



## **Envoy Advisory, Inc.**

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**November 22, 2019**

### **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Envoy Advisory, Inc. and its supervised personnel. If you have any questions about the contents of this brochure, please contact us at the phone number listed below. 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. Please note, where this brochure may use the terms "registered investment adviser" and/or "registered", registration itself does not imply a certain level of skill or training. Additional information about the firm and its representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Summary of Material Changes

This section of the Brochure will address only those "material changes" that have been incorporated since our last delivery or posting of this document on the SEC's public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our last filing was dated January 15, 2019. Since our last annual filing, the following material changes have been made:

- Item 4 was amended to disclose available Custodians for IRA and individual accounts.
- Item 5 was amended to disclose that asset-based fees are billed in advance and no fees are billed for the first month an Agreement is in effect.
- Item 5 was amended to update the fee charged for management of IRA and individual non-qualified accounts.
- Item 10 was amended to disclose an additional affiliated company, Envoy IRA, LLC.
- Item 12 was amended to disclose a relationship with TD Ameritrade for custodial services.
- Item 12 was amended to disclose additional fees related to 12b-1 fees or Sub-TA fees, as applicable.
- Item 14 was amended to disclose solicitor arrangements.
- Item 15 was amended to clarify disclosure related to situations in which the firm is currently deemed to have custody.
- Item 16 was amended to disclose discretionary arrangements for IRAs and non-qualified individual accounts.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our CCO Bruce Bruinsma at 888.879.1376 or [BBruinsma@EnvoyFinancial.com](mailto:BBruinsma@EnvoyFinancial.com).

We encourage you to read this document in its entirety.

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## Item 4 Advisory Business

### Description of Firm

Established in late 2010, Envoy Advisory, Inc., ("Envoy Advisory" or "Envoy") provides investment advisory services predominately to plan sponsors of 403(b) retirement plans and their participants ("Plan Sponsors" and "Participants"). In addition, Envoy offers investment advisory services to individuals (collectively "clients"). The firm is wholly owned by TMX Enterprises, Inc., a holding company owned by firm CEO and CCO, Bruce Bruinsma. As of October 31, 2018, the firm managed approximately \$280,059,654.20 in non-discretionary assets.

### Types of Advisory Services Offered

#### Retirement Plans

Our primary advisory business is focused on providing investment recommendations to Plan Sponsors and Participants based on the relevant retirement plan's (the "Plan") Investment Policy Statement ("IPS") which determines the appropriate risk-reward trade-off. Envoy Advisory seeks to recommend a suitable and well-diversified investment menu of mutual funds, exchange traded funds ("ETFs"), and third-party actively managed or indexed portfolio options, which are designed to be suitable for retirement accounts. We feel it is critical to work closely with each Plan Sponsor to develop its IPS and select investment options for its retirement plan menu. Our focus is on transparency and acting in the best interest of our clients.

We work closely with both affiliated and independent third-party service providers, such as the TPA/Recordkeeper, and Custodians to provide Plan Sponsors and their Participants with a platform to manage their respective Plan assets and investment options. FIS Relius provides comprehensive services for retirement plan clients to allow Participants to easily access and manage their retirement accounts and investments on an easy-to-understand Internet platform (the "Envoy Platform"). The Envoy Platform allows Plan Participants to make self-directed investment decisions amongst the Plan investment options described below.

In general, we provide two primary types of investment recommendations: our Basic Core Fund List of individual mutual funds and ETFs; and our Managed Model Programs (as defined below). For clients who want additional assistance in allocating their portfolio, our Managed Model Programs include our Basic Managed Model Program; and the Professionally Managed Model Programs typically offered through third party asset managers.

For our "Basic Core Fund List," we consult with the Plan Sponsor to develop or expand a list of fund options to meet its Plan's needs, and any initial or additional choices beyond the Core Fund List, are generally approved by the Plan Sponsor. Plan Participants then make self-directed investment decisions in their accounts and can transfer freely among eligible investment options (subject to any restrictions established by the Plan or the underlying investment option) through the Envoy Platform. Upon request, an Envoy representative is available to review Participants' accounts periodically to help educate Participants with information about available investment choices that best achieve their retirement plan goals. With pre-approval of the Plan Sponsor in the IPS, Envoy may assist Participants in rebalancing accounts, replace underperforming Plan investment options with comparable Plan options and/or replace third party manager models.

For our managed portfolio programs, we typically have two types of optional, additional advisory service recommendations for those Plan Sponsors who wish to offer Participants and other clients managed models or portfolios instead of selecting their own individual funds: Basic Managed Models (consisting of investments selected by Envoy) and Professionally Managed Models. These alternatives generally require an additional fee (fully disclosed and consented to) borne by the Participant.

### **IRAs and Individual Accounts**

Finally, we offer similar services for individuals who desire to have their respective IRA accounts or individual non-qualified accounts managed similarly to their retirement plan offered through their employer.

The Custodian for the IRA accounts is either Matrix Trust or TD Ameritrade and accounts can be managed on either a discretionary or non-discretionary basis. For non-discretionary accounts, the IRA account holder makes self-directed investment decisions in their accounts. Clients are able to select similar investments consistent with their retirement plan.

The same holds true for individuals with non-qualified (taxable) accounts. Either TD Ameritrade or Charles Schwab & Co. Inc. ("Schwab") acts as the Custodian for all non-qualified accounts advised by Envoy. For these individual accounts, individuals will establish an account with either TD Ameritrade or Schwab and execute non-discretionary or discretionary Custodial application/agreements in their own name. For non-discretionary accounts, Envoy will assist clients with their investment education but the client makes self-directed investment decisions in their account.

### ***Basic Managed Model Programs***

We develop target-date models to provide clients with the desired allocation/glide path and fund selection. We have a target-date model comprised of funds on our Basic Core Fund List- the Total Universe Target-Date Portfolio; and our Faith-Based Target-Date Portfolio using faith-based mutual funds. Essentially, these Basic Managed Models assists Participants and clients to periodically re-allocate their retirement plan portfolios as they near retirement age. There are additional fees for selecting the Basic Managed Models as set forth below.

### ***Professionally Managed Model Programs***

In addition to the Basic Core Fund List and Basic Managed Models, Participants and clients may elect to have some, or all their retirement assets managed in one or more Professionally Managed Models. A Participant or client can choose amongst one or more Professionally Managed Portfolio(s) or Programs. Of course, Participants or clients retain all authority to start or stop a Professionally Managed Model Portfolio or Program at any time or change to a different Professionally Managed Model or Program. Envoy Advisory recommends independent asset managers, mutual funds or ETF's based on their asset allocation management experience, cost, performance and dedication to their respective disciplines.

We have Risk-Based Models based on risk such as conservative or moderate, etc. The Risk-Based Plus Models are target-based models with a risk-based overlay. Essentially, these are portfolios with a retirement age glide path and incorporate a Participant's or client's risk profile.

Each client's Investment Advisory Agreement/IPS pre-authorizes Envoy to assist Participants or clients to rebalance accounts, replace investments with like investments or replace third party manager models. There are additional fees for selecting the Professionally Managed Models.

## Item 5 Fees and Compensation

Advisory fees are negotiable, and arrangements with each client may differ. Envoy may in its sole discretion reduce or waive management fees for friends and family members, or to compete in acquiring prospective customer's business. Envoy may amend its standard fee schedule at any time but must obtain written approval to increase fees charged to current clients. Advisory fees are typically collected by Envoy TPA and Recordkeeping which then remits payment to Envoy Advisory, unless otherwise agreed. Plan Sponsors may choose to pay Plan-level advisory and/or other fees directly.

All asset-based fees are billed in advance. For the avoidance of doubt, there are no fees payable to Envoy Advisory for the first month Envoy Advisory's advisory agreement with a client is in force. But in the event the advisory agreement is terminated as of any date other than the end of a calendar month there is no rebate of prepaid fees for that month.

### ***Basic Level Advisory Fees***

The maximum annual Basic Level Advisory Fee ("Basic Level Fee") for clients is 0.65% and is identified in the client's Investment Advisory Agreement.

For individual retirement accounts (IRAs) and non-qualified individual accounts, our maximum annual investment advisory fee as a percentage of assets under management is 1.35%. The specific advisory fees are set forth in the client's Investment Advisory Agreement. Envoy may negotiate a lower advisory fee or waive the advisory fee entirely. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated.

### ***Basic Managed Model Advisory Fees***

Basic Managed Model Fees are charged in addition to the Basic Level Fee discussed above and applies to the Total Universe Target Date and Faith-Based Target Date Models. For those Participants and clients who select a Basic Managed Model Program, the fees will be collected by Envoy TPA and Recordkeeping which then remits payment to Envoy Advisory.

For IRAs or non-qualified individual accounts, our maximum Basic Managed Model portfolio fee as a percentage of assets under management is an additional 0.25%. Many of our Plan Sponsor clients select this model as the Qualified Default Investment Alternative, meaning employer contributions (and in some circumstances employee contributions) will be subject to this additional fee if the Participant does not affirmatively select an investment option. The specific advisory fees are set forth in each client's Investment Advisory Agreement. Envoy may negotiate a lower advisory fee or waive the advisory fee entirely. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated.

### ***Professionally Managed Model Advisory Fees***

Professionally Managed Model Fees are charged in addition to the Basic Level Fee discussed above and applies to the Risk-Based and Risk-Based Plus Models. For those participants or individual clients (qualified or non-qualified accounts) who select a Professionally Managed Model Program, the fees will be collected by Envoy TPA and Recordkeeping which then remits payment to Envoy Advisory.

For IRAs or non-qualified individual accounts, our maximum Professionally Managed Model portfolio fee as a percentage of assets under management is an additional 0.45%. The specific advisory fees are set forth in each client's Investment Advisory Agreement. Envoy may negotiate a lower advisory

fee or waive the advisory fee entirely. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated.

***Non-Standardized Plan Sponsor Fees:***

For new Plan Sponsors who elect to map prior Plan investment choices to the new Plan investment options, the following fees may also apply:

- \$750 (one-time) for a Plan Sponsor directed/selected investment menu;
- \$25 per Participant for mapping from prior Plan investment choices;

Other non-standard Plan Sponsor fees:

- \$500 for ongoing review of Plan Sponsor directed investment option menus;
- \$200 for an annual Plan oversight committee in-person meeting;
- \$250/hour for additional hourly fees for special projects.

All fees paid to Envoy for advisory services are separate and distinct from the fees and expenses charged by affiliated and/or non-affiliated third-party service providers. These separate fees and expenses include, but are not limited to, custodial fees, execution costs, record-keeping fees, and mutual fund fees and expenses. Client assets also may be subject to transaction fees, brokerage fees and commissions, retirement plan administration fees (if applicable), trustee fees, deferred sales charges and redemption fees on mutual funds, 12b-1 fees, sub-transfer agent fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, overnight courier or postage fees, and other fees and taxes on brokerage accounts and securities transactions. For mutual funds and ETFs, a client may be charged internal management fees, distribution fees, redemption fees and other expenses, which are fully described in the applicable fund's prospectus. Fees charged to Plans by Envoy TPA and Recordkeeping are in addition to and are charged separately from advisory fees payable to Envoy Advisory.

**Termination**

Advisory clients can terminate their services at any time. Investment management services will continue through the current billing month in which the termination occurred.

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

Envoy does not charge performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of a client's assets or any portion of a client's assets). Consequently, Envoy does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, Envoy provides its services based upon a percentage of assets under management, or other flat/hourly fees in accordance with SEC Rule 205(a)(1).

## **Item 7 Types of Clients**

Envoy primarily provides investment advisory services to ERISA and non-ERISA Employer-Sponsored Retirement Plans. Additionally, Envoy provides services to certain individuals with qualified and nonqualified account(s). Envoy does not have a minimum initial account value.



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

### ***Envoy Advisory utilizes basic Modern Portfolio Theory***

We typically recommend a blend of investment options including mutual funds, ETFs, annuities and managed portfolios. All programs utilize Strategic Asset Allocation or Tactical Asset Allocation disciplines using a Modern Portfolio Theory approach to investing that mixes fundamental asset classes into target portfolios. The Basic Managed Models generally rebalance on a periodic basis, such as semi-annually.

Sources of information we use for analysis include information provided by third-party asset managers, publicly-available reports and analysis, research materials provided by investment product distributors, computerized asset allocation models and various subscription services.

### ***Analysis***

Envoy Advisory engages independent asset managers to manage the asset allocation Models within their stated disciplines and Model objectives. Envoy Advisory may choose asset managers with a diverse range of investment methodologies, which include principles of Modern Portfolio Theory, mean variance optimization, fundamental, charting, technical and cyclical analysis in formulating their allocation strategies and models. Synopses of the professional asset managers methodologies are noted above in Item 4: Advisory Business, Fees, and Compensation.

### ***Investment Strategies***

Envoy Advisory's Managed Model Programs are designed for long-term investing and are managed to the investor's risk level or time to retirement. Most of Envoy Advisory's Professionally Managed Portfolio Programs strive to minimize risk, not maximize return. Each Model is managed to the stated risk level. Current allocation strategies include Strategic and some Tactical disciplines.

Strategic disciplines use a Modern Portfolio Theory asset allocation approach to investing that mixes fundamental asset classes into a target portfolio. The models utilizing a Strategic asset allocation discipline generally rebalance at a fixed point in time, such as semi-annually. The Professionally Managed Portfolio Programs are not designed to protect against immediate or severe market fluctuations, and trading adjustments may only occur infrequently. Envoy Advisory and/or the relevant asset manager may replace certain investment selections periodically but has no obligation to move a Strategic Model out of the market in times of market decline.

Envoy Advisory's Professionally Managed Portfolio Programs may utilize a Tactical discipline which attempts to take advantage of short and intermediate term market inefficiencies/opportunities with the goal of managing market volatility. Changes in Tactical Models are typically directed by the relevant asset manager and will occur in direct response to market conditions corresponding to the objectives of the Model. The overall objective of these Models is also striving to minimize risk, not maximize return.

### ***Risk of Loss***

Investing in securities involves a certain amount of risk of loss that clients should be prepared to bear. Envoy's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the client's account, which clients should be prepared to bear. There can be no assurance that a client's investment objectives will be obtained and no inference to the contrary is being made.

The primary risks involved in the securities recommended by Envoy may include, among others:



- *Market risk*, is the chance that stock prices overall, will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term because of factors affecting the individual companies, industries or the securities market. Equity securities generally have greater price volatility than fixed income securities.
- *Industry Sector risk*, is the chance that significant problems will affect a sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- *Issuer risk*, which is the risk that the value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Non-diversification risk*, is the risk of concentrating investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Value investing risk*, is the risk that value stocks may not increase in price, may not issue the anticipated stock dividends, or may decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also may decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks but may lag growth stocks in an up market.
- *Smaller company risk*, is the risk that the value of securities issued by a smaller company may go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.
- *Foreign (non-U.S.) investment risk*, is the risk that investing in foreign securities may result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Investments in emerging markets are generally more volatile than investments in developed foreign markets.
- *Interest rate risk*, is the chance that bond prices overall will decline because of rising interest rates. Similarly, the income from bonds or other debt instruments may decline because of falling interest rates.
- *Credit risk*, is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline.
- *Exchange Traded Fund (ETF) risk*, is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for several reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.
- *Management risk*, is the risk that the investment techniques and risk analyses applied by portfolio managers may not produce the desired results and that legislative, regulatory, or tax developments, may affect the investment techniques available. There is no guarantee that a client's investment objectives will be achieved.
- *Manager Risk*, is the risk that third-party managers we recommend managing a portfolio within

a designated style or risk profile, fail to adhere to their portfolio investment policy or mandate.

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility can and will occur, and that all investing is subject to risk. Consequently, the value of an account may at any time be worth less than the amount initially invested. Envoy typically recommends investing for the long-term and does not recommend high frequency trading, which may result in increased taxes (for non-qualified accounts), brokerage and other transaction costs.

Envoy does not represent, guarantee or imply that the services or methods of analysis employed by us can or will predict future results, produce excess market returns, or insulate clients from losses due to market corrections or declines.

## **Item 9 Disciplinary Information**

Pursuant to Rule 206(4)-4 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") investment advisers are required to provide their clients with disclosure as to any legal or disciplinary activities deemed material to the clients' evaluation of the adviser.

In September 2017, the SEC issued an Order Instituting Administrative and Cease-and-Desist Proceedings as to Envoy alleging that it breached its fiduciary duty, provided inadequate disclosures and had a deficient compliance program based on the receipt by its affiliated broker-dealer of certain marketing and distribution fees known as "12b-1 fees" paid by mutual funds directly or indirectly recommended by Envoy. The statutes and rules that the SEC alleged Envoy violated do not require proof of scienter (i.e., with an intent to defraud or recklessness); rather they merely require proof of negligence. Envoy agreed to the issuance of this Order on a no-admit, no-deny basis.

The Commission determined that from January 2013 through March 2017, Envoy recommended Class A shares of two mutual funds with 12b-1 fees when plan participants and IRA Holders were eligible to purchase or hold share classes without 12b-1 fees of those same funds. Envoy's Form ADV disclosures to Plan Sponsors during the Relevant Period disclosed that certain mutual funds "may" pay a "dealer" 12b-1 fees but failed to disclose that the "dealer" receiving the 12b-1 fees was Envoy's affiliate. Envoy's Form ADV disclosures to IRA Holders during the Relevant Period failed to make any mention at all 12b-1 fees, or the actual conflict of interest associated with its affiliated broker-dealer's receipt of those fees. In making these disclosures, Envoy relied on the advice of a national compliance firm, but understands it is ultimately responsible for its own disclosures and this is no defense to liability.

As part of its settlement with the SEC, Envoy agreed to rebate to the affected clients on a voluntary basis approximately \$25,000 in fees and to pay an approximately \$25,000 civil penalty, plus prejudgment interest. Over the past several years, the SEC has filed numerous actions in which an investment adviser "failed to make required disclosures relating to its selection of mutual fund share classes that paid the adviser (as a dually registered broker-dealer) or its related entities or individuals" 12b-1 fees when a lower-cost share class for the same fund was available, according to the announcement of the program. Some of these actions involved major firms such as Credit Suisse Securities (USA) LLC and SunTrust Investment Services, Inc.<sup>1</sup> In addition to the monetary payments described above, Envoy has retained an independent compliance consultant to assist the firm in a comprehensive review of its compliance policies and procedures and its Form ADV disclosures and other disclosure documents. Further background review of both the firm and its personnel may be found by visiting the SEC's Investment Adviser Public Disclosure website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 10 Other Financial Industry Activities and Affiliations

Envoy Advisory is a subsidiary of TMX Enterprises, Inc. ("TMX"). In addition, Envoy TPA and Recordkeeping, Inc. (Third Party Administration and Recordkeeping services), Envoy Financial, Inc. (marketing and communications), and Envoy IRA, LLC are other subsidiaries providing separate and distinct services to Plan Sponsors, Plan Participants, IRA holders and individuals. No financial industry company can avoid all conflicts of interest, but we strive to clearly disclose our business services, relationships and fees in a transparent fashion.

Envoy TPA and Recordkeeping, Inc. is an affiliated company which provides Plan accounting and administration, trade processing, mutual fund shareholder services, and record-keeping services to Plan Sponsors and Participants, and clients for additional fees which are set forth in separate agreements.

Envoy Financial is an affiliated company that focuses on client education, but this entity does not earn any separate compensation or fees.

Envoy IRA, LLC is an affiliated company that was created for eventual IRA business, though at present, all IRA business is under Envoy Advisory, Inc.. As Envoy's IRA service grows and diversifies, the income from those services and the expenses associated with providing them will be captured in Envoy IRA, LLC and not be part of the Envoy Advisory expense or income structure.

Christian Retirement Ministries, LLC ("CRM") is a non-affiliated entity. CRM's primary purpose is to perform management functions for Envoy Advisory and its affiliated entities. This includes but is not limited to payroll processing, 401(k) management, and human resources.

**Live with Meaning** - Live with Meaning is a stand-alone 501c3 non-profit entity. Bruce Bruinsma serves as Chairman of the Board and CEO of this non-profit. The primary activity of Live With Meaning is the presentation and direction of The Retirement Reformation. Bruce Bruinsma is a key spokesman for the Retirement Reformation.

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

### Description of Code of Ethics

The Advisers Act imposes a fiduciary duty on all investment advisers to act in the best interest of its clients. Envoy's clients therefore entrust us to use the highest standards of integrity when dealing with their assets and making investments that impact their financial future. Our fiduciary duty compels all associates to act with integrity in all our dealings. This fiduciary duty is the core principle underlying the Code of Ethics and represents the expected basis of all our dealings with our clients.

Because Envoy's investment professionals may transact in the same securities for their personal accounts as they may recommend for client accounts, it is important to mitigate potential conflicts of interest. To that end, Envoy has adopted personal securities transaction policies in the form of a Code of Ethics ("Code"), which all Envoy associated persons must follow. This Code provides such personnel with guidance in their ethical obligations regarding their personal securities transactions and fiduciary duties formulating the basis of all our client dealings. Specifically, the Code requires certain personnel to report personal trades and holdings and requires pre-clearance for or prohibits certain trades in certain circumstances. The Code also requires supervised persons to report any violations of the Code promptly to the Firm's Chief Compliance Officer ("CCO"). Each supervised person receives a

copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code during that year. Envoy will provide a copy of the Code to any client or prospective client upon written request.

Envoy obtains information from a wide variety of publicly-available resources. Envoy and its personnel do not have, nor claim to have, insider or private knowledge. To ensure insider trading does not take place and to address the conflict of interest regarding obtaining confidential information, Envoy has adopted a firm-wide policy statement outlining insider-trading compliance by Envoy and its associated persons. This statement has been distributed to all associated persons of Envoy and has been signed and dated by each such person. Personal securities transactions must be conducted consistent with the Code and the Firm's Insider Trading Policies and Procedures in a manner that addresses any actual or potential conflicts of interest.

You may request a complete copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Part 2; Attn: Chief Compliance Officer.

## **Item 12 Brokerage Practices**

### **Selection Criteria**

Envoy typically recommends that our clients utilize third party and unaffiliated custodians, such as MG Trust/Matrix, for Plan Sponsor' accounts, and TD Ameritrade, Matrix or Charles Schwab for qualified and non-qualified individual accounts. Custodians serve an important role in holding customer assets and providing significant asset insurance coverage including Securities Investor Protection Corporation (SIPC), and excess SIPC type coverage.

Factors that Envoy considers in recommending MG Trust/Matrix (or another custodian, investment platform and/or mutual fund sponsor) include its historical relationship with Envoy, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by our clients must comply with our duty to obtain best execution, a client may pay a commission that is higher than another qualified custodian might charge to affect the same transaction where we determine, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not simply the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a custodian's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated custodian are exclusive of, and in addition to, Envoy 's investment advisory fee.

For individual non-qualified accounts, Envoy generally recommends that our clients utilize TD Ameritrade or Schwab as the custodian for the clients' accounts. Custodians serve an important role in holding customer assets and providing significant asset insurance coverage including Securities Investor Protection Corporation (SIPC), and excess SIPC type coverage. Customers are advised to consult with their Envoy representative to discuss the amounts and type of asset coverage provided by the custodian of record.

Factors considered by Envoy in recommending a custodian are based upon, but not limited to, the reasonableness of fees and/or commissions, product and securities availability, research capabilities, quality of online and telephonic services, retail branch access, other services we identify as beneficial

to our customers. Envoy TPA and Recordkeeping, Inc. (as part of its sub-transfer agent shareholder services) may be delegated authority to aggregate daily orders for purchases and sales of mutual fund shares.

### **Soft Dollars**

Envoy does not have any formal soft dollar arrangements with any Custodian or broker-dealer.

### **12b-1 Fees and Sub-TA Fees**

Envoy typically does not use retail share classes, but instead, uses wholesale share classes, such as R-shares or Institutional shares, which have a lower cost. And Envoy does not recommend funds that carry 12b-1 or related "marketing" fees. However, some funds or other investment vehicles used by retirement plan investors do pay Envoy Advisory or its affiliated companies certain marketing and servicing fees that can be placed into two categories. The marketing category is generally characterized as 12b-1 fees, sales loads, front-end, back end, or ongoing sales charges (collectively, "12b-1 fees"). The servicing category is generally characterized as Sub-Transfer Agent fees, Sub-TA fees, networking fees, recordkeeping fees, or servicing fees (collectively, "Sub-TA fees").

Envoy Advisory generally endeavors not to recommend funds that pay either category of fees. However, to the extent a Plan Sponsor selects a fund for inclusion in the Retirement Plan Menu that pays 12b-1 fees to Envoy Advisory or its affiliates, such amounts will be credited towards fees owed and payable by the Plan under this Agreement or the agreement with Envoy Advisory's affiliate, as applicable. You will be advised of these amounts as a part of the 408b-2 annual reporting required under ERISA regulations.

To the extent a Plan Sponsor selects a fund for inclusion in the Retirement Plan Menu that pays Sub-TA fees to Envoy Advisory or its affiliated companies, our affiliated safekeeping/recordkeeping entity will retain (and **not** credit towards fees owed and payable by the Plan Sponsor to Envoy Advisory) such amounts as additional compensation to partially offset our small Plan administrative costs. Our retention of the Sub-TA fees creates a conflict of interest because Envoy Advisory (and its related parties) has an incentive to recommend its affiliated administrator and recordkeeping entity which will charge separate fees for its services which may be higher than what the client could obtain from an unaffiliated third party provider, and Envoy Advisory may have an incentive to recommend underlying investments that pay its affiliate(s) additional compensation in the form of Sub-TA Fees. However, as noted above, Envoy Advisory maintains an awareness of these types of fees and avoids funds that pay such fees when possible.

## **Item 13 Review of Accounts**

The Investment Committee oversees Envoy Advisory's Professionally Managed Account Programs. The CEO of Envoy Advisory is ultimately responsible for all advisory policies and decisions and can accept or reject the recommendations of the Investment Committee. The Investment Committee meets, at a minimum, 2 times per year, and additionally as needed, to perform the following roles on Envoy Advisory's behalf:

- The selection of Professionally Managed Portfolio Programs/Asset Managers offered by Envoy Advisory;
- The monitoring of Professionally Managed Portfolio Programs/Asset Managers offered by Envoy Advisory;
- The removal of Professionally Managed Portfolio Programs/Asset Managers offered by Envoy Advisory;
- The review of current allocations relative to the discipline and risk level of the Asset Managers;
- The comparison of advisory results to predetermined benchmarks to monitor whether the Asset



- Manager's discipline is providing value to investors;
- The ongoing due diligence of Professionally Managed Portfolio Programs/Asset Managers;
- The fair and competitive pricing of all advisory services;
- The fund selection, fund replacements, or changes in allocation.

Plan Sponsors will receive an electronic or hard-copy account statement from Envoy TPA & Recordkeeping at least quarterly.

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

### **Compensation for Client Referrals**

Envoy may, from time to time, enter into agreements with outside RIA firms. Those firms may have advisors acting as solicitors for Envoy's financial retirement plans. Those RIA firms may also provide model investment options that may pay those advisory firms an investment management fee. The payment of this fee may create a conflict of interest between the firm and the plan sponsor. Such conflicts, when present, will be disclosed. All such agreements will be in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to Envoy by a solicitor, Envoy may pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon Envoy's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to Envoy by such clients.

From time to time the soliciting firm may charge its client an additional education fee for the services they provide under a separate agreement authorizing Envoy Recordkeeping to collect these fees and remit on their behalf.

Each prospective client who is referred to Envoy under such an arrangement will receive a copy of Envoy's ADV Part 2 and a separate written disclosure document disclosing the nature of the relationship between the third-party solicitor and Envoy and a summary of the compensation that will be paid by Envoy to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of Envoy's ADV Part 2 and the solicitor's written disclosure statement.

### **Other Compensation**

Envoy Advisory, Inc. and its affiliates provide a host of services to clients for which each related entity receives compensation. Additional compensation may include the receipt of recordkeeping fees charged to clients and/or plan participants by or collected TPA/Recordkeeper companies. See Item 10 above.

## **Item 15 Custody**

Custody is defined as any legal or actual ability by Envoy Advisory to access client funds or securities.

For accounts custodied at TD Ameritrade, TD Ameritrade Institutional will serve as the custodian over those accounts.

For accounts custodied at Matrix Trust Company ("Matrix"), although we do not take physical possession of client assets, Envoy Advisory is deemed to have imputed constructive custody due to our common ownership with Envoy TPA & Recordkeeping, Inc. Imputed constructive custody occurs when a related person has or is deemed to have custody of client funds or securities. As defined in Rule 206(4)-2(d)(7), a related person is defined as "any person, directly or indirectly, controlling or

controlled by you, and any person that is under common control with you." Envoy TPA & Recordkeeping, Inc. is a "related person" to Envoy Advisory because Envoy TPA & Recordkeeping, Inc. and Envoy Advisory have common employees under common control.

Envoy Advisory is deemed to have custody of the client assets held at Matrix because our individual IRA clients have been invested in an omnibus account in the name of our affiliated entity, Envoy TPA and Recordkeeping, Inc. The physical custodian for this account is Matrix and the recordkeeping is done through Envoy TPA & Recordkeeping, Inc.. Envoy Advisory was previously also deemed to have custody over certain accounts held at Schwab as to which account application forms signed by clients purported to give Envoy Advisory authority to transfer and disburse client assets (however the client agreements with Schwab are being amended to remove that grant of authority to Envoy).

Envoy Advisory is currently transitioning the accounts held at Matrix to TD Ameritrade and all accounts will be held in the name of the individual account holders. Therefore, once all of these accounts have transitioned to TD Ameritrade from Matrix, Envoy Advisory will no longer be deemed to have custody in these situations.

Because the firm is subject to the Custody Rule (SEC Rule 206(4)-2), Envoy Advisory is required to hire an independent auditor to conduct a surprise examination each year regarding the accounts for which we have been deemed to have custody. Once Envoy Advisory is no longer deemed to have custody over the Matrix and Schwab accounts described above, the firm will no longer be required to have a surprise examination for those accounts.

For all accounts, Envoy Advisory has the authority to have fees deducted directly from client accounts. Envoy Advisory has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds are maintained. Finally, account statements are delivered directly from the qualified custodian quarterly. You should carefully review those statements and are urged to compare the statements against reports received from the recordkeeper. When you have questions about your account statements, you may contact Envoy Advisory, the recordkeeper, or the qualified custodian preparing the statement.

Clients should contact us directly if they believe that there may be an error in their statement. In addition to the periodic statements that clients receive directly from their custodians, we also send account statements to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

### **Qualified Retirement Plans**

Envoy does not have discretionary authority in qualified retirement plan client accounts. Envoy has an ongoing responsibility to select or make recommendations, based upon the needs of the client as to specific securities or other investments the account may purchase or sell and, if such recommendations are accepted by the client, will assist clients in arranging or effecting the purchase or sale of client investments. As such, with pre-approval through the IPS, Envoy may assist clients to rebalance accounts, replace assets with like assets or replace third party manager models.

### **IRA and Non-Qualified Individual Accounts**

The individual investor can choose between a discretionary or non-discretionary account.



## Item 17 Voting Client Securities

It is Envoy's policy to not vote proxies on behalf of its clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account. The obligation to vote client proxies shall always rest with the client. Envoy shall not be deemed to have proxy voting authority solely because of providing advice or information about a proxy vote to a client. Envoy typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts. Clients can contact our office with questions about a particular solicitation by phone at (888) 879-1376.

## Item 18 Financial Information

Envoy does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Envoy does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.

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<sup>1</sup>See [HTTPS://WWW.SEC.GOV/LITIGATION/ADMIN/2017/34-80373.PDF](https://www.sec.gov/litigation/admin/2017/34-80373.pdf) and <https://www.sec.gov/litigation/admin/2017/34-81611.pdf>