

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



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This brochure provides information about the qualifications and business practices of Hansen & Associates Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at (916) 706-1234. 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.

Hansen & Associates Financial Group, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Hansen & Associates Financial Group, Inc. is available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for the Adviser is 168363.

## Item 2: Material Changes

Hansen & Associates Financial Group, Inc. is required to make clients aware of information that has changed since the last annual update to the Firm Brochure ("Brochure") and that may be important to them. Clients can then determine whether to review the brochure in its entirety or to contact us with questions about the changes.

Since the last annual amendment filed on February 4, 2021, we have the following material changes to disclose:

- In October 2021, LPL Financial provided our firm with a forgivable loan in the amount of \$122,504, which will be forgiven in 5 years if our firm maintains at least \$81,669,333 of client assets on LPL Financial's custodial platform. This poses a conflict of interest because we are incentivized to recommend LPL Financial as a custodian. In order to mitigate this conflict, our firm will only recommend LPL Financial when it is in the best interest of our clients in accordance with our fiduciary duty.
- We have established a custodial relationship with LPL Financial. Please see Items 12: "Brokerage Practices" and Item 14: "Client Referrals & Other Compensation" for additional information.
- We have also converted from state to SEC registration because our firm has surpassed \$100 million in assets under management.

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## Item 4: Advisory Business

Our firm is dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a corporation formed under the laws of the State of California. Our firm is wholly owned by Mark S. Hansen, CFP®, ChFC®.

Our firm provides asset management and investment consulting services for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. As a fiduciary it is our duty to always act in the client's best interest. This is accomplished in part by knowing the client. Our firm has established a service-oriented advisory practice with open lines of communication. Working with clients to understand their investment objectives while educating them about our process, facilitates the kind of working relationship we value.

### **Types of Advisory Services Offered**

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Before we enter into an Adviser-Client relationship, we may offer a complimentary general consultation to discuss services available, give a prospective client time to review services desired, and determine whether a relationship might benefit the client. Investment advisory services begin only after we and the client formalize the relationship with a properly executed agreement. We offer the following services to our clients:

#### **Financial Planning**

##### *Comprehensive Financial Planning:*

Comprehensive Financial Planning is a multiple meeting process that results in a written financial plan for the client. First, we have a discovery meeting, the purpose of which is to introduce ourselves, discuss the client's financial circumstances and the concerns that prompted the client to contact us, and determine whether and how we will work together. During a second meeting the client will be asked to share in a data gathering and discovery process to determine the client's specific needs, goals, intentions, time horizons, risk tolerance and investment objectives. Finally, at the last meeting, we will present the client's written financial plan. At this meeting, we will also discuss options regarding implementation of any recommendations made following the conclusion of the planning process.

Clients are not obligated to follow any recommendations we may make or to implement their financial plan through us.

##### *Consulting Services:*

For clients who do not wish to engage in comprehensive financial planning, we offer consulting services. Consulting services typically focus on one or two specific areas such as financial and cash management, risk management, financial issues relating to divorce or death of a family member, estate planning, tax issues, retirement planning, educational funding, goal setting, or other needs identified by the client or by our review of the client's financial circumstances. Through discussion with the client and/or questionnaires, we will collect pertinent data, identify goals, objectives, financial concerns and potential solutions. We will present the client with a written analysis. Following the conclusion of the consulting services, we may make recommendations regarding implementation of the financial strategies discussed.

Clients are not obligated to follow any recommendations we may make or to implement any recommendations through us.

### **Portfolio Management Services**

We manage individualized portfolios for our clients. We work with each client to formulate an individualized portfolio based upon his/her objectives, time frame, risk parameters and other investment considerations. We use marketable securities that may include options, bonds, common stock (equities), and treasury bonds. (Additional information about securities used their risks can be found under Item 8.) Our investment philosophy is to use principals of value, safety and quality to seek investment options globally. We place heavy emphasis on risk control, believing that avoiding losses allows appreciation potential of equities to be realized.

### **Selection of Third Party Investment Advisers**

After an initial meeting with the client and when deemed appropriate, we may recommend the services of an independent investment adviser ("Third Party Adviser") on a Co-Adviser basis. The recommendation will depend on the client's circumstances, goals and objectives, strategy desired, account size, risk tolerance, or other factors. Working with the client we determine which Third Party Adviser may be appropriate.

We will review Third Party Advisers prior to making a recommendation to the client. We will consider the following factors during its review: whether it is registered in California, fees, reputation, performance, financial strength, management, price, reporting capabilities, client's financial situation, client's goals, client's needs, and client's investment objectives. After its review we will present the client with one or more recommendations.

If the client wishes to proceed with the recommendation, we will enter into a Co-Adviser relationship with the recommended Third Party Adviser. The Co-Adviser relationship means our firm and the Third Party Adviser will have separate rolls while serving the client. In effect, the client will engage both us and the Third Party Adviser to serve his/her accounts and we and the Third Party Adviser will provide separate services to the Client.

Under this arrangement, the Third Party Adviser will be responsible for portfolio management, best execution, portfolio reporting, trading, trade error resolution, and custodian reconciliations. While we will maintain our relationship with the client by monitoring the status of the client's accounts with the Third Party Adviser, make recommendations about the Third Party Adviser that could include changing to a different Third Party Adviser, meeting the client at least annually and acting as the client's primary financial adviser. All questions regarding the Third Party Adviser's services and performance shall be directed to us.

As a result of us and the Third Party Adviser having different roles, the client will engage each separately. The client will sign a Selection of Third Party Adviser Service Agreement with us. This agreement outlines our services provided to the client and the fees associated with those services. It will also allow us the ability to monitor performance of the Third Party Adviser on behalf of the client. The client will also sign a separate agreement with the Third Party Adviser that will detail its services and fees.

When using the services of a Third Party Adviser, clients will be given a copy of its Form ADV Part 2A. Clients are encouraged to read and understand this disclosure document.

## **Retirement Plan Consulting:**

Our firm provides retirement plan consulting services to employer plan sponsors on an ongoing basis. Generally, such consulting services consist of assisting employer plan sponsors in establishing, monitoring, and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure and participant education.

Retirement Plan Consulting services typically include:

- Establishing an Investment Policy Statement – Our firm will assist in the development of a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.
- Investment Options – Our firm will work with the Plan Sponsor to evaluate existing investment options and make recommendations for appropriate changes.
- Asset Allocation and Portfolio Construction – Our firm will develop strategic asset allocation models to aid Participants in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk.
- Investment Monitoring – Our firm will monitor the performance of the investments and notify the client in the event of over/underperformance and in times of market volatility.

In providing services for retirement plan consulting, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, “Excluded Assets”).

All retirement plan consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans (“Plan”) governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). If the client accounts are part of a Plan, and our firm accepts appointment to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) or 3(38) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein.

## **Tailoring of Advisory Services**

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Our financial planning and portfolio management services are individualized to each client. A client may impose restrictions on investment in certain securities or types of securities. Any restrictions must be provided in writing.

## **Participation in Wrap Fee Programs**

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Our firm offers and sponsors a wrap fee program, as further described in Part 2A, Appendix 1 (the “Wrap Fee Program Brochure”). Our firm does not manage wrap fee accounts in a different fashion than non-wrap fee accounts. All accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

## **Regulatory Assets Under Management**

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As of December 31<sup>st</sup>, 2021, we manage \$140,750,403 on a discretionary basis.

### **Item 5: Fees & Compensation**

#### **Compensation for Our Advisory Services**

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

Our Comprehensive Financial Planning fee ranges from \$500 to \$5,000. The fee depends on the complexity of the client's financial situation, the research required and the preparation of the plan. The fee will be set forth in the Financial Planning Agreement with one half of the fee due upon entering the Agreement. The remainder of the fee is due upon presentation of the financial plan. For prepaid fees in excess of \$1,200, services will be completed within six months of the date fees are received.

Our Consulting Financial Planning fee is an hour rate of \$180 per hour. The number of hours will vary depending upon the complexity of the client's financial situation, the areas to be addressed, the research involved and the preparation of the financial plan. The estimated number of hours required and the fee will be set forth in the Financial Planning Agreement with one half of the fee due upon entering the Agreement. The remainder of the fee is due upon presentation of the financial plan. For prepaid fees in excess of \$1,200, services will be completed within six months of the date fees are received.

A client may cancel the Financial Planning Agreement for any reason during the first five (5) days from the date of signing the agreement and he/she will receive a refund of 100% of all fees paid. To cancel the agreement, the client must notify us and return any materials received to that date. After five (5) days if a client cancels, any prepaid fees will be refunded on a prorated basis based upon work completed.

*Please note:* When we provide financial planning services and the client implements the financial plan through one of our representatives, the representative will receive compensation in the form of a fee. This creates a conflict of interest between the representative and the client. Therefore, when providing financial planning services, we would like clients to note: (a) a conflict exists between the representative's interests and the interests of the client, (b) the client is under no obligation to act upon the recommendation, and (c) if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the representative.

##### *Comparable Services Disclosure*

Clients should note that lower fees for comparable services may be available from other sources.

##### **Portfolio Management Services**

Fees for portfolio management services will be a percentage of the assets under management that the client pays on a monthly basis. The monthly fee will be calculated, accrued and due in arrears based upon the annualized rate between 0.80% and 2.60%. Fees to be assessed will be outlined in the advisory agreement to be signed by the client.

The pro-rated first month's management fee will be calculated on the Account's initial value as reported by its custodian. Thereafter, the periodic fee will be based upon the value of the account(s) on the last day of the month or the time-weighted daily average of the previous month. The specific billing arrangement will be specified in the signed client agreement and/or separate disclosure statement. Cash balances and investments in money market funds, demand deposit accounts, and certificates of deposit at banks or brokerage firms are covered by the Account and are included in the fee calculations. As part of this process, Clients understand the following:

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, a legend urging the comparison of information provided in our statement

Fees will not be based upon a share of capital gains or capital appreciation of the funds or of any portion of the funds under advisory contract. Fees for services to be performed will not be collected six or more months in advance.

We may from time to time unilaterally amend our fees and billing arrangements. Any change will only become effective after thirty (30) days prior written notice. The fees for these portfolios are not based on the financial performance or capital gains or losses experienced by the Account.

A client may terminate the Investment Management Agreement for any reason at any time and, within the first five (5) business days after signing the contract, without any cost or penalty. Thereafter, the Agreement may be terminated at any time by giving ten (10) days written notice. For clients billed in arrears, fees will be charged for the number of days that services were rendered during the termination month.

### **Selection of Third Party Investment Advisers**

The client will be charged two separate fees. The first fee shall be charged by the Third Party Adviser and the second fee shall be charged by us. Please note that we will ensure that the combined fee will not exceed 3.00%.

#### *Third Party Adviser Fee*

The Third Party Adviser fee shall vary from adviser-to-adviser and it will be based upon the client's assets under management with the Third Party Adviser. The annual fees typically range from 0.50% to 1.50%. The client will be given the recommended Third Party Adviser's ADV Part 2A disclosure document that will state its exact fees. Additionally, we will discuss the Third Party Adviser's fees with the client upon recommendation.

We will not share in any portion of the Third Party Adviser's fee. We do not receive any referral fees or solicitor fees from the Third Party Adviser. Additionally, the client pays the same fee as other clients of the Third Party Adviser. The Third Party Advisers do not make their portfolios directly available to clients. The Third Party Advisers require a client to use a primary adviser such as us that will maintain the adviser-Client relationship.



### *Our Fee*

The Selection of Third Party Investment Advisers fee will be a percentage of the assets under management as reported by the Third Party Adviser. The annual fee will be calculated and due monthly in arrears ranging from 0.50% to 1.50%.

The initial fee will be prorated for the number of days remaining in the first month and it shall be based upon the initial account value as reported by the Third Party Adviser. Thereafter, the fee will be due monthly in arrears and will be based upon the time-weighted daily average of the previous month.

Fees will not be based upon a share of capital gains or capital appreciation of the funds or of any portion of the funds under advisory contract. Fees for services to be performed will not be collected six or more months in advance.

We may from time to time unilaterally amend its fees and billing arrangements. Any change will only become effective after thirty (30) days prior written notice. If the client does not accept the amended fee or billing arrangements, he/she may terminate the service at any time.

A client may terminate our services for any reason within the first five (5) business days after signing the Selection of Third Party Adviser's contract without any cost or penalty. Thereafter, the contract may be terminated at any time by giving ten (10) days written notice to us. Upon termination, fees will be prorated for the number of days that services were rendered during the termination month. All unearned fees will be refunded to the client. For clients billed in arrears, fees will be charged for the number of days that services were rendered during the termination month.

To cancel the Third Party Adviser's agreement the client will need to review that agreement along with the Third Party Adviser's ADV Part 2A, Item 5 – Fees and Compensation. The client may also contact the Third Party Adviser directly at the address located on its Form ADV Part 2A, Third Party Adviser Agreement and/or if applicable Solicitor Disclosure Document. The Third Party Adviser Agreement also controls whether the client will receive a refund of any pre-paid fees.

### **Retirement Plan Consulting:**

Our Retirement Plan Consulting services are billed on an hourly or flat fee basis or a fee based on the percentage of Plan assets under management. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$250. Our flat fees range from \$750 to \$10,000. Fees based on a percentage of managed Plan assets will not exceed 1.00%. The fee-paying arrangements for Retirement Plan Consulting service will be determined on a case-by-case basis and will be detailed in the signed consulting agreement. Clients will be invoiced directly for the fees.

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

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Non-wrap Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. Clients may also pay charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender

charges, variable annuity fees, IRA and qualified retirement plan fees. Our firm does not receive a portion of these fees.

Clients participating in a Third Party Adviser's Wrap Fee Program will not incur transaction costs for trades. More information about this can be found in their separate Wrap Fee Program Brochure.

#### **Item 6: Performance-Based Fees & Side-By-Side Management**

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

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

We provide advice to individuals, corporations and other business entities. The advice to individuals may be for a variety of account types including but not limited to individual, trust, joint, individual retirement accounts, or other qualified accounts.

We do not require a minimum account size or place any other restriction related to opening or maintaining an account.

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

##### **Methods of Analysis and Investment Strategies**

We primarily use a quantitative, disciplined methodology to develop our strategies. Our style mix consists of three separate components; a fixed base, a flexible absolute return component and a momentum high growth component. The fixed base component consists of a blend of equity and bond exchange traded funds (ETF's). This layer is passive, which means we hold them in a fixed ratio regardless of fluctuations in the market. The middle layer utilizes a style called adaptive asset allocation. Its function is to manage risk by repositioning portfolio holdings based upon a technique that measures total return and volatility with the objective of balancing risk evenly throughout the asset class mix. The top layer of our strategy consists of a selection of ETF's that focus on high growth and emerging technology industries. Central to our core strategy is our style, called adaptive asset allocation. This is an active discipline that rebalances more frequently than traditional asset allocation models. We believe this approach will keep us better aligned with current market trends and helps control our risk exposure. The model is also structured to participate in a wide variety of asset classes, which we feel enables us to quickly respond to variations in asset class risks and relationships. This gives us the flexibility to continually adapt to market changes.

Our Tactical Fixed Income Strategy is an actively managed fixed income portfolio using tactical asset allocation seeking to increase alpha and reduce volatility by rotating efficiently in and out of asset classes as macro, technical or fundamental trends change.

Our Targeted Industries Strategy seeks to target high growth industries of the market to provide high capital appreciation potential.

We consider our approach to facilitate a top-down, or macro approach to investing. By combining two different tactical approaches (momentum and risk parity) into one algorithm, we feel that our

model builds a portfolio that ultimately will respond to market conditions with the objective of simultaneously maximizing return while minimizing risk.

In addition to the Methods of Analysis we use the following Investment Strategies:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities held less than 30 days)

### **Recommended Securities and Investment Risks**

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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 the account(s) could enjoy a gain, it is also possible that the stock market may decrease and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing in the stock market, are appropriately diversified in investments, and ask any questions.

We use several types of securities in our clients' accounts. These securities may include, but are not limited to, the following: Bonds and other corporate debt instruments; Commodities; Currencies (U.S. Dollar and Foreign Currency); Precious Metals such as Gold and Silver; Exchange Traded Funds (including but not limited to currency funds, inverse funds and leveraged funds); Mutual Funds such as Large Cap Growth, Large Cap Value, Mid Cap Growth, Mid Cap Value, Small Cap Growth, and Small Cap Value; ADRs; Government Debt instruments including Treasury Bills and Municipal securities; Stocks; Domestic Real Estate; Foreign Real Estate; Options; Preferred Stock; High Yield Debt; Emerging Markets; Foreign Fixed Income; Domestic Fixed Income; Money Market Funds and Cash. All investments bear different types and degrees of risk and investing in securities involves risk of loss that clients should be prepared to bear. While we use investment strategies that are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates of return on investments entails accepting higher levels of risk. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. A client's needs to ask questions about risks he/she does not understand. We would be pleased to discuss them.

We strive to render its best judgment on behalf of our clients. Still, we cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. We continuously strive to provide outstanding long-term investment performance, but many economic and market variables beyond its control can affect the performance of an investment portfolio. An investment could lose money over short or even long periods. A client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. A client's account performance could be hurt by:

**Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

**Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates.

**Manager risk:** The chance that the proportions allocated to the various securities will cause the client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.

**International investing risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, that differ from those of the U.S.

**Active management fees risk:** Active management strategies that involve frequent trading generate higher transaction costs that diminish the fund's return. In addition, the short-term capital gains resulting from frequent trades often have an unfavorable income tax impact when such funds are held in a taxable account.

### Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events within the past 10-years that would be material to your evaluation of the firm or the integrity of its management.

We have no information applicable to this Item because we have not been the subject of any administrative, civil, criminal or self-regulatory proceedings.

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

#### Other Industry Affiliations

Mark Hansen is the owner of White Rock Capital Management, LLC (CRD# 285501), an exempt reporting advisor. Additional information about White Rock Capital Management, LLC is available by searching the CRD# through the Investment Advisor Public Disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and upon request. White Rock Capital Management, LLC is the general partner of the White Rock Absolute Return Fund, LP, which is not currently active. Hansen & Associates Financial Group, Inc. will not solicit clients to participate in the White Rock Absolute Return Fund, LP.

Mark Hansen is also an insurance agent licensed in the State of California. As part of the financial planning services Mr. Hansen may recommend the purchase of an insurance product. Although not obligated to, clients can purchase the recommended insurance product through Mr. Hansen. These insurance purchases pay Mr. Hansen an insurance commission. This is a conflict of interest because it creates a financial incentive to recommend the purchase based on a financial incentive and not a need. However, we address the conflict of interest by advising clients that they are not obligated to implement their financial plan or any insurance recommendations through us or our owner. Additionally, we attempt to mitigate any conflicts of interest to the best of our ability by placing the client's interests ahead of our own and through our fiduciary duty.

Representatives of our firm are insurance agents/brokers. They offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest exists as these insurance sales creates an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn. To mitigate this potential conflict, our firm will act in the client's best interest.

## **Selection and Monitoring of Third Party Investment Advisers**

We recommend the services of third party investment advisers on a Co-Adviser basis. This information can be found under Items 4 and 5. We may also enter into solicitor arrangements with other investment advisers. This information is discussed and disclosed in Item 14. The recommendation of other investment advisers may create a financial incentive to recommend one Third Party Adviser over another. We attempt to mitigate the conflict of interest by recommending Third Party Advisers who match the client's financial needs, goals and objectives. Also, clients are not obligated to use any recommended Third Party Adviser.

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

Our Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Our Code of Ethics covers all supervised persons and it describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

We do not have a material interest in any securities.

On occasion, our owners and investment adviser representatives may buy or sell for their own accounts securities that are the same as, similar to, or different than those that they recommend to their clients for purchase or sale. Differences can arise due to variations in personal goals, investment horizons, risk tolerance, and the timing of purchases and sales. We attempt to mitigate the conflict of interest to the best of our ability through the enactment of our Code of Ethics, trading policies, and our fiduciary responsibilities. Our associates are aware of their fiduciary duty to their clients and the prohibitions against the use of any insider information. Records of all associates' proprietary trading activities will be kept by us, available to regulators to review on the premises.

### **Item 12: Brokerage Practices**

#### **Selecting a Brokerage Firm**

Our firm does not maintain custody of client assets. Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are 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

With this in consideration, our firm has an arrangement with Interactive Brokers LLC (“Interactive Brokers”), Member FINRA, NYSE, SIPC, and LPL Financial, a registered investment adviser and broker-dealer. Under these arrangements with Interactive Brokers and LPL Financial, we receive services which include, among others, brokerage, custodial, administrative support; record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients but that may benefit our firm.

As part of the arrangement described above, we pay a fee to Interactive Brokers to receive research, news, quotes, as well as fees directly to NYSE as part of our doing business with Interactive Brokers. Interactive Brokers charges these fees in an a la carte manner on their Trader Workstation.

We may also have an incentive to continue to use or expand the use of Interactive Brokers’ and LPL Financial’s services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Interactive Brokers and LPL Financial. We have determined that the relationships are in the best interest of our firm’s clients and satisfies our client obligations, including our duty to seek best execution.

Interactive Brokers and LPL Financial charge brokerage commissions and 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 debt securities transactions). Interactive Brokers and LPL Financial enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Interactive Brokers’ and LPL Financial’s commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by Interactive Brokers or LPL Financial may be higher or lower than those charged by other custodians and broker-dealers.

Our clients may pay a commission to Interactive Brokers or LPL Financial 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 a broker-dealer’s 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.

## **Research and Soft Dollars**

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“Soft dollars” are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these

types of services. In order to stem the potential conflicts of interest that may arise from “soft dollar” arrangements, we pursue a policy of not entering into any such arrangements, either orally or in writing.

Our firm receives benefits in addition to the soft dollars that we receive that fall within the “safe harbor” requirements of Section 28(e) of the Securities Exchange Act of 1934. In October 2021, LPL Financial provided our firm with a forgivable loan in the amount of \$122,504, which will be forgiven in 5 years if our firm maintains at least \$81,669,333 of client assets on LPL Financial’s custodial platform. This poses a conflict of interest because we are incentivized to recommend LPL Financial as a custodian. In order to mitigate this conflict, our firm will only recommend LPL Financial when it is in the best interest of our clients in accordance with our fiduciary duty.

### **Client Brokerage Commissions**

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Our firm does not receive brokerage for client referrals.

### **Directed Brokerage**

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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.

### **Special Considerations for ERISA Clients**

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A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

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

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We do not allow client-directed brokerage.

### **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**

### **Periodic Reviews**

Our financial advisors review client accounts on at least a quarterly basis. In addition to this review, the other investment advisor representatives also meet with clients annually to discuss and update their financial situations.

### **Other Reviews**

Additional reviews are conducted periodically depending on market conditions, economic or political events, or by changes in a client's financial situation (such as retirement, termination of employment, physical move or inheritance).

### **Reports**

Financial planning clients will receive a written report upon completion of the financial planning process. Portfolio management and selection of third party adviser clients will receive at least quarterly statements from their account's custodian.

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

### **Interactive Brokers and LPL Financial**

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We may execute or recommend that clients execute their securities transactions through various firms. The choice of which firm to execute trades through will be determined on the financial strength of the broker or dealer, its reputation, pricing and ability to execute trades in a timely manner. Adviser executes trades through Interactive Brokers or LPL Financial. Interactive Brokers and LPL Financial will generally custody client's assets. Interactive Brokers, LPL Financial, and/or other firms may be paid certain advisory fees, product management fees (on annuities and securities such as mutual funds), administrative fees and/or transaction charges for its role with respect to our accounts. It is important to note that the chosen broker-dealer does not maintain supervisory relationships with respect our firm or its representatives. We are a separately registered and independently controlled entity.

We receive an economic benefit from Interactive Brokers and LPL Financial 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 with them. 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 their products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **Referral Fees**

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Our firm pays referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with relevant state statutes and rules. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to the referred client. In this regard, our firm maintains Solicitors Agreements in compliance with relevant state statutes and rules and applicable



state and federal laws. All clients referred by Solicitors to our firm will be given full written disclosure describing the terms and fee arrangements between our firm and Solicitor(s). In cases where state law requires licensure of solicitors, our firm ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If our firm is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

## **Item 15: Custody**

### **Deduction of Advisory Fees:**

All client funds, securities and accounts are held at third-party custodians. We do not take possession of a client's funds, securities or accounts. However, portfolio management client will be asked to authorize us with the ability to deduct fees directly from the client's account. This authorization will apply to our management fees only. The custodian will also send an account statement at least quarterly, indicating the amount of fees withdrawn from the client's Account.

### **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, Interactive Brokers and LPL Financial:

- 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.

We urge clients to carefully review their statements and notify us of any discrepancies as soon as possible.

## **Item 16: Investment Discretion**

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

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

We do not vote proxies for securities held in clients' accounts. Proxy solicitation materials will be forwarded to clients for response and voting. In the event a client has a question about a proxy solicitation, the client should contact his/her investment adviser representative.

## **Item 18: Financial Information**

### **Inclusion of a Balance Sheet**

We do not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore we do not have to provide a balance sheet.

### **Disclosure of Financial Condition**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs its ability to service its clients.

### **Bankruptcy Petition**

We have not been the subject of a bankruptcy proceeding.