

**Item 1            Cover Page**

**ADV Part 2A, Firm Brochure  
Dated: March 22, 2022**

Contact: Gwen C. Wilmeth, Chief Compliance Officer  
3040 Post Oak Boulevard; Suite 1725  
Houston, Texas 77056  
[www.Segmentwm.com](http://www.Segmentwm.com)

**This brochure provides information about the qualifications and business practices of Segment Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at (713) 800-7150. 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 Segment Wealth Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Segment Wealth Management, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to this Brochure since Segment Wealth Management's last Annual Amendment filing, made on March 25, 2021.

**Segment's Chief Compliance Officer, Gwen C. Wilmeth, remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements.**

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#### Item 4            Advisory Business

- A. Segment Wealth Management, LLC (the “Registrant”) is a limited liability company formed on August 23, 2011 in the State of Texas. The Registrant became registered as an Investment Adviser Firm in August 2012. The Registrant is principally owned by GAB Interests, Inc. which, in turn, is owned by Gil Baumgarten. GAB Interests, Inc. is the Registrant’s Managing Member.

B.

##### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. The Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, the Registrant will allocate investment assets consistent with the designated investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance, asset allocation and client investment objectives. Before engaging Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

##### **RETIREMENT CONSULTING SERVICES**

The Registrant may also be engaged to provide non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement, describing the scope of services to be provide, and the required fee shall generally be set forth in a *Retirement Plan Services Agreement* between the Registrant and the plan sponsor.

##### **MISCELLANEOUS**

**Limited Consulting/Implementation Services.** Although the Registrant does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, the Registrant may provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant shall not receive any separate or additional fee for any such consultation services. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant’s services should be construed as same. Accordingly, we do not prepare estate planning or any other legal documents, provide tax preparation or make tax filings, or sell insurance products. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under

no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

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

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

**Private Investment Funds.** Neither Registrant, nor any of its employees, recommend that Registrant's clients invest in private investment funds. In the event that a client advises the Registrant that he/she seek to investment in a private investment fund, and expressly asks the Registrant to identify a prospective private investment fund (the "Fund") for the client's review and consideration, the Registrant may do so. However, no such private investment fund will be affiliated with the Registrant, and the Registrant shall have no involvement with the initial or ongoing management or business operations of, the Fund. The Registrant shall not verify the authenticity or accuracy of any Fund information, nor will it conduct any initial or future due diligence or review relative to the Fund. Investment in private investment funds involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints, and lack of transparency of the underlying fund investments, as more fully discussed in the fund offering documents, that the client should receive from the Fund sponsor. Unlike liquid investments that a client/investor may maintain, private investment funds generally do not provide daily liquidity or pricing. The Registrant shall not provide the client any advice as to my prospective Fund investment. The Registrant shall not monitor, report on, nor bill on the client's Fund investment. The client must be fully prepared to accept any and all adverse consequences resulting from his/her decision to invest in the Fund.

**Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. However, if subsequent to purchase, the fund has not provided an updated valuation, the valuation shall reflect the initial purchase price. If subsequent to purchase, the fund provides an updated valuation, then the statement will reflect that updated value. The updated value will continue to be reflected on the report until the fund provides a further updated value.

As result of the valuation process, if the valuation reflects initial purchase price or an updated value subsequent to purchase price, the current value(s) of an investor's fund holding(s) could be significantly more or less than the value reflected on the report. Unless otherwise indicated, the Registrant shall calculate its fee based upon the latest value provided by the fund sponsor.

**Third Party Asset Manager Programs.** Registrant entered into a strategic agreement involving Envestnet Asset Management, Inc. ("Envestnet") wherein Registrant offers certain of its investment model portfolios ("Model") to Envestnet. Envestnet will make

the Model(s) available to other investment advisers or financial institutions (“TPAM”) under its Third Party Separately Managed Account Models Program. The TPAM retains discretion to implement, reject, or adjust such Model and the TPAM is responsible for executing any corresponding transactions on behalf of its underlying clients. Registrant does not effect or execute transactions for any underlying clients of the TPAM participating in the Model and Registrant does not consider such underlying clients of the TPAM to be clients of Registrant. Clients will not pay a fee to the Registrant. The client should review the TPAM’s fee schedule or Form ADV Part 2A for the fees client will pay for participating in the Model, including whether fees are negotiable, the methods of fee billing and how fees are handled if the TPAM’s client determines to terminate its advisory agreement with the TPAM. Registrant will receive a “Model Portfolio Fee”, from Envestnet, based on the assets being managed pursuant to the Model.

In these type of engagements, the unaffiliated investment advisers that engage the Registrant’s services from platform shall maintain both the initial and ongoing day-to-day relationship with the underlying investor, including initial and ongoing determination of the of the investor’s suitability for the Registrant’s designated investment strategies. In addition, since the custodian/broker-dealer is determined by the unaffiliated program/platform sponsor, the Registrant will be unable to negotiate commissions and/or transaction costs, and/or seek better execution

**Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis must be willing to accept that Registrant cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client’s account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client’s consent.

**Retirement Plan Rollovers – No Obligation / Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted, (ii) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest if Registrant will earn new (or increase its current) compensation as a result of the rollover. If Registrant provides a recommendation as to whether a client should engage in a rollover or not, Registrant is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant.

**ByAllAccounts.** In conjunction with the services provided by ByAllAccounts, Inc., the Registrant may also provide periodic comprehensive reporting services, which can incorporate all of the client’s investment assets including those investment assets that are not part of the assets managed by the Registrant (the “Excluded Assets”). The Registrant’s service relative to the Excluded Assets is limited to reporting services only, which does not

include investment implementation. Because the Registrant does not have trading authority for the Excluded Assets, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not the Registrant, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. The client and/or their other advisors that maintain trading authority, and not the Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets. Without limiting the above, the Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that the Registrant provide investment management services with respect to the Excluded Assets, the client may engage the Registrant to do so pursuant to the terms and conditions of an *Investment Advisory Agreement* between the Registrant and the client.

**Cross Transactions.** In limited circumstances, Registrant may engage in a cross-transaction pursuant to which Registrant may effect transactions between two of its managed client accounts (i.e., arranging for the clients' securities trades by "crossing" these trades when Registrant believes that such transactions are beneficial to its clients). For all such transactions, neither Registrant, nor any affiliate, will be acting as a broker, and will not receive any commission or transaction-based compensation. The client may revoke Registrant's cross-transaction authority at any time upon written notice to Registrant.

**Cash Positions.** Registrant continues to treat cash as an asset class. As such, unless determined to the contrary by Registrant, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Registrant's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Registrant's advisory fee could exceed the interest paid by the client's money market fund.

**Cryptocurrency.** For clients who want exposure to cryptocurrencies, including Bitcoin, Registrant, will advise the client to consider a potential investment in corresponding exchange traded securities or private funds that provide cryptocurrency exposure. Crypto is a digital currency that can be used to buy goods and services, but uses an online ledger with strong cryptography (i.e., a method of protecting information and communications through the use of codes) to secure online transactions. Unlike conventional currencies issued by a monetary authority, cryptocurrencies are generally not controlled or regulated and their price is determined by the supply and demand of their market. Because cryptocurrency is currently considered to be a speculative investment, Registrant will not exercise discretionary authority to purchase a cryptocurrency investment for client accounts. Rather, a client must expressly authorize the purchase of the cryptocurrency investment. Registrant does not recommend or advocate the purchase of, or investment in, cryptocurrencies. Registrant considers such an investment to be speculative. Clients who authorize the purchase of a cryptocurrency investment must be prepared for the potential for liquidity constraints, extreme price volatility and complete loss of principal.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon

various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

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

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A and 2B of Form ADV, Form CRS (Client Relationship Summary) and Privacy Notice shall be provided to each client prior to, or contemporaneously with, the execution of the applicable form of agreement between Registrant and the client. Any client who has not received a copy of Adviser's written Brochure at least 48 hours prior to executing such agreement shall have five business days subsequent to executing the agreement to terminate the Adviser's services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2021, the Registrant had \$1,210,372,375 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

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

<u>Market Value of Portfolio</u>	<u>Annual fee as % of Assets</u>
Up to \$1,000,000	1.25%
\$1,000,001 to \$3,000,000	1.00%
Above \$3,000,000	Negotiable

Registrant, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.).

As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab & Co., Inc. ("*Schwab*") or *Vanguard* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* and *Vanguard* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (*Schwab* and *Vanguard*).

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Since the fee is determined quarterly, in advance, based upon the market value of such assets on the last day of the previous quarter (month, if billing monthly), the *Firm's* policy is to treat intra-quarter (intra-month, if billing is monthly) account additions and withdrawals equally, unless indicated to the contrary on the *Firm's* written Brochure and/or



Investment Advisory Agreement executed by the client.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall only refund the client if client provides advance notice and the refund will be the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter. If Registrant terminates the client engagement, the client's fees will be refunded automatically.

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

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

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

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, business entities, pension and profit-sharing plans, trusts, estates and charitable organizations. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services.

Registrant, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.).

As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

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

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

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

- Long Term Purchases (securities held at least a year)

- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear, including the complete loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Adviser) will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

- B. The Registrant's method of analysis and investment strategy does not present any significant or unusual risks.

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

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend – the use of options strategies. This strategy has a high level of inherent risk. (See discussion below).

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security

depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/hedging a potential market risk in a client's portfolio.

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

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

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds), alternative investments and fixed income securities, mutual funds and/or exchange traded funds ("ETFs"), on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s). Each type of security has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with investing in these types of securities:

**Market Risk.** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

**Unsystematic Risk.** Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

**Value Investment Risk.** Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

**Growth Investment Risk.** Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

**Small Company Risk.** Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired

time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock

on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

The Registrant typically allocates client assets among one or more of its asset allocation strategies. The Registrant's Strategies currently consist of the following:

**Segment ETF Strategy:**

The Segment ETF Strategy invests in a mix of exchange-traded funds (ETFs) to gain exposure to US and International equity markets. The strategy typically invests in 5-6 core ETFs that make up about 50-70% of the weighting. These core holdings are US-focused and resemble the full breadth of the markets, including large-cap, mid-cap, small-cap, value, and growth. The remaining 30-50% is invested in about 10 satellite ETFs that are more targeted to specific portions of the US or international markets. The core holdings remain invested for the long-term while the satellite holdings are traded more frequently. A large portion of the satellite holdings is sector ETFs that are picked using technical and fundamental criteria. The Strategy may allocate to Fixed Income and Gold ETFs in times of increased market volatility. The Strategy has used, but does not regularly use, inverse or leveraged ETF's. Funds are selected based on tracking error, internal fees, daily volume, liquidity, and bid/ask spread. The Strategy's core holdings are generally limited to 20% of the portfolio, and the satellite holdings are generally limited to 10%. Security duplication in more than one allocation is common, is monitored, and does contribute to risk and volatility. Performance of the Strategy is tied to fluctuations in US and Global equity markets. The strategy does not employ specific hedging or risk mitigation strategies and remains invested through all market cycles.

**Segment ETF Mini Strategy:**

The Segment ETF Mini Strategy invests in a mix of exchange-traded funds (ETFs) to gain exposure to US and International equity markets. The Strategy tries to follow a similar asset mix as the Segment ETF Strategy. The Strategy is generally constructed utilizing 8 to 10 broad market ETFs with exposures to different segments of the market based on size, value, growth, domestic, international etc. Exposure to individual ETFs is generally limited to 20%. When selecting funds the Strategy focuses on tracking error, internal fees, daily volumes, liquidity, and bid/ask spreads. The Strategy is intended for lower value accounts (relative to a client's total assets) that require a core equity market exposure with fewer positions and lower turnover. Performance of the Strategy is tied to fluctuations in US and Global equity markets. The strategy does not employ specific hedging or risk mitigation strategies and remains invested through all market cycles.

**Segment Tax-Efficient Rising Dividend Strategy:**

The Segment Tax-Efficient Rising Dividend Strategy invests in US-listed companies that have a track record of paying and growing their dividends. The Strategy seeks to be tax-efficient by reducing turnover, deferring capital gains, and via tax-loss harvesting. The strategy typically consists of 40 to 50 large-cap stocks that have dominant market positions and a proven track record of high profitability and free cash flows generation. The strategy is actively managed but with constraints that seek to retain some of the advantages of

passive investing. Paying a dividend is required for a security to be admitted into the portfolio, but dividend cuts do not immediately force the security from the portfolio. Performance of the Strategy is tied to fluctuations in US and Global equity markets. The strategy does not employ specific hedging or risk mitigation strategies and remains invested through all market cycles.

**Segment BRKB-VTI Strategy:**

This strategy holds Exchange Traded Funds (ETF's) and Berkshire Hathaway Inc Class B (BRKB) shares typically split evenly with a weight in BRKB in the range of 40-60%. In selecting ETFs, the Registrant's decision is based on tracking error, internal fees, daily volume, liquidity, and bid/ask spread. For the most part, the preferred ETF for the Strategy is the Vanguard Total Stock Market ETF (VTI) which provides a broad exposure of the US equity markets. This strategy takes concentrated positions in securities that are in of themselves highly diversified. VTI is one of the largest ETFs in the US with over \$140bn in assets invested across about 3500 companies. Berkshire Hathaway Inc is one of the top 10 largest listed companies in the US with a market capitalization of over \$550bn. It has investments in a diverse set of business via over 60 private subsidiaries and holdings in about 50 public companies. Combined the strategy typically has a lower standard deviation relative to the S&P 500. But the strategy does take a concentrated position in a single stock (BRKB) which makes it susceptible to idiosyncratic risks. Performance of the Strategy is tied to fluctuations in US and Global equity markets. The strategy does not employ specific hedging or risk mitigation strategies and remains invested through all market cycles.

**Segment Muni Bond Portfolios:**

Segment Muni Bond Portfolios generally hold bonds issued by municipalities of the State of Texas. The Portfolios tend to hold bonds in a sequence of maturities to mitigate interest rate risk. Due to limited size availability in the market for each security held, client portfolios are slightly different. Some clients also hold a smaller allocation to taxable bonds. Due to variations among individual client accounts, the Firm does not consider this a "Strategy". The Firm manages these accounts individually, based on client preference for income, total return, price sensitivity, and account tax status. Credit risk profile is low due to a majority allocation to Investment Grade bonds. Duration risk is moderate and is managed by laddering bond maturities.

**Segment Corporate Bond Portfolios:**

Segment Corporate Bond Portfolios generally hold Investment Grade corporate bonds and corporate bond ETFs. The Portfolios tend to hold bonds in a sequence of maturities to mitigate interest rate risk. Due to limited size availability in the market for each security held, client portfolios are slightly different. Some clients may also hold a smaller allocation to Municipal bonds. Due to variations among individual client accounts, the Firm does not consider this a "Strategy". The Firm does occasionally purchase zero-coupon bonds, which do tend to display greater price sensitivity. The Firm manages these accounts individually, based on client preference for income, total return, price sensitivity, and account tax status. Credit risk profile is low due to a majority allocation to Investment Grade bonds. However, some accounts have a smaller High Yield/ Junk Bond allocation that can add volatility due to high credit risk. Duration risk is moderate and is managed by laddering bond maturities.

**Segment Growth Strategy:**

The Segment Growth Strategy offers exposure to US listed large and mid-cap stocks. The strategy is actively managed with a target of 30 to 40 holdings across all sectors. Stocks selected offer better growth characteristics and typically prioritize reinvesting cash flows

over returning it to shareholders. Selection criteria includes fundamental and technical considerations such as revenue/ earnings growth, momentum, valuations, profitability, etc. Each stock weighting is limited to 3.5% at inception and can grow to 7% driven by price performance. Sector weightings are managed to resemble that of the S&P 500 Growth Index. This can lead to outsized holdings in certain sectors such as Information Technology. The strategy is designed to deliver total returns greater the S&P 500 but with lower dividend yields, increased volatility, and potentially larger drawdowns. Performance of the Strategy is tied to fluctuations in US and Global equity markets. The strategy does not employ specific hedging or risk mitigation strategies and remains invested through all market cycles.

**Segment Low Volatility Dividend Strategy:**

The Segment Low Volatility Dividend Strategy offers exposure to US listed large and mid cap stocks. The strategy is actively managed with a target of 30 to 40 holdings across all sectors. Stocks are selected from a universe of high dividend paying companies that have low stock price volatility. Selection criteria includes fundamental and technical considerations such as dividend yield, stock volatility, valuations, business stability, relative performance, cash flow generation, profitability, etc. Each stock weighting is limited to 4% at inception and can grow to 8% driven by price performance. Sector weightings are typically concentrated in the REIT and Utility sectors. The strategy is designed to deliver returns that are less corelated with the S&P 500 and with meaningfully lower risk over time. Dividend yields will be higher than that of the S&P 500 however total returns are likely to be lower. Performance of the Strategy is tied to fluctuations in US and Global equity markets. However, it is designed to be less volatile and have less correlations to the S&P 500 Index. The strategy does not employ specific hedging or risk mitigation strategies and remains invested through all market cycles.

**Segment Broad Equity:**

The Segment Broad Equity Composite includes account that are invested in ETFs to get a broad exposure to US equities. Accounts may also contain satellite positions in International, Mid/ Small Cap and Sector ETFs. This approach is employed typically for smaller accounts of a client where a separate strategy allocation is not justified. Most such accounts have less than 5 positions with the dominant positions being either the Vanguard Total Market ETF (VTI), SPDR S&P 500 ETF (SPY), Schwab Broad Market ETF (SCHB) or similar. Performance of the Strategy is tied to fluctuations in US and Global equity markets. The strategy does not employ specific hedging or risk mitigation strategies and remains invested through all market cycles.

**Segment Momentum ETF Strategy:**

The Segment Momentum ETF Strategy utilized specialized Exchange Traded Funds (ETF's) with concentrated sector exposures. The Strategy primarily invested in Sector & Industry ETF's managed by First Trust Portfolios L.P., including their Sector AlphaDEX products that use factor based stock selection and weighting. Sector ETF's from other managers such as State Street and Blackrock were also be used. The Strategy typically invested in 5 ETF's with a weight of 15 to 25% in each. The Firm used a rules based process in selecting the 5 ETF's, a key input for which was ratings from Trendrating. Trendrating is a software based Momentum Analytics Platform that looks to capture trends early by using technical indicators. The Strategy took concentrated positions in select sectors to benefit from price trends. Underlying sector exposure were generally limited to 40% and concentration in top 5 ETF's was limited to 25%.

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

1. Initial Interview – at the opening of the account, the Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly the Registrant shall notify the client to advise the Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, the Registrant shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – the Registrant shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct the Registrant not to purchase certain mutual funds;
8. No Pooling – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Registrant believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the *Investment Advisory Agreement*; and (2) the fees charged by other investment advisers offering similar services/programs. However, Registrant's annual investment management fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Registrant's annual investment management fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses).

Registrant's investment programs may involve above-average portfolio turnover, which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.



**Borrowing Against Assets/Risks.** A client who has a need to borrow money could determine to do so by using:

- **Margin**-The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral; and,
- **Pledged Assets Loan**- In consideration for a lender (i.e., a bank, etc.) to make a loan to the client, the client pledges its investment assets held at the account custodian as collateral;

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (i.e. custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Registrant does not recommend such borrowing unless it is for specific short-term purposes (i.e. a bridge loan to purchase a new residence). Registrant does not recommend such borrowing for investment purposes (i.e. to invest borrowed funds in the market). Regardless, if the client was to determine to utilize margin or a pledged assets loan, the following economic benefits would inure to Registrant:

- by taking the loan rather than liquidating assets in the client's account, Registrant continues to earn a fee on such Account assets; and,
- if the client invests any portion of the loan proceeds in an account to be managed by Registrant, Registrant will receive an advisory fee on the invested amount; and,
- if Registrant's advisory fee is based upon the higher margined account value, Registrant will earn a correspondingly higher advisory fee. This could provide Registrant with a disincentive to encourage the client to discontinue the use of margin.

The Client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loans

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of a disciplinary action.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

- C. Neither the Registrant, nor its representatives, maintain any relationship or arrangement that is material or responsive to this section.
- D. The Registrant does not recommend or select other investment advisors for its clients for which it receives a fee.

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

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

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

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

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons." The Registrant's securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Furthermore, Access Persons must provide the Chief Compliance Officer with a quarterly transaction report, detail all trades in the Access Person's account during the previous quarter; and on an annual basis, each Access Persons must provide the Chief Compliance Officer with a written report of the Access Person's current securities holdings. However, at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation

creates a conflict of interest. As indicated above in Item 11C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

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

Factors that the Registrant considers in recommending *Schwab* and *Vanguard* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Broker-dealers such as *Schwab* and *Vanguard* can charge transaction fees for effecting certain securities transactions (*See* Item 4 above). To the extent that a transaction fee will be payable by the client to Schwab, the transaction fee shall be in addition to Registrant's investment advisory fee referenced in Item 5 above. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Adviser's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

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

software and/or other products used by Registrant in furtherance of its investment advisory business operations.

*Schwab* provides the Registrant 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. *Schwab's* support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at *Schwab*. If we have less than \$10 million in client assets at *Schwab*, it may charge us quarterly service fees of \$1,200. 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 the Registrant other products and services that benefit the Registrant but may not directly benefit you or your account. These products and services assist the Registrant 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 the Registrant 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 the Registrant. *Schwab* may also discount

or waive its fees for some of these services or pay all or a part of a third party's fees. *Schwab* may also provide the Registrant with other benefits such as occasional business entertainment of our personnel.

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

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

**The Registrant's Chief Compliance Officer, Gwen Wilmeth, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the conflict of interest presented by such arrangements.**

2. The Registrant does not receive referrals from broker-dealers.
3. Registrant recommends that its clients utilize the brokerage and custodial services provided by Schwab or Vanguard. The Registrant does not generally accept directed brokerage arrangements (but could make exceptions). A directed brokerage arrangement arises when a client requires that account transactions be effected through a specific broker-dealer/custodian, other than one generally recommended by the Registrant (i.e., Schwab).. In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

- B. Transactions for each client account generally will be effected independently, unless Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients

in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

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

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

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

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

**The Registrant's Chief Compliance Officer, Gwen Wilmeth, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.**

- B. The Registrant does not compensate, directly or indirectly, any person, other than its employees for client introductions.

### **Item 15            Custody**

Registrant shall have the ability to deduct its advisory fee from the client's custodial account on a quarterly basis. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian (i.e., Schwab, etc.) at least quarterly.

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

The account custodian does not verify the accuracy of Registrant's advisory fee calculation.

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from Registrant to transfer client funds or securities to third parties. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC's February 21, 2017 *Investment Adviser Association* No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

## **Item 16 Investment Discretion**

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

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

## **Item 17 Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

### **Class Action Lawsuits**

Occasionally, securities held in the accounts of clients will be the subject of class action lawsuits. The Registrant has retained the services of Chicago Clearing Corporation to provide a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. Chicago Clearing Corporation actively seeks out any open and eligible class action lawsuits. Additionally, Chicago Clearing files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of our clients. Chicago Clearing's filing fee is contingent upon the successful completion and distribution of the settlement proceeds from a class action lawsuit. In

recognition of Chicago Clearing's services, Chicago Clearing receives 20% of our clients' share of the settlement distribution. Where the Registrant receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by clients, it will work to assist clients and Chicago Clearing Corporation in the gathering of required information and submission of claims. Clients may opt out of the Chicago Clearing Corporation's service by contacting the Registrant's Chief Compliance Officer, Gwen Wilmeth.

## **Item 18      Financial Information**

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

**The Registrant's Chief Compliance Officer, Gwen Wilmeth, remains available to address any questions that a client or prospective client may have regarding this Part 2A.**