

**Part 2A of Form ADV: Firm Brochure  
Item 1: Cover Page  
March 2022**



**JOHANSON**  
FINANCIAL ADVISORS

**Johanson Financial Advisors, Inc.  
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Campbell, CA 95008  
[www.JohansonFinancial.com](http://www.JohansonFinancial.com)**

**Firm Contact:  
Lynda Tu  
Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Johanson Financial Advisors, Inc. If you have any questions about the contents of this brochure, please contact by telephone at (408) 404-0009 or email at [ltu@johansonfinancial.com](mailto:ltu@johansonfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.

Additional information about Johanson Financial Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD# 159244.

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

## Item 2: Material Changes

**Johanson Financial Advisors, Inc.** is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Since our last annual amendment filing on March , there are no material changes that have not been previously disclosed to our clients.

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## Item 4: Advisory Business

We specialize in the following types of services: Comprehensive Portfolio Management and Financial Planning & Consulting. We provide individuals, high net worth individuals, and other types of clients with a wide array of investment advisory services. Our firm is a Subchapter S Corporation formed in the State of California. Our firm has been in business as an investment adviser since 2011 and is directly owned by the Johanson Family Trust and Lynda M. Tu. David L. Johanson indirectly owns our firm through his ownership interest in the Johanson Family Trust.

### **Description of the Types of Advisory Services We Offer**

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

As part of our Comprehensive Portfolio Management service clients will be provided asset management and financial planning or consulting services. This service is designed to assist clients in meeting their financial goals using a financial plan or consultation. Our firm conducts client meetings to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what is learned, an investment approach is presented to the client, consisting of individual stocks, bonds, ETFs, options, mutual funds and other public and private securities or investments. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives. Upon client request, our firm provides a summary of observations and recommendations for the planning or consulting aspects of this service.

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

We provide a variety of financial planning and consulting services to individuals, families, and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney, or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

Depending on the complexity of the financial situation, we offer a “comprehensive plan”, which will include, but not be limited to, the following areas: Cash flow/net worth, insurance analysis, education planning, portfolio analysis, retirement planning, tax planning strategies, and estate planning.

Our firm also provides plan maintenance and "modular planning." These areas include advice and analysis on a focused goal or client objective, and will be engaged when the client and/or our firm determines a comprehensive plan to be inapplicable. These services may include, but are not limited to, cash flow, retirement, insurance, inheritance, career changes, and any other areas that impacts a client's financial situation.

### **Additional Services**

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#### **Tax Preparation**

We provide tax preparation services to advisory clients and non-advisory clients including individuals, Partnerships, limited liability companies, C-Corporations, and S-Corporations. Upon engaging our firm for this service, our firm will send clients an organizer which provides a list of requested tax documents. Clients are responsible for providing all applicable documentation requested by our firm. Our firm will prepare, and sign, as preparer, the client's federal and state tax returns using information provided to us by the client. If necessary, our firm will ask for clarification or additional documentation, but we will not audit or otherwise verify the data submitted by clients. Clients may schedule appointments with our firm at any time.

#### **Tailoring of Advisory Services**

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We offer individualized investment advice to clients utilizing our Comprehensive Portfolio Management service. Additionally, we offer general investment advice to clients who have engaged us for our Financial Planning and Consulting service.

We usually do allow clients to impose reasonable restrictions on investing in certain securities or types of securities. However, restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. The restrictions would be limited to our Comprehensive Portfolio Management service. We do not manage assets through our other services.

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

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We do not offer wrap fee programs.

#### **Regulatory Assets Under Management**

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As of December 31, 2021, our firm manages approximately \$ 484,136,263 on a discretionary basis.

## Item 5: Fees & Compensation

We are required to describe our brokerage, custody, fees, and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally negotiable.

### How We Are Compensated for Our Advisory Services

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#### Comprehensive Portfolio Management:

Assets Under Management	Annual Advisory Fee
\$0 - \$499,999.99	1.50%
\$500,000 - \$999,999.99	1.25%
\$1,000,000 - \$1,999,999.99	1.00%
\$2,000,000 - \$2,999,999.99	0.75%
Over \$3,000,000	Negotiable

Our firm's annual fees for investment management services provided shall be based on the market value of assets under management and shall be calculated at up to one- and one-half percent (1.50%) of all assets under management. Fees to be assessed will be outlined in the advisory agreement to be signed by the client. Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of your account(s) on the last day of the previous quarter. Fees are generally negotiable and will be deducted from your managed account(s). Fees will be adjusted for deposits equal to or in excess of \$10,000. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms. We send our invoice directly to the custodian; and
- c) If we send a copy of our invoice to you, it will include a legend urging you to compare information provided in our statement with those from the qualified custodian.

#### Financial Planning & Consulting:

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you and is negotiable. Occasionally, we charge hourly fees when we provide certain modular services that our clients' request. As President of Johanson Financial Advisors, Inc., David Johanson charges \$400 per hour. The hourly fee of David's assistants is \$175 for the services provided specifically by them. Flat fees generally range from \$2,000 to \$10,000. Our firm will not charge a fee for the initial consultation. Once an agreement has been signed however, we require the full payment of the financial planning and consulting. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

## **Additional Service Compensation**

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### **Tax Preparation**

We charge on a flat fee basis for tax preparation services. The total fee, as well as the ultimate fee that we charge, is based on the scope and complexity of our engagement and is negotiable. Flat fees generally range per type of return/tax document as follows:

<b>Tax Return Type</b>	<b>Fee for Tax Return Preparation</b>
Individual	\$300 - \$3,000
Fiduciary	\$300 - \$3,000
S-Corp, C-Corp, Partnerships	\$800 - \$3,000
Gift, Estate, Exempt Organizations, Benefit Plans	\$200 - \$3,000
Preparation of Form 1099-MISC	\$30 - \$200

Our firm will directly invoice clients for tax preparation services. We require full payment within 30 days of the mailing or electronic delivery of the client's tax return. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months. If fees for tax preparation services are not paid within 30 days of presentation, our firm shall assess an interest charge to the extent permitted by state law.

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

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Our clients will incur transaction charges for trades executed by their custodian via individual transaction charges. These transaction fees are separate from our fees and will be disclosed by the custodian. Charles Schwab & Co., Inc. ("Schwab") and TD Ameritrade, Inc. ("TD Ameritrade"), do not charge transaction fees for U.S. listed equities and exchange traded funds.

Clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (e.g., fund management fees, distribution fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions). Our firm does not receive a portion of these fees.

### **Termination & Refunds**

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We charge our advisory fees quarterly in advance for our Comprehensive Portfolio Management service. If you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

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

In the event you wish to terminate our tax preparation service, you need to contact us in writing and state that you wish to terminate our service. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly rate disclosed in the signed service agreement. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

### **Commissionable Securities Sales**

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Representative of our firm are registered representatives of APW Capital, Inc., Member FINRA/SIPC. As such, our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or service (“trail”) fees from the sale of mutual funds. You should be aware that the practice of accepting commissions for the sale of securities:

1. Presents a conflict of interest and gives our supervised persons an incentive to recommend investment products based on the compensation received, rather than on your needs. We generally address commissionable sales conflicts that arise when explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation our supervised persons may earn and/or when recommending commissionable mutual funds, explaining that “no-load” funds are also available.
2. Our firm in no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.
3. Our commissions account for a minimal percentage of our overall compensation.
4. Our firm does not reduce your advisory fees to offset the commissions our supervised persons receive.

### **Item 6: Performance-Based Fees**

We do not charge performance fees to our clients.

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

We have the following types of clients:

- Individuals and High Net Worth Individuals; &
- Corporations, Limited Liability Companies, and/or Other Business Types.

Our firm requires a minimum account balance of \$1,000,000 to engage us for our Comprehensive Portfolio Management service. Minimum account balance requirements may be waived for client family members or friends of existing clients, among other criteria.

Written financial plans are generally assessed a minimum fee of \$2,000. However, our firm may reduce or waive the minimum fee for written financial plans at our sole discretion.



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

### **Methods of Analysis**

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We use the following methods of analysis in formulating our investment advice and/or managing client assets:

- Charting;
- Fundamental;
- Technical;
- Cyclical.

### **Investment Strategies We Use**

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We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons among other considerations:

- Long term purchases (securities held at least a year); &
- Short term purchases (securities sold within a year);

### **Risk of Loss**

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

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

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

## **Item 9: Disciplinary Information**

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

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

Representatives of our firm are also registered representatives of APW Capital, Inc., Member FINRA/SIPC. They may offer securities and receive commissions as a result of securities transactions. A conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products incentive to recommend products based on the compensation adviser and/or our supervised persons may earn.

Mr. Johanson serves as an enrolled agent and licensed tax practitioner. While our clients have the option of engaging Mr. Johanson for tax preparation services, clients are not obligated to do so. Furthermore, clients that engage our firm for tax preparation are not obligated to use our firm for any advisory services.

Representatives of our firm are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. Clients are under no obligation to utilize this service and will not be actively solicited. A conflict of interest exists as these insurance sales create an incentive to recommend products based on the compensation our supervised persons may earn.

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

An investment adviser is considered a fiduciary and our firm has a fiduciary duty to all clients. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to always act solely in the best interest of each of our clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers, and employees for their personal accounts<sup>1</sup>. To monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all our associates. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics.

Neither our firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our firm or a related person has a material financial interest. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. To minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day unless done so after the client execution or concurrently as part of a block trade.

Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics.

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

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

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

Within this consideration, our firm has an arrangement with TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the program (Please see the disclosure under Item 14 of this Brochure.)

TD Ameritrade also makes certain research and brokerage services available at no additional cost to our firm all of which qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934. These services may be obtained directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by TD Ameritrade may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by TD Ameritrade to our firm in the performance of our investment decision-making responsibilities.

We do not acquire client brokerage commissions (or markups or markdowns). The research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving the services, we may have an incentive to continue to use or expand the use of TD Ameritrade's services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with TD Ameritrade and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

TD Ameritrade charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, and commissions are charged for debt securities transactions). TD Ameritrade enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. TD Ameritrade does not charge transaction fees for U.S. listed equities and exchange traded funds. TD Ameritrade's commission rates are generally discounted from customary retail commission rates. The commission and transaction fees charged by TD Ameritrade may be higher or lower than those charged by other custodians and broker-dealers.

Our clients may pay a commission to TD Ameritrade that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

We also recommend that our clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as a qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account.

For our clients' accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab does not charge transaction fees for U.S. listed equities and exchange traded funds. Our relationship with Schwab benefits you because the overall commission rates you pay are lower than they would be if we did not have such an arrangement. In addition to commissions, Schwab 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 Schwab execute most trades for your account.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage -trading, custody, reporting and related services - many of which are not typically available to Schwab retail customers. Schwab also makes available various support

services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Here is a more detailed description of Schwab's support services:

**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 to 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.

**Services 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 some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

**Services that Generally Benefit Only Us:** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

Schwab may provide some of these services itself. In other cases, 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.

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

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

The availability of these services from Schwab benefits our firm because our firm does not have to produce or purchase them. Our firm does not have to pay for these services, and they are not contingent upon committing any specific amount of business to Schwab in trading commissions or assets in custody. In light of our arrangements with Schwab, a conflict of interest exists as our firm may have incentive to require that clients maintain their accounts with Schwab based on our

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

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

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### **Soft Dollars**

Our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all our clients but not necessarily all at any one particular time.

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### **Client Brokerage Commissions**

Neither TD Ameritrade nor Schwab make client brokerage commissions generated by client transactions available for our firm's use.

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### **Procedures to Direct Client Transactions in Return for Soft Dollars**

We do not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

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### **Brokerage for Client Referrals**

We do not currently participate in any client brokerage programs.

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### **Directed Brokerage**

Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Our firm recommends the use of either TD Ameritrade or Schwab. Each client will be required to establish their account(s) with TD Ameritrade or Schwab if not already done. Please note that not all advisers have this requirement.

## **Permissibility of Client-Directed Brokerage**

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We do not allow client-directed brokerage outside our recommendations.

## **Aggregation of Purchase or Sale**

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We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration, and consistently non-arbitrary methods of allocation.

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

We review Comprehensive Portfolio Management accounts at least on an annual basis. We continually stay abreast of market dynamics and client suitability information, and will also review accounts intermittently as these factors warrant. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews. Verbal reports to clients take place on at least an annual basis when we contact clients who subscribe to our Comprehensive Portfolio Management service to discuss our reviews and their current objectives. We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

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

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

### **TD Ameritrade, Inc.**

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As disclosed above, our firm participates in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our Clients, although our firm receives economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a

trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm but may not benefit our Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help our firm manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, our firm endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits in and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of TD Ameritrade for custody and brokerage services.

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

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

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**Referral Fees**

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We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

## **Item 15: Custody**

**Deduction of Advisory Fees:**

We do not have custody of client funds or securities. All our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.



### **Third Party Money Movement:**

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodians:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

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

Our clients must provide our firm with investment discretion on their behalf pursuant to an executed discretionary investment advisory agreement. By granting investment discretion we are authorized to execute securities transactions which securities are bought and sold, and the total amount to be bought and sold. This type of agreement only applies to our Comprehensive Portfolio Management clients.

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

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. If proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write, or email us to discuss questions they may have about proxy votes or other solicitations.

## **Item 18: Financial Information**

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- We have never been the subject of a bankruptcy proceeding.