



## Client Relationship Summary (Form CRS/Form ADV Part 3) March 26, 2024

### 1. Introduction

Foster & Motley, Inc. (FM) is registered with the U.S. Securities and Exchange Commission ("SEC") as an investment adviser. Investment advisory and brokerage services and fees differ, and it is important for retail investors to understand the differences. Free tools are available to research advisory firms at [Investor.gov/CRS](https://www.investor.gov/crs), which also provides educational materials about investment advisers, broker-dealers and investing.

### 2. Relationships and Services

#### What investment services and advice can you provide me?

**Services:** FM offers to retail investors, wealth management services, which is a combination of investment management and comprehensive financial planning.

FM's investment management service examines your current financial situation and financial goals, to understand your objectives, risk tolerance liquidity needs, time horizon, tax status, and any unique personal circumstances to develop your overall investment strategy. Generally, it is expected that your manageable financial assets are managed by us on a "discretionary" basis, meaning we are granted the authority by you to determine the securities or other assets to purchase or sell in the account. This discretion will remain in effect unless revoked by you or FM. We will monitor your managed account on an ongoing basis as part of our standard service. We will purchase and sell securities and other assets in your account consistent with your stated investment objectives, limitations, and restrictions. Investments consist mainly of stocks, bonds, mutual funds, exchange traded funds and alternatives. Under some circumstances we can provide standalone investment management advice.

FM's financial planning service includes but is not limited to, cash flow planning, retirement planning, tax analysis, college funding analysis, insurance needs and estate planning. Any planning requiring the use of an allied professional, such as an attorney or an accountant, is a separate cost determined and invoiced by the allied professional. Given the significant connection between planning and investment management, we recommend a comprehensive approach. Under some circumstances we can provide standalone financial planning advice.

**Requirements to open a wealth management account:** FM requires you to sign an agreement authorizing us to provide the services described above. The agreement can be revoked by either party at any time. FM's minimum account size for wealth management is \$2 million. There is a quarterly minimum fee of \$2,500 for this service. We will accept accounts of lower value at our discretion. (FM recommends you establish a brokerage account with Charles Schwab to maintain custody of clients' assets and to effect trades for your account.)

**Additional Information:** Please see Items 4 and 7 in our ADV Part 2A Brochure for additional details regarding our services. The ADV is available at the bottom of the Home page on our website at <https://www.fosterandmotley.com>.

#### Consider asking your adviser:

- Given my financial situation, should I choose an investment advisory service? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

### 3. Fees, Costs, Conflicts and Standard of Conduct

#### What fees will I pay?

Wealth management clients pay a fee based on a percentage of the value of the assets for which we provide services. Fees will generally be billed quarterly in advance at one fourth of the annual rate and are based on the market value of your account(s) as of the last business day of the preceding month. You may also pay additional charges imposed by custodians, other brokers, mutual funds and other third parties, such as brokerage commissions, transaction fees, custodial fees, margin fees, wire transfer and electronic transfer fees. We do not receive any portion of these commissions or fees. You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

**Additional Information:** Please see Item 5 in our ADV Part 2A Brochure for additional details regarding our fees. The ADV is available at the bottom of the Home page on our website at <https://www.fosterandmotley.com>.

Consider asking your adviser:

- Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

### **What are your legal obligations to me when acting as my investment adviser?**

We are fiduciaries, meaning we are required to act in your best interest. We have a Code of Ethics describing our standards of business conduct as well as our fiduciary duties and potential conflicts of interest. All employees must comply with the Code.

### **How else does your firm make money and what conflicts of interest do you have?**

FM is a “fee-only” adviser, meaning our only form of revenue are fees from clients. We cannot accept fees or compensation from commissions, referrals, financial products, etc.

As an investment adviser, we must act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the advice we provide you. Here are examples to help you understand what this means:

- The more assets we manage the greater our fee, therefore we have an incentive for you to increase assets in your account and add more clients.
- We may recommend ERISA (Employee Retirement Income Security Act) retirement assets, such as a 401K, be managed by FM, or that those assets be rolled into another retirement account such as an IRA, for FM to manage. Clients pay a fee to FM to have assets managed, as described above.

**Additional information:** Please refer to our ADV Part 2A Brochure for additional details regarding our conflicts of interest. The ADV is available at the bottom of the Home page on our website at <https://www.fosterandmotley.com>

Consider asking your adviser:

- How might your conflicts of interest affect me, and how will you address them?

### **How do your financial professionals make money?**

Our financial professionals are compensated with a combination of an agreed-upon fixed annual salary, an annual accomplishment-based bonus and basic employee benefits. Financial professionals also participate in a new business incentive program whereby the professional can be compensated for bringing a new client to the firm.

## **4. Disciplinary History**

### **Do you or your financial professionals have legal or disciplinary history?**

No. Visit [Investor.gov/CRS](https://investor.gov/crs) for free and simple search tools to research Foster & Motley and our financial professionals.

Consider asking your adviser:

- As a financial professional, do you have any disciplinary history? For what type of conduct?

## **5. Additional Information**

If you have any questions or concerns about our services, or if you wish to request a copy of our Form CRS (ADV Part 3), please contact Larry Bernhard, our Chief Compliance Officer, at 513-561-6640 or [larry@fosterandmotley.com](mailto:larry@fosterandmotley.com). Additional information is also available on the SEC’s website at <https://adviserinfo.sec.gov/firm/brochure/106905>.

Consider asking your adviser:

- Who is my primary contact person?
- Is he or she a representative of an investment adviser or broker-dealer?
- Who can I talk to if I have concerns about how this person is treating me?



## Form ADV Part 2A Firm Brochure

**Foster & Motley, Inc.**  
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March 26, 2024

This brochure provides information about the qualifications and business practices of Foster and Motley, Inc. ["FM"]. If you have any questions regarding the contents of this Brochure, please contact us at 513-561-6640 or via electronic mail, to Lawrence J. Bernhard IACCP®, Chief Compliance Officer (CCO), at [larry@fosterandmotley.com](mailto:larry@fosterandmotley.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. FM is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information with which you may determine to hire or retain an adviser.

### Item 2 Material Changes

This section of the Firm Brochure will be updated when material changes are made since the previous release of the Brochure and will provide a summary of such changes. Pursuant to SEC Rules, we will ensure that you receive an annual summary of any material changes to this and subsequent Brochures, as well as an offer to receive a copy of the Brochure upon request. We may also provide other ongoing disclosure information about material changes as necessary and provide you with a new Brochure at any time, without charge.

**There have been no material changes to the Brochure.**

Our ADV Part 2A Firm Brochure is also available on our web site [www.fosterandmotley.com](http://www.fosterandmotley.com). Additional information about FM is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with FM who are registered, or are required to be registered, as investment adviser representatives of FM, if applicable.

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## Item 4 Services

FM has provided investment advisory and financial planning services since January 1997 and has been registered with the SEC since November 1996. FM is organized as an Ohio Corporation, which is owned by fourteen individual shareholders, none of whom owns a majority of the firm.

As a registered investment advisor with the SEC, and under the rules of ERISA (Employee Retirement Income Security Act), we provide advice in a fiduciary capacity, acting in our clients' best interests first, above all others. If an account is part of a pension or other employee benefit plan (a "Plan") governed by ERISA or an Individual Retirement Account (an "IRA") governed by the Internal Revenue Code, we acknowledge that we are a "fiduciary" within the meaning of Section 3(21) of ERISA (but only with respect to the provision of services described in our Advisory Agreement). According to ERISA, the way we make money creates some conflicts of interest, so we operate under a special ERISA rule requiring us to act in your best interest and not put our interests ahead of yours. We represent that we are registered as an investment adviser and duly qualified to manage Plan assets under applicable regulations.

Our mission is to assist our clients in achieving their financial goals. We are a "fee-only," independent investment advisory firm, which means the only form of compensation are the fees we receive from clients (i.e. no commissions, referrals, etc.). We offer wealth management services through our two primary lines of business: financial planning; and investment management. Clients may engage us for financial planning only, investment management only, or for a combination of both services.

As of December 31, 2023, FM managed over \$2,211,786,346 in client assets on a discretionary basis, and \$54,630,188 on a non-discretionary basis.

Our services include the following:

### **Wealth Management**

We bundle our investment management and financial planning services under a combined fee structure.

**Investment Management:** As part of our Wealth Management Service, we provide the ongoing selection and management of investment portfolios for clients. In consideration with return objectives, risk tolerance, liquidity needs, time horizon, tax status, and any unique personal circumstances, we use a combination of individual securities, mutual funds, exchange traded funds, alternatives, and private investments.

Generally, it is expected that your manageable financial assets are managed by us on a "discretionary" basis, meaning we are granted the authority by you to determine the securities or other assets to purchase or sell in the account. This discretion will remain in effect unless revoked by you or FM. We will monitor your managed account on an ongoing basis as part of our standard service.

**Financial Planning:** We provide financial planning as part of a Wealth Management Agreement. Generally, a financial planning engagement consists of the following steps:

- Evaluation of your current financial situation.
- Discussion and definition of your financial goals.
- Development of a plan, or a road map to attain your goals.
- Assistance with implementation of the recommended actions.

Financial planning is a process not a product and each client is unique. For that reason, we do not use “canned” financial planning software to create a “financial plan.” Our work “product” is our advice and counsel. We document our recommendations and analyses in writing, summarizing your key facts, and goals as well as our recommendations.

We take a personalized approach to financial planning. We cannot prescribe remedies without first conducting a thorough review of your financial condition. Our financial planning service includes, but is not limited to, cash flow planning; retirement planning; investment planning & review; tax analysis; college funding analysis; insurance needs planning; and estate planning.

We are comfortable working with other professionals such as bankers, attorneys, insurance agents, accountants, etc. We understand the importance of using other professionals as needed during all phases of the planning process.

### **Institutional Investment Management**

This service includes investment management for endowments, foundations, charities, non-profit organizations, insurance companies, corporations, and other institutions. We provide the ongoing selection and management of investment portfolios, using a combination of individual securities, mutual funds, and private investments, that takes into consideration your return objectives, risk tolerance, liquidity needs, time horizon, tax status, and any unique circumstances.

### **Miscellaneous**

Charles Schwab Institutional Intelligent Portfolios Program (SIIP). (We no longer offer this service.)

On a limited basis we had provide investment management services utilizing Charles Schwab’s Institutional Intelligent Portfolios™ Program, an automated, online investment management platform for use by independent investment advisors and sponsored by Schwab Performance Technologies, Inc. (SPT). Through this program, we offered clients a range of investment strategies we constructed and managed, each consisting of a portfolio of exchange traded funds (“ETFs”) and a cash allocation. For those clients still in the program the portfolio is held in a brokerage account opened by the client at SPT’s affiliate, Charles Schwab & Co., Inc. (Schwab). This program was described in the SPT Institutional Intelligent Portfolios™ disclosures, which were available and provided to clients by SPT during the online enrollment process.

FM, and not Schwab, are the client’s investment advisor and primary point of contact with respect to the program. FM was solely responsible, (not Schwab), for determining the appropriateness of the program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. SPT’s role was limited to providing Schwab’s Program disclosure information to clients and administering the program so that it operates as described.

We contracted with Schwab to provide us with the technology platform and related trading and account management services for the program. This platform enabled us to make the Program available to clients online and included a system that automated certain key parts of our investment process. FM has procedures in place for monitoring the rebalancing in these accounts.

Non-Investment Consulting/Implementation Services. To the extent requested by the client, FM may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither FM, nor any of its representatives, serves as an attorney or insurance agent, and no portion of FM's services should be construed as same. To the extent requested by a client, FM 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 FM. Please Note: If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

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

Please Note: Investment Risk. 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 FM) will be profitable or equal any specific performance level(s).

## **Item 5 Fees and Compensation**

Since we are a "fee-only" firm, our only source of compensation comes from the fees our clients pay us. We do not accept commissions, referral fees, or other payments from any third parties. We are independent from all financial product providers. Our compensation system is designed to ensure that our professionals' main focus is on our clients, not production, or the generation of commissions. All fees are negotiable in certain circumstances.

Investment advisory fees will generally be billed quarterly in advance at one fourth of the annual rate and are based on the market value of the client's account(s) under management as of the last business day of the preceding month. Fees are rounded to the nearest dollar. With previous client consent, investment advisory fees are deducted from client accounts. There are no termination fees. Clients may terminate their relationship with FM, without penalty, at any time upon written notice. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. At no time is prepayment of fees of \$1200 or more required or solicited more than 6 months in advance.

In addition to our fees, clients may also pay additional charges imposed by their custodian, other brokers, mutual fund managers, and other third parties. Those charges may include: brokerage commissions, transaction fees, custodial fees, wire transfer and electronic fund transfer fees, and other fees and taxes on brokerage accounts, securities transactions, and those related to private investments. FM does not receive any portion of these commissions or fees.

There may be minor differences between FM's client appraisals and the custodial statement due to methods of accruing interest and dividends, reporting dates, and other factors. The custodial statement is the official record for tax purposes.

The Brokerage Practices section further describes the factors that FM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

Family accounts may be aggregated for purposes of fee calculations and receiving fee breakpoints (see fees & breakpoints below). Fees for minimum account sizes may be negotiable in certain circumstances, for example, for accounts consisting primarily of low-cost basis securities, family holdings, or other more passively managed securities. The minimum fee may be temporarily waived if significant additional contributions are anticipated. In addition to the foregoing, there may be historical fee schedules in place with long-standing clients that may differ from those applicable to new client relationships.

We are not compensated by commissions from load mutual funds or in any other way directly or indirectly by mutual fund companies. Consequently, we seek to avoid the natural conflicts of interest that follow when FM makes a selection of a specific mutual fund. However, each of the no-load or load-waived mutual funds selected by FM does have a management fee that is paid to the investment adviser of the fund as well as other expenses, which are disclosed in each fund's prospectus.

As a result, clients invested in mutual funds pay two layers of advisory fees, a fee to the mutual fund's investment adviser and another fee to FM. Although, some of the mutual funds may only be accessed through an investment adviser, most of the mutual funds we recommend are available to you by investing directly with the mutual fund company. Therefore, you may be able to avoid the second layer of fees by not using the advice of FM, making investment decisions on your own, and by purchasing mutual funds shares directly from the mutual fund companies. We believe that we have priced our services competitively and our fees are comparable with other advisory firms.

Some other advisers may be compensated by 12(b)-1 payments, which are paid directly by mutual funds companies (e.g., those advisers also register as a broker/dealer). These advisers may choose to limit their mutual fund selections only to those mutual funds that make such payments. We do not accept 12(b)-1 payments, so our mutual fund selections are not limited to those that have 12b-1 fees.



## Fees & Breakpoints

### A). Wealth Management

This service bundles investment management and financial planning together for one fee. The fee is based on assets under management. The annual fee structure is as follows:

- 1.00% for the first \$2 million of assets under management
- 0.75% for the next \$3 million
- 0.50% for the next \$5 million
- 0.25% thereafter

The minimum account size for wealth management is \$1 million, but we will accept accounts of lower value at our discretion.

The minimum fee for this service is \$2,500 per quarter.

### B). Institutional Investment Management

This service includes investment management for endowments, foundations, charities, non-profit organizations, insurance companies, corporations, and other institutions.

The fee for this service is based on assets under management. The annual fee structure is as follows:

- 1.00% for the first \$1 million of assets under management
- 0.75% for the next \$3 million
- 0.50% for the next \$6 million
- 0.25% thereafter

The minimum fee for this service is \$2,500 per quarter.

*(Under some circumstances we can provide stand-alone financial planning advice and stand-alone investment management advice. The fee for these services is not provided here. Consult your FM adviser for details).*

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

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

## **Item 7 Types of Clients**

FM provides advisory services primarily to individuals and families, but does also service corporations, pension and profit-sharing plans, and charitable organizations. Fee requirements for wealth management and institutional investment management are provided in Fees and Compensation.

### Equities

Growth at a Reasonable Price. Most equity managers follow either a “value” or “growth” investment approach. Value investors seek cheap stocks, while growth investors pursue stocks offering prospects of rapid earnings growth, but each approach has serious flaws. As to value, it is easy to find stocks that are cheap, but most deserve to be so. On the other hand, it is also easy to find great growth companies, but they are typically priced accordingly (or well beyond) and often prove to be risky when earnings disappoint even a little. In contrast, our common-sense, fundamental, core approach has four cornerstones. In stocks we simultaneously seek (1) lower risk through conservative valuation; (2) generous dividend yields; (3) strong growth prospects (especially as demonstrated by recent dividends growth); and (4) high quality, conducive to long holding periods (i.e., financial strength, earnings predictability, consistent dividend growth, insider ownership, high return on equity, etc.)

As such, our style is neither “value” nor “growth” in a strict sense; we attempt to blend the best elements of each into a “core” equity strategy of purchasing quality companies at reasonable prices.

Common Stock Characteristics. Our ideal stock purchase candidate offers a combination of greater than average dividend yield, greater than a market dividend growth, lower valuation, and higher quality. We will purchase a stock that does not satisfy one of those criteria if it is exceptional in others (for example, we will not rule out a stock that does not pay a dividend, but we require exceptional valuation, growth prospects and quality from such a holding). Our favorite stock opportunity is when a great company happens to be unusually cheap because of a market over-reaction to conditions that we expect to be temporary.

Bottom-up. A “top-down” investment approach starts with macro-economic forecasts of things such as interest rates and then seeks to identify sectors and industries that should prosper in the expected economic scenario. Unfortunately, that approach involves forecasting, which we believe no one can do consistently well. In contrast, our approach seeks to avoid forecasting, and is focused on “bottom-up” analysis of the fundamentals of individual companies and their securities.

Sell Discipline and Holding Period. Upon purchase, the planned holding period for stocks is forever, but securities do get sold when an alternative presents a better combination of expected return or lower risk sufficient to more than offset the cost of the trade (including the tax implication). In our tax-sensitive approach, we strive to hold stocks at least three years on average.

Proprietary, Quantitative Process. Companies come to our attention through the whole spectrum of experience, and those that appear attractive are included in a proprietary quantitative computer model for ongoing analysis and continuous evaluation. This quantitative model allows for very broad coverage, but its most significant advantage is discipline and the elimination of as much human bias and emotion as possible. Technically, an “expert system,” this model is designed to favor the same stocks we would otherwise select through manual analysis, but it does so more efficiently, rapidly, consistently and objectively than we ever could alone. Though it is never employed as the only element in our decision-making process, this “by-the-numbers” quantitative

evaluation is a critical tool for us to use when sorting through the emotion-filled “noise” of financial markets.

Breadth versus Depth. Our proprietary computer model covers a wide spectrum of relevant companies on a quantitative, objective basis. Such a quantitative approach must always be a somewhat simplified model of reality, but what it must give up in depth is much more than offset by the overwhelming advantages of discipline and context.

Market Timing. We don’t seek to time markets by making large shifts between stocks, bonds, alternatives, real estate, and cash. However, we may alter the asset mix of portfolios around an account’s long-term targets in response to ever-changing balances between interest rates, earnings, and stock prices.

Equity Diversification by Industry. The domestic equity portion of individually managed portfolios generally holds about 45 positions, which are widely diversified across industries. Industry or sector “bets” are minimized by reserving a market weight allocation for each and then seeking to fill that “position” with the best available candidate from among the companies in that industry. For example, if insurance companies account for 4% of the overall market, then we allocate 4% of the domestic equity portion of a portfolio to the insurance company stocks that we believe are the most attractive to own.

Large/Small and Domestic/International Equity Diversification. Beyond sector diversification, equity portfolios include stocks of both large and small domestic companies, and both established and emerging international markets. In so diversifying, we seek to enhance the expected long-term return and to moderate short term absolute risk, but this also has the potential to increase the short-term deviation of returns relative to popular indexes.

## **Bonds**

We consider bonds to be an extremely important part of most client portfolios. Our investment approach with bonds is to emphasize intermediate maturity, and to focus on fundamental credit research, yield spread, and broad diversification, both among classes of fixed income instruments and across maturities. At each point in time, we emphasize those sectors of the fixed income market that we perceive represent the best value, while seeking to avoid interest rate “bets.”

## **Mutual Funds and Exchange Traded Funds (ETFs)**

Most of the discretionary assets we manage are invested in individual stocks and bonds, but no-load mutual funds and ETFs are used for the bulk of an account’s international and alternative asset exposure. Smaller accounts are generally constructed entirely of mutual funds and ETFs to achieve adequate diversification.

We attempt to base our selection of mutual funds and ETFs on the following criteria: (1) consistency of style and management tenure; (2) consistency of historical performance; and (3) lower than average fund expense ratio (although there may be instances where we select a fund even if its annual expense ratio is somewhat higher than the average expense ratio of its peers).

## Alternative Investments

Alternative investments have been widely used by the high-net-worth individuals, endowments and foundations for years. Alternative investments are expected to have a low correlation to traditional stocks and bonds, and to broaden portfolio diversification.

Our alternative investment allocation seeks to employ Market Risk Hedge and Inflation Hedge strategies in client portfolios, where appropriate. Market Risk Hedge strategies seek positive rates of return regardless of market conditions. Inflation Hedge strategies seek to invest in securities whose values are linked to tangible goods such as agricultural commodities or petroleum. Inflation Hedge strategies are designed to benefit from inflation and since rising inflation generally has a negative impact on stocks and bonds, these strategies (as well as Market Risk Hedge strategies) provide another level of diversification. For most clients, the allocation to alternatives is achieved via investment in no load mutual funds, closed end funds, exchange traded funds and notes, and royalty trusts. For clients who meet strict regulatory net worth and income requirements, private investments may be used for a portion of their alternative allocation. Regardless of the advantages of investing in Alternative Investments, investors must be aware that these investments may involve a higher level of risk.

## Private Investment Funds

FM recommends certain private investment funds to certain financially qualified clients. The private funds are suitable only for sophisticated investors who do not require immediate liquidity for their investments, for whom an investment in a private fund does not constitute a complete investment program, and who fully understand and are willing to assume the risks involved in the private fund's investment program. FM's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of FM calculating its investment advisory fee. FM's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s). Even where the investments of a private fund are successful, some do not produce a realized return for a period of years. The private funds' offering documents contain additional information that must be reviewed by any potential investor.

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that they are qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that FM references private investment funds owned by the client on any supplemental account reports prepared by FM, the value(s) for all such private investment funds shall reflect the most recent valuation provided by the original issuer, as long as FM believes it is reasonable, if not then; to the extent an investment is audited, a book value based on the most recent audited financial statements will be used, as long as FM believes it is reasonable. If not, then; original cost

of the investment, unless FM determines, based on disclosed facts, that the security should be valued lower than cost, in which case that valuation will be used. Note: the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price.

### **Real Estate**

Where appropriate, we seek to include an allocation to domestic and international Real Estate to improve diversification. For most clients, we use a combination of no load mutual funds, and real estate investment trusts. For clients who meet strict net worth and income requirements, we may also recommend investments in private real estate.

### **Performance Measurement**

Investing (as opposed to speculating) is a long-term proposition and should be evaluated accordingly. We believe short-term performance should be largely ignored. Portfolios should be evaluated as a whole and not on the basis of the inevitable worst (or best) performing positions therein.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. There are inherent risks associated with investing in securities markets--returns may vary, and your portfolio could lose money. Investments in common stocks, alternatives, real estate and private investments tend to be more volatile than many other investment choices. The value of your portfolio will decrease when the value of an individual company or multiple companies in your overall portfolio decreases. The value of the portfolio will also decrease when the stock market in general goes down, likely regardless of how well some individual companies in your portfolio perform.

## **Item 9 Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of its management. FM has no applicable disciplinary information.

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

We are required to disclose all material facts regarding any other financial industry activities and/or affiliations. None of our supervised people have any other financial industry activities and/or affiliations.

## **Item 11 Code of Ethics**

We have adopted a Code of Ethics (the "Code") for all of our employees (supervised persons) that describe our high standard of business conduct, and fiduciary duty to our clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, full support of the Whistleblower Act, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business

entertainment items, the reporting of outside business activities, a policy of political contributions, a policy regarding social networking, and personal securities trading procedures. FM considers all its employees supervised persons; therefore, all employees must complete an acknowledgement form that they have received a copy of the Code at the commencement of employment and updates, thereafter.

We believe our Code of Ethics is reasonably designed to prevent or mitigate conflicts of interest between FM and its clients. Employees' and persons associated with us are required to follow the Code, and as part of our due diligence practice FM monitors employee and associated person trading activity. We anticipate that, in appropriate circumstances, consistent with clients' investment objectives, we will recommend to our investment advisory clients or prospective clients, the purchase or sale of securities in which FM and/or its employees, directly or indirectly, have an interest. Furthermore, our employees may trade in the same securities with client accounts on an aggregated basis when this practice is consistent with FM's obligation of best execution. In such circumstances, our employees' and our clients' accounts will share commission costs equally and receive securities at a total average price. In addition, FM has implemented procedures to ensure that clients' benefit will always prevail when allocating those trades. The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of our employees will not interfere with making decisions in the best interest of advisory clients, and implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that they would not materially interfere with the best interests of FM's clients. In addition, the Code of Ethics requires pre-clearance of certain transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. For more details regarding trade aggregation and trade allocation see Brokerage Practices, Item 12.

Since we are not registered as a broker-dealer and have no affiliates that are registered as a broker-dealer, it is our practice not to affect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. (Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer).

You may request a copy of our Code of Ethics by contacting Lawrence J. Bernhard IACCP®, CCO at 513-561-6640 or at [larry@fosterandmotley.com](mailto:larry@fosterandmotley.com).

### Selection of Brokers

FM has authority to suggest or determine brokers, and to negotiate commissions on behalf of clients, the final selection of a broker remains the client's choice. The criteria used for the selection of brokers or custodial brokers will be the full range and quality of brokers' services, including ability to offer best execution (e.g., the costs of trades of listed securities, the costs of trades of securities in which other brokers may make a market, and the ability to execute trades from time to time at prices between the bid and the ask, considering the general volume of trades FM has to work with as well as the average size and range of sizes of those trades, etc.), financial condition, responsiveness, and the values and quality of custodial services provided to the client, if any.

We generally recommend or select a broker or a prime broker to serve as the custodian for your account unless it's a "held away" accounts (Refer to item 15) . Having a broker serve as a custodian rather than a bank has the advantage of avoiding bank custody fees. However, it may have the disadvantage of limiting our ability to seek best prices and execution in certain instances, especially for non-listed securities, however some custodian brokers allow what is known as "Prime Broker" or "Trade away" trades (i.e., trades through other approved brokers and market makers) for accounts of a certain size (generally, accounts \$100,000 or more). These trades, however, will have an additional fee charged by the executing broker (generally \$15). When we recommend a broker custodian rather than a bank custodian, it is because we consider such custodial services to be best alternative for the client after consideration of all the relevant advantages and disadvantages.

From time to time, we may direct brokerage transactions to brokers other than an account's prime or custodian broker, and that broker may or may not provide research services (e.g., economic and market research, financial data, etc.). This situation will only take place in the following circumstances: (1) for listed stocks and bonds, to obtain lower brokerage commissions or better execution (net of prime broker fee); (2) for unlisted bonds, to obtain better pricing or availability; (3) for unlisted stocks, to obtain net pricing from a market-maker; or (4) to seek availability to buy an IPO when directed by a client. In each case, direction of brokerage to brokers other than client's prime or custodial broker is done for the benefit of clients, and never for the primary purpose of obtaining research, as also explained in Client Referrals and Other Compensation.

### Schwab Advisor Services, Division of Charles Schwab & Co.

FM recommends that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. FM is independently owned and operated and not affiliated with Schwab. Schwab provides FM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as the agreed upon amount of the adviser's clients' assets are maintained in accounts at Schwab Advisor Services and are not otherwise contingent upon Adviser committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research, and access to mutual funds and other

investments that are otherwise generally available only to institutional investors or require a significantly higher minimum initial investment.

### **Research Reports and Other Products or Services Received by FM from Broker-Dealers**

FM receives research reports from broker dealers it utilizes to effect client transactions, including Schwab. Such reports have been received during FM's last fiscal year. The receipt of such reports is not directly connected to the recommendation of brokerage/custody services to advisory clients but does create a possible conflict of interest which clients should be aware in assessing FM's recommendations.

Schwab also makes available to FM other products and services that benefit FM but may not benefit its clients' accounts. Some of these other products and services assist FM in managing and administering clients' accounts. During FM's last fiscal year these products and services have included software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of FM's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of FM's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to FM other services intended to help FM manage and further develop its business enterprise. These services may include educational conferences and events, technology and business consulting, consulting on legal and related compliance needs, publications and conferences on practice management and business succession, and access to employee benefits providers, human capital consultants and insurance providers. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to FM by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to FM.

Schwab may also provide us with other benefits such as occasional business entertainment of our personnel, and an occasional charitable contribution.

In light of our arrangements with Schwab, we may have an incentive to recommend that clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not by Schwab's services that benefit only us.

FM does not engage in soft dollar arrangements with any broker in which it receives research or other benefits from a broker in exchange for paying higher commission costs. (Soft dollar denotes the practice of directing brokerage transactions to a specific broker in exchange for research services.)



## **Best Execution**

As an investment advisory firm, FM has a fiduciary and fundamental duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it appears to be a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions of the market at the time the trade is placed, including the float and efficiency of the market, the need of the particular client or clients and the price of the trade. FM seeks to obtain best execution for its clients' transactions, which may not necessarily mean the lowest commission available, but the best overall qualitative execution in the particular circumstances.

Upon written request, clients may authorize us to direct trades to a specific broker. Directed accounts may not be able to seek and obtain the best price and execution through negotiation and/or bunching of orders, and the client may receive less favorable price and execution than our other clients. For that reason, clients directing brokerage assume the responsibility of monitoring their brokerage fees and arrangements.

## **Cross Trades**

Consistent with our duty to seek to obtain best execution, we may occasionally cross trades among client accounts. A cross trade occurs when we purchase and sell a particular security among two or more accounts under our management by instructing brokers to cross the trade. We generally use "cross trades" to address account funding issues and when it specifically deems the practice to be advantageous for each participant. In no instance do we receive additional compensation when crossing trades for client accounts. We will always seek to ensure that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable, and the transactions are done for the sole benefit of the clients.

## **Trade Aggregation**

From time to time, FM executes client transactions on a block or aggregate basis. That is, they enter one large trade and allocate the shares among various client accounts. This technique may allow FM to execute transactions in a more timely, equitable and efficient manner in an attempt to achieve a better overall price execution. In some instances, FM supervised persons and related persons' accounts are included in the aggregation. FM's policy is to engage in this technique when it's consistent with client objectives and restrictions. Clients participating in any aggregated transactions will receive an average share price on a pro-rata basis.

## **Trade Allocation**

FM's trade allocation policies and procedures call for a fair and equitable method of allocating trades among accounts with no particular client(s) or groups of accounts being favored or disfavored. Generally, FM must identify a given block trade allocation before that trade is entered. If the trade is filled as entered, FM must allocate according to the pre-determined block. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a random basis using a

proprietary rebalancing/trade program, CSV file. Any exceptions will be explained on the trade order.

If issues arise relating to successfully filling such allocation pursuant to the predetermined block, FM must allocate the shares in a fair and equitable manner and document the rationale for deviating from the pre-determined allocation.

### **Trade Errors**

From time-to-time FM may make an error in submitting a trade order on a client's behalf. When this occurs, FM may place a correcting trade with the broker-dealer which has custody of the client's account. It is the policy of FM to bear any costs of correcting the trade in a client account.

## **Item 13 Review of Accounts**

The investment professionals responsible for reviewing accounts will typically have no more than 150 discretionary account relationships assigned to them. Discretionary accounts that are invested primarily in individual securities are reviewed on an ongoing basis, but more often, if there is an addition to or withdrawal from the account or if a bond is called, matures, or is redeemed. In addition, accounts may be reviewed as a result of buy or sell decisions related to specific securities. Investment professionals responsible for reviewing both discrete, SIIP, and Mutual Fund Only (MFO) accounts, will typically have no more than 180 account relationships. Accounts invested primarily in mutual funds are generally reviewed quarterly.

W. Mark Motley, Shareholder; Ralph J. Scherer, Shareholder; Elizabeth M. Green, Shareholder; Thomas J. Guidi, Shareholder; Zachary T. Horn, Shareholder; J. Ryan English, Shareholder; Rachel A. Rasmussen, Shareholder, Bradley M. Soper, Nicole E. Roland and Emily C. Hogya ; each review client accounts.

Thomas J. Guidi, Shareholder; Bradley M. Soper - Mutual Fund/SIIP Advisor and Shareholder; and Nicole E. Roland; provide oversight of the management of the MFO accounts.

All clients receive monthly and/or quarterly statements of holdings and transactions furnished by their custodian. Taxable accounts also receive a year-end summary of realized capital gains from Schwab if that is their custodian.

Discretionary investment management clients whose portfolios are solely invested in mutual funds will receive the same reports received by other discretionary clients. We currently do not manage any non-discretionary clients but do manage some non-discretionary assets.

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

We do not have any third-party solicitation agreements and do not pay third parties for referring clients to us. Our compensation structure does include an incentive whereby an FM employee can be compensated for bringing in a new client to the firm.

We receive fee waivers or discounts for non-research services including but not limited to access or admission to conferences, consulting (relating to business management, marketing, compliance, technology, web sites, etc.), postage, certain software, publications, occasional entertainment, file download services and online quotes, provided by prime or custodial brokers used by FM's clients. Our decision, however, to take advantage of such offered services, fee waivers or discounts does not result in any known specific additional costs to clients. But since there is a financial benefit to us, this may create a potential conflict of interest for us to recommend one broker over another. It is our policy that because such waivers and discounts are not a factor in recommending a broker; the foregoing potential conflict of interest is irrelevant. Details regarding our criteria for recommending a broker were previously described in Brokerage Practices.

## Item 15 Custody

FM has custody or possession of client assets under the following circumstances:

1. Upon an agreement between a client and FM to manage assets in an account(s), whereby the assets are required to remain at the custodian such as a 401K, 529, annuity, etc., FM Inc may gather from the client and retain, the credentials necessary for accessing the account at the custodian. These are referred to as "held away" assets. As a result, any assets that falls under this purview will be subject to the annual surprise audit from an independent accounting firm registered with the Public Company Accounting Oversight Board (PCAOB) as described in SEC rule 206(4)-2, the "custody rule", with the following exception. Beginning in 2022, if the custodian limits the access to only trading (rebalancing) in the account, then this is not considered custody by the SEC and therefore will not be subject to the annual surprise audit. A list of the "rebalancing only" accounts will be maintained separately.
2. Upon an agreement between a client and FM, we have the authority to establish, maintain and utilize Standing Letters of Authorization (SLOA) to initiate disbursements to third-parties. This includes utilization of an "Alternative Investment Letter of Authorization" form, made available by FM's qualified custodian, for clients invested in Private Investments held at the custodian, for the purpose of sending future capital calls on the client's behalf. Because these third-party SLOAs are viewed as the firm having custody, we must meet 7 representations (conditions) as detailed by the Securities and Exchange Commission. Of those conditions, 6 are the responsibility of the custodian. The 7th condition of maintaining records showing that the third-party is not a related party of the advisor or located at the same address of the advisor, is FM's responsibility. Provided these conditions are met, the annual surprise audit from an independent accounting firm is not required as described in SEC rule 206(4)-2, the custody rule.
3. When a "supervised" person of an adviser serves as the executor, conservator, or trustee for an estate, conservatorship or personal trust that is considered "custody". However, it is noted that the final rule release [Release No. IA2968] for rule 206(4)2 under the Investment Advisers Act of 1940, reads, "When a supervised person of an adviser serves as the executor, conservator, or trustee for an estate, conservatorship or personal trust solely because the supervised person has been appointed in these capacities as a result of family or personal relationship with the decedent, beneficiary or grantor (and not as a result of employment with the adviser), we [the

securities and exchange commission] would not view the adviser to have custody of the funds or securities of the estate, conservatorship, or trust.”

These clients receive monthly statements from their respective custodian.

4. We have the ability to deduct advisory fees. Clients may authorize investment advisory and financial planning fees be automatically deducted from their account(s). It is FM's policy to send all clients a notice detailing the fee calculation. Advisory fees are processed no earlier than three days after the beginning of the billing period. We urge clients to ensure they receive statements from their qualified custodian that holds and maintains their assets at least quarterly, and to carefully review such statements and compare their custodial records to the account statements we provide. Our statements may differ from the custodial statements due to accounting procedures, reporting dates, or valuation differences for certain securities.

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

For discretionary clients, FM requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold. This discretionary authority is derived from a written advisory agreement between FM and you, which grants us a limited power of attorney. In all cases, however, such discretion is to be exercised in a manner consistent with your stated investment objectives, limitations and restrictions. FM will adhere to the investment policies, limitations, and restrictions of your account. You may impose restrictions on your account such as prohibiting us from investing in certain securities or types of securities; however, you must provide them to us in writing.

Any limitations on this discretionary authority shall be included in this written statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

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

Unless clients request otherwise, we will vote proxies in such a way that we believe will enhance shareholder value and/or maximize the long-term economic benefits of shareholders. We utilize the services of Broadridge's ProxyEdge platform to assist us with this process. If you interested in receiving a copy of our proxy voting policies and procedures or how we vote a particular proxy was voted, please contact us at (513) 561-6640.

Charles Schwab Institutional Intelligent Portfolios Program. As described in Schwab's Program Disclosure Brochure, clients enrolled in the program designate Schwab to vote proxies for the ETFs held in their accounts. We have directed Schwab to process proxy votes and corporate actions through and in accordance with the policies and recommendations of a third-party proxy voting service provider retained by Schwab for this purpose. Additional information about this arrangement is available in the Program Disclosure Brochure. Clients who do not wish to designate Schwab to vote proxies may retain the ability to vote themselves by signing a special Schwab form available from us.

## Item 18 Financial Information

A registered investment adviser is required to provide you with certain financial information or disclosures about its financial condition, if applicable. At this time, FM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

ANY QUESTIONS: FM's CCO, Lawrence J. Bernhard IACCP®, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.