client's investment objectives. In certain types of engagements, this review is more frequent. Stanley C. Lochrie, President of Etesian, is responsible for reviewing accounts for which Etesian provides Investment Supervisory and/or Account Management Services. However, triggering factors (market movements, buy/sell of a security, risk control parameters, sell disciplines) will compel Etesian and other investment managers to review accounts more frequently. Etesian also analyzes the investment allocations (which may include both liquid and non-liquid securities) of its investment advisory clients more frequently if necessary depending upon market conditions.

### **Financial Planning Client Review (“Financial Planning Services”)**

These projects are generally done on a one-time basis for a set fee. Depending upon the circumstances, our planning engagement may cover a set time as established in the financial planning agreement with each client. Completed financial plans are not reviewed unless specifically requested by the client and agreed to by Etesian.

The firm's investment committee frequently meets to discuss client portfolios, investment strategies, general investment policies, market conditions, portfolio rebalancing procedures, as well as specific ideas. Clients requesting more frequent formal reviews will be accommodated depending upon the circumstances and availabilities in schedules.

### **Etesian Spark Portfolio Reporting**

Spark portfolio reporting is provided by an automated platform at Charles Schwab, the custodian of Spark investment. Clients have unlimited access to the accounts for the purpose of management and reporting. Spark clients open up an account at Schwab and trading, reporting, and management, are automated based upon preferences chosen by each client.

### **Etesian Quarterly Reporting**

Etesian prepares quarterly performance reports for presentations to clients. Those reports may be delivered by U.S. Mail, FedEx, UPS, electronic means or most commonly, in person. Upon request, performance reports are available to clients at any given time. Schwab or your other custodian(s) provides each client with a monthly and quarterly report containing detailed information about the specific holdings and transactions in the account. The report includes a summary of transaction activity during the preceding quarter/month, the receipts and disbursements through the account for the prior quarter/month, including fees payable to Etesian, and the performance for the preceding quarter/month.

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

Etesian does not provide any compensation or economic benefit for client referrals. Currently, Etesian does not, and in the future will not have any oral or written arrangements where it is paid cash by or receives any economic benefit directly, or indirectly, from a non-client in connection with giving any financial advice. Etesian will not accept soft-dollars for any financial transaction without full disclosure to clients.

### **Item 15 – Custody**

Clients receive at least quarterly statements from the qualified custodian (Charles Schwab or others) that holds and maintains client's investment assets. Etesian urges all clients to carefully review such statements and compare such

official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities (accruals of bond interest, etc.).

Under government regulations, Etesian is deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account, or if you grant us the authority to move your money to another account. Schwab or your other custodian maintains actual custody of your assets. You will receive account statements directly from Schwab or your other custodian, at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab or your other custodian. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements to the periodic [account statements/portfolio reports] you will receive from us.

### **Item 16 – Investment Discretion**

Etesian usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of publicly traded securities to be bought or sold. Privately issued securities are never purchased or sold in your account without first receiving your written instruction and consent.

When your account is managed on a non-discretionary basis, or you impose material investment restrictions that cause an account to be deemed not fully discretionary, it would, therefore not be eligible for inclusion in discretionary management. Such situations include, but are not limited to:

- Restricting trading activities conditioned upon client approval
- Limiting sale of legacy stock (low-cost basis, or marked as client restricted)
- Restricting the purchase of certain securities or types of securities (socially responsible investing limitations, etc.)

### **Investment guidelines and restrictions must be provided to Etesian in writing**

After the client signs a written Investment Policy Statement, all publicly traded securities transactions (unless otherwise restricted) that are determined to be appropriate to implement the clients' policy will be executed without any further consultation with the client. Privately issued security transactions will only be made after we receive your written instruction and consent. All investment decisions will be guided by the client's Investment Policy Statement. When exercising investment discretion, Etesian will not invest in Initial Public Offerings (IPO's). When selecting securities and determining amounts, Etesian observes the investment policies, limitations and restrictions of the clients for which it advises.

### **Item 17 – Voting Client Securities**

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are timely and adequately exercised.

Etesian has developed Proxy Voting Guidelines to ensure that proxies for which Etesian has been delegated voting authority are voted in the best interest of the client. The delegation of proxy voting is at the sole discretion of the client and applies to all securities held in an account. The client must contact their custodian to instruct redirection of proxy materials and notify Etesian of any such proxy voting assignments. Etesian considers receipt of proxy materials as authorization by the client to vote proxies on their behalf. If clients wish to rescind this delegation of voting authority, they must contact their custodian as well as notify Etesian of this change. Clients should note that events causing the custodian to require new paperwork for an existing account may cause the coding for the proxy voting materials to default back to the client.

Etesian will not be responsible or liable for failing to vote any proxies where Etesian did not receive the proxies or related shareholder communications in a timely manner. Etesian may change these guidelines in response to general corporate governance practices, without providing prior notice of the changes to clients.

Etesian guidelines are not rigid policy positions nor are they intended to address all potential voting issues. Each matter is considered on a case-by-case basis and may be voted in a manner different from the guidelines. Etesian may elect to abstain from voting if it is determined that such action is in clients' best interest. You can obtain a copy of our proxy voting guidelines by contacting us directly. We can also provide you with information on how we voted on a specific proxy item on request. Requests should identify the security and the proxy item in writing to assure they are clearly understood and submitted to Etesian.

## **Item 18 – Financial Info, Privacy Policy, and Business Continuity Plan**

### **Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Etesian's financial condition. Etesian has no financial commitment that impairs its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.

### **Business Continuity**

As part of its fiduciary duty to clients, Etesian maintains an active Business Continuity Plan that the firm will follow in the event of a natural disaster, system failure, or loss of access affecting the company's operations. This plan includes a summary of the current services, identification of the services, identification of the services most critical to the company operations, and guidelines for how these services will be reconstituted following such an event. Our policies are, to the extent practicable, designed to address those specific types of disasters that Etesian may reasonably face given its business and locations.

### **Privacy Policy Notice**

As a client of Etesian, you share both public and private information with us. Your privacy is important to us, and we are dedicated to safeguarding your personal and financial information. We respect the privacy of our client relationships and we are committed to maintaining the highest level of confidentiality. In that regard, we are providing an annual Privacy Notice.

#### **We collect personal financial information about you from the following sources**

- The information you provide us in the investment advisory agreement and account applications and other documents you complete in connection with the maintenance of your accounts
- Information you provided through oral and electronic communications
- Information we receive from third parties, such as brokerage firms, about your transactions and accounts
- Non-public information that is collected such as social security numbers, income account balances, securities and personal holdings, driver's license numbers, passport numbers, etc.

**We do not disclose any nonpublic information about you to anyone, except in the following circumstances**

- When required to execute transactions for your account or otherwise to provide services you have requested with your designated custodial agent
- When you have specifically authorized us to do so in writing
- When permitted or required by law
- When information is required for disciplinary purposes through professional designations such as Fi360, the CFP Board, the AICPA, or other professional organizations where complaints may be filed

**Within our firm:**

- We limit employee and agent access to information only to those who have a business or professional reason for knowing, and only to nonaffiliated parties as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities' transactions on your behalf or so that our firm can discuss your financial situation with your accountant or lawyer.)
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- The categories of nonpublic personal information that we collect from a client depend upon the scope of the client engagement. It will include information about your personal finances, information about your health to the extent that it is needed for the planning process, information about transactions between you and third parties, and information from consumer reporting agencies.
- For unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.
- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities laws, and consistent with the CFP Board Code of Ethics and Professional Responsibility. After this required period of record retention, all such information might be destroyed.

If you have any questions about our privacy policy, please call us at 503-387-3615.

## **FORM ADV PART 2B**

### **Investment Professionals Education and Background**

**AIFA** - The AIFA designation certifies that the recipient has advance knowledge of fiduciary standards of care, their application to the investment management process, and procedures for assessing conformance by third-party fiduciary standards. To be eligible to receive the AIFA designation, individuals must have already completed the AIF training program and passed the AIF exam and meet a minimum prerequisite score based on the candidate's educational background and professional training and experience in investing, financial service and auditing. To receive the AIFA designation, individuals must complete a training program, successfully pass a comprehensive, closed-book final examination under the supervision of a proctor and agree to abide by the AIFA Code of Ethics. In order to maintain the AIFA designation, the individual must annually renew their affirmation of the AIFA Code of Ethics and complete 10 hours of continuing education credits. This certification is administered by the Center for Fiduciary Studies, LLC.

### **Professionals providing Investment Advice**

#### **Stan Lochrie, AIFA® Investment Advisor Representative**

Stan has practiced as an investment professional for 29 years. He attended Washington State University before coming to work in the family business from 1972 until 1988. He has served as a Board member of many companies and professional and civic organizations over 30 years including his 8-year term as a School Board member and Board President. After moving to the Seattle, WA area, he became a partner in Westmark Financial Services in Bellevue, WA in 1989 and then became the founding member of Evergreen Estate Planning Services in Seattle, WA in 1992. He joined Financial Security Group, LLC (FSG) in 1997 and became a partner of that organization in 1998. FSG merged with the regional accounting firm Moss Adams, LLP in 2000, and Stan became a partner of Moss Adams Wealth Advisors based in Portland, OR until December of 2009. Wanting to spend more time concentrating on his work with individual clients, the investment process, and consulting on retirement plans, he started Etesian Wealth Advisors, Inc in 2009. Stan received his designation of Accredited Investment Fiduciary Analyst (AIFA®) in 2002 which accredits him as a specialist to work with individuals and organizations (trusts, foundations, retirement plans, etc.) to set up investment standards and protocols for asset management and the investment selection process. Stan has practiced extensively in the areas of investment management for trusts/foundations, individual estate and personal financial planning. He specializes in corporate retirement plan consulting, charitable giving structuring, and all aspects of individual wealth management. Stan has presented, at numerous seminars, how to create and maintain investment management standards and procedures.

#### **Benjamin Wright, Assistant Portfolio Manager Investment Advisor Representative**

Benjamin Wright is a graduate of Pacific University, Oregon where he majored in Economics and Business Administration with a focus in Accounting. Ben has also completed his Masters in Financial Analysis from Portland State University. Ben has recently completed his Level One CFA. Previously Ben worked for Ashland Partners & Company LLP, a specialty CPA firm focused on the investment management industry, where he

worked with advisors on GIPS compliance and other attestation engagements. Outside of the office Ben spends most of his time at the golf course, hiking or watching movies.

**George Gabriel**  
**Investment Advisor Representative**

George is a Client Relationship Manager and our resident CPA. Tax and business planning, as well as relationship building and managing, are his specialty. George has been working as a CPA since graduating from Washington State. His career has taken him from several different CPA firms before arriving at Etesian, including Arthur Andersen LLP – Vancouver, WA, Moss Adams LLP – Vancouver, WA. If George is not in the office, he is out building relationships, golfing or enjoying his family. George never forgets his Cougs.

**Jesse Steele**  
**Investment Advisor Representative**

Jesse works as a Client Service Associate and reserves a small amount of time for the Portfolio Management Department. Having a long history of working Client Service in the international luxury hospitality business, Jesse brings the skills necessary to deliver distinguished client service to each of our clients.

Jesse attended college in Eugene Oregon and has completed his NASAA Series 65. When he is not at work, Jesse loves being outdoors with friends and family, skiing, golfing and scuba diving.