

## PART 2A OF FORM ADV: FIRM BROCHURE

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March 26, 2024

This brochure provides information about the qualifications and business practices of Choreo, LLC ("Choreo"), a registered investment adviser. Registration does not imply a certain level of skill or training, but only indicates that Choreo has registered its business with the United States Securities and Exchange Commission ("SEC"). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions about the contents of this brochure, please contact Choreo at 312-702-1680 or WMCompliance@choreoadvisors.com. Additional information about Choreo is available on the SEC's website at [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 Choreo is 111221.

The logo for Choreo, LLC, featuring the word "Choreo" in a bold, dark blue, sans-serif font, followed by a registered trademark symbol (®).

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<sup>1</sup> Choreo's principal office is anticipated to be located in Rockford, IL on or about May 1, 2024. Until then, Choreo's principal office is located at 227 West 1<sup>st</sup> Street, Suite 300, Duluth, MN 55802.

## **ITEM 2 MATERIAL CHANGES**

Item 2 of the Form ADV 2A Brochure of Choreo, LLC (“Choreo”) is updated if material changes have occurred during the course of the fiscal year or with the annual updating amendment. Since the last annual update to the Brochure dated March 29, 2023, the following material changes have occurred:

- Choreo’s principal office is moving to Rockford, IL on or about May 1, 2024.
- In connection with the acquisition of certain investment advisory businesses, Choreo updated Items 4, 5 and 8 to describe certain services, strategies and products historically offered by the acquired firms and associated fees.
- Choreo updated Item 5 to describe changes to our fee structure, including tiered pricing where fee rates decrease as billable assets increase and an annual minimum fee of \$8,000, which may be waived or reduced in Choreo’s discretion.
- Choreo revised Item 8 and added disclosure regarding Choreo Models and Third-Party Models which may be used in the management of client accounts.

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#### **ITEM 4 ADVISORY BUSINESS**

Choreo, LLC (“Choreo,” “we,” “us” or “our”) is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) that provides investment advisory, aggregated reporting, financial planning, wealth management consulting, and retirement and pension plan consulting and advisory services to a broad range of client types. Choreo may provide one or more of the services described below to its clients. Our principal place of business currently is located in Duluth, Minnesota, but is expected to relocate to Rockford, Illinois on or about May 1, 2024, with satellite offices in a number of additional states. Choreo and its predecessor have conducted investment advisory services since 2000. Choreo is ultimately majority owned by private investment funds organized and sponsored by Parthenon Capital Partners and its affiliates, a separately registered investment adviser with the SEC. Choreo offers a broad range of financial services including investment advisory services, aggregated reporting, financial planning, wealth management consulting, retirement plan and pension consulting and advisory services, and/or similar services, on both a discretionary or non-discretionary basis, through a variety of investment strategies, which generally include allocations to separately managed account strategies, registered funds and private funds, including strategies and investment solutions and products provided by Choreo or its affiliates. As part of our wealth management consulting services, we also provide outsourced chief investment officer services to certain legacy clients and will offer it to new clients on a case-by-case basis.

As of December 31, 2023, our regulatory assets under management consisted of approximately \$15,081,295,103 discretionary assets plus approximately \$949,570,957 non-discretionary assets, for a total of \$16,030,866,060.

In addition, as of December 31, 2023, we had approximately \$8,572,482,765 assets under advisement related to holdings of clients for which we provide aggregated reporting, wealth management consulting, retirement plan consulting and advisory services, and/or similar services.

#### **INVESTMENT ADVISORY SERVICES**

For clients who retain us to provide Investment Advisory Services, Choreo provides ongoing investment advice based on the client’s individual needs and circumstances. Our goal is to deliver solutions that satisfy distinct objectives within each client’s overall asset allocation. We meet with advisory clients periodically to understand each client’s specific circumstances to (1) develop an investment plan in which we determine an appropriate asset allocation (i.e., a mix of equity, fixed income, and other asset classes, including private funds and cash) for the client, (2) make appropriate investment recommendations, and (3) create and manage a portfolio based on that investment plan.

At the direction of the client, we primarily manage advisory accounts on a discretionary basis (please see *Item 16 – Investment Discretion*). In limited circumstances, we also manage advisory accounts on a non-discretionary basis, as agreed with the client. Clients can impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors, so long as we agree to those restrictions in writing.

We provide Investment Advisory Services to clients based on their individual investment objectives and written investment plans. We consider a wide range of client-specific factors that can impact the investment management process, including risk tolerance, investment time horizons, current and future cash needs and other relevant circumstances. In providing these services, there will be circumstances where we give advice, make recommendations, and take action with respect to some clients that is similar to or different from that given to other clients. Our investment recommendations are not limited to any specific product or asset type. Investment recommendations are based on what is appropriate for the client at the time of the recommendation in accordance with the client’s investment plan and objectives.

The scope, focus and services comprising our advisory relationship with each client varies based on each client's circumstances, needs and personal financial goals, and may be modified in writing with the client.

Unless otherwise agreed with a client in writing, Choreo generally does not provide investment advice on the investment merits of any individual stocks or municipal or taxable bonds (other than certain U.S. Treasury securities). Choreo may, however, work with the client to include in the investment plan a strategy for when to sell such assets for diversification, portfolio concentration and tax reasons. Where permitted by the applicable client agreement, we then may sell such assets in a discretionary manner consistent with the investment plan.

We may retain or recommend that a client invest all or a portion of their assets in one or more Separately Managed Accounts ("SMAs"). An SMA is an account managed by an unaffiliated third-party investment adviser (each, an "SMA Manager") that has been reviewed and approved by our internal Investment Committee. Where Choreo recommends that a client invest with an SMA Manager, the client will typically enter into a separate written agreement with the SMA Manager directly and pay an advisory fee to the SMA Manager directly. Alternatively, where Choreo retains an SMA Manager on behalf of a client, Choreo will contract directly with the SMA Manager and will either share a portion of its advisory fee with the SMA Manager or the SMA Manager will charge its advisory fee directly from the client's account. Clients should refer to the selected SMA Manager's ADV or other disclosure document for a full description of the services offered by such SMA Manager. Choreo does not have authority to make any investment decisions to buy, sell or hold individual securities within an SMA. As a general matter, Choreo's services with respect to an SMA include the following:

- Directing or recommending that a client invest assets in one or more SMAs;
- Assisting clients with the opening and closing of SMAs, and reallocating and/or journaling assets between client accounts at the same custodian to facilitate investments with and withdrawals from SMA Managers;
- Including the value and performance of the SMA in the client's performance reports and monitoring the performance of the SMA; and
- Periodically assessing whether the SMA is consistent with the client's investment objectives and financial requirements for the account.

In connection with the provision of Investment Advisory Services, we also periodically provide clients with reports on the performance of their portfolios.

We offer Held Away Account Services generally for the following types of accounts that are maintained with an account custodian other than one of Choreo's primary account custodians ("Held Away Accounts"): 401(k), 403(b), 401(a), 457, 529, variable annuities, health savings accounts (HSAs), thrift savings plans (TSPs), cash balance plans, and stock option plans. Held Away Account Services are a subset of Investment Advisory Services, and provided where a client specifically contracts with us for such services. When providing Held Away Account Services, Choreo will use the order management system of a third-party service provider, or go directly to the client's account custodian, to implement asset allocation and rebalancing strategies on behalf of Clients for one or more Held Away Accounts. Choreo will consider only the investment options made available to the Held Away Accounts and allocate assets to investments that Choreo believes fit within Client's overall investment plan, based on our understanding of client's existing holdings, needs, circumstances and risk profile. When performing Held

Away Account Services, Choreo is limited to the investment universe made available by the custodian and/or plan fiduciary and Choreo does not participate in the selection of the available options or conduct any due diligence or research on the available investment options. As Choreo is working within the limited universe of investment options made available by the Held Away Account's custodian and/or selected by the plan fiduciary for the Held Away Accounts, such investment options are generally not subject to Choreo's standard initial and ongoing investment due diligence process.

### **AGGREGATED REPORTING SERVICES**

For clients who retain us to provide Aggregated Reporting Services, our services generally include:

- Obtaining and aggregating information regarding the value or performance of client accounts that are either unmanaged or managed by an unaffiliated third-party ("Independent Accounts");
- Producing an aggregate investment holdings report including client's Independent Account(s) on a quarterly basis;
- Providing more frequent reporting to client upon request, which may be subject to additional fees as agreed upon in writing with the client; and
- If requested, recommending a general asset allocation (i.e., a mix of equity, fixed income and other asset classes) related to the accounts for which we provide reporting services as appropriate in furtherance of the client's investment objectives and based on our understanding of clients' existing holdings, needs, circumstances and risk profile. Such asset allocation advice will be made on a non-discretionary basis, meaning the client will have sole responsibility for implementing such recommendations (e.g., executing the relevant trades).

Choreo will view and use information from Independent Account(s) to provide Aggregated Reporting Services but will not be able to directly access or initiate transactions within the Independent Account(s). All transactions within these Independent Account(s) must be initiated by the client. Choreo will not review, investigate, or otherwise examine the investment worthiness of securities or any other assets held in Independent Accounts and is not responsible for any investment decisions related to such Independent Account(s). In addition, unless otherwise agreed with the client in writing, Choreo generally will not be responsible for making any recommendations to the client regarding the appropriateness of investments offered or recommended by the client's independent advisors including investment advisors, investment managers or issuers, custodians, trustees, and other asset managers that provide services to the client and are unaffiliated with Choreo ("Independent Advisors").

### **FINANCIAL PLANNING SERVICES**

For our clients who retain us to provide Financial Planning Services, we use a holistic approach to financial planning in which we analyze various aspects of the client's financial position, make what we believe to be appropriate recommendations based on the client's individual circumstances, and then assist the client with implementing those recommendations, to the extent requested. The financial planning process begins with gathering relevant information from the client and may include collecting applicable financial documents, such as:

- Estate documents;
- Income tax returns;
- Investment account statements;

- Retirement plan benefits statements;
- Business and partnership agreements; and
- Insurance policies.

We will discuss the client's future goals, objectives and attitudes towards risk. After reviewing and discussing a client's financial situation, we will help design and coordinate the client's personal financial plan. If agreed with the client, we will prepare a written financial plan, which may be updated periodically to reflect changes in the client's circumstances to the extent requested by a client.

In general, the financial plan may include the following areas, as determined by each client's needs:

- **Net Worth:** We provide an analysis of the client's assets and liabilities.
- **Income Tax Planning:** We illustrate the projected impact of various investments on the client's current income tax and future tax liability and may coordinate any income tax planning strategies with the client's tax preparer as directed by the client.
- **Cash Flow Analysis:** We provide a cash flow analysis for the upcoming year using past and present cash inflows and outflows and other information supplied by the client.
- **Investment Planning:** We provide a strategic asset allocation (a tailored mix of asset classes such as global equities, global fixed income, real assets, alternative investments, etc.) and advice on the appropriate style of investing (using third-party managers and/or broker-dealers to actively buy and sell securities, compared with investing in exchange traded funds (ETFs) and mutual funds that passively track the performance of a particular market index).
- **Insurance Planning:** We review the adequacy of current insurance and advise on potential future needs and an appropriate insurance strategy. Choreo advisors who are insurance agents with Choreo Insurance Agency, LLC can also recommend insurance policies to clients based on client needs and our recommended strategy.
- **Retirement Planning:** We assess cash flow needs during retirement, determine investment capital needed at retirement, and recommend vehicles to use for retirement savings as well as distribution strategies.
- **Estate Planning:** While we do not draft legal documents or provide legal advice, we can review existing documents to assist the client in assessing and developing long-term strategies to meet estate preservation and transfer objectives. We can also introduce clients to a third-party software platform that guides clients through the process of creating estate documents. Please note that we do not provide legal services to clients and no attorney-client relationships exist between Choreo and its clients.
- **Education Planning:** We analyze potential future education expenses and review options for funding.
- **Philanthropic Planning:** We help families develop a philanthropic structure and process to giving and assist with organization and leadership of family meetings, family education and coaching.
- **Death & Disability Planning:** We review the client's cash needs at death, income needs of surviving dependents, and disability income.

Implementation of financial planning recommendations is entirely at the client's discretion. If the client chooses to implement our recommendations, the client should work closely with their attorney, accountant, insurance agent, and/or other advisors.

### **1031 LIKE-KIND EXCHANGE ADVISORY SERVICES**

Upon request, Choreo provides consulting services to select clients on a non-discretionary basis with respect to the planning and/or implementation of recommendations and decisions associated with Internal Revenue Code Section 1031 like-kind exchanges ("1031 Exchanges") arising from the sale of real estate held for productive use in a trade or business or for investment. 1031 Exchanges are designed to defer the current recognition of income in connection with the sale of real estate by exchanging ownership in such real estate with other like-kind real property. Such like-kind real property may include, but not be limited to, fractional interests in Delaware Statutory Trusts ("DSTs") pursuant to IRS Rev. Rul. 2004-86. While 1031 Exchanges may be available to a wide variety of qualifying investors, exchanges in which DSTs constitute some or all of the like-kind replacement property are only appropriate for investors that meet certain levels of financial sophistication. Choreo consults on the planning and/or implementation of a 1031 Exchanges.

Our primary objective when providing 1031 Exchange planning services is to assist clients in evaluating the appropriateness, based on their goals and objectives, of entering into a 1031 Exchange related to the future sale of real estate currently owned and the benefits and risks associated with the exchange or acquisition for other real estate interests including DSTs. 1031 Exchange planning services may include establishing financial goals and reviewing client information to develop liquidity and other recommendations associated with a potential 1031 Exchange and coordinating with tax advisors.

Our primary objective when providing 1031 Exchange implementation services is to assist clients with the implementation of recommendations and decisions associated with a 1031 Exchange. 1031 Exchange implementation services may include selecting qualified intermediaries, reviewing current applicable DST offerings and related materials, and assisting in the completion of transaction documentation.

### **DEFERRED SALES TRUSTS™ CONSULTING SERVICES**

Upon request, Choreo also provides consulting services to select clients on a non-discretionary basis with respect to planning and/or implementation of recommendations and decisions associated with the use of Deferred Sales Trusts™ in connection with the sale or exchange of eligible property. The Deferred Sales Trust™ is a transaction planning structure allowing the sellers of eligible property to defer income recognition pursuant to the installment method under Internal Revenue Code Sections 453 and 72.

Deferred Sales Trusts™ are offered by Estate Planning Team, an independent organization providing financial and legal services through a proprietary capital gains tax deferral strategy. Certain personnel of Choreo are affiliated with and/or have an ownership interest in Estate Planning Team. Additionally, these Choreo advisors are associated with Overture Strategic Partners LLC ("Overture") which offers independent trustee services for Deferred Sales Trusts™. The independent trustee services provided by Overture, and the fees it charges, and the financial and legal services provided by Estate Planning Team, and the fees it charges, are separate and distinct from those of Choreo. As a result of this common association, certain personnel of Choreo have a financial conflict of interest in recommending the services provided by Estate Planning Team and/or Overture.

Deferred Sales Trusts™ is a trademark owned by Estate Planning Team.



## **OPPORTUNITY ZONES CONSULTING SERVICES**

Choreo provides consulting services to select clients on a non-discretionary basis with respect to the planning and/or implementation of recommendations and decisions associated with investments in qualified opportunity funds (an investment vehicle organized for the purpose of investing in qualified opportunity zone property) pursuant to and in accordance with Internal Revenue Code Sections 1400Z-1 and 1400Z-2 (“Opportunity Zones”). Opportunity Zones are designed to allow for the deferral or reduction of the recognition of taxable income gain derived from the sale to, or exchange with, an unrelated person of any property. Such tax benefit is obtained by investing some part or all of such gain in qualified opportunity funds. Opportunity Zones are only appropriate for certain sophisticated investors including accredited investors and, in some cases, qualified purchasers. Choreo consults on the planning and/or implementation of an Opportunity Zone investment. Our primary objective when providing Opportunity Zone planning services is to assist clients in evaluating the appropriateness, based on their goals and objectives, of investing in an Opportunity Zone. Opportunity Zone planning services may include establishing financial goals and reviewing client information to develop liquidity and other recommendations associated with a potential Opportunity Zone investment.

Our primary objective when providing Opportunity Zone implementation services is to assist the client with the implementation of recommendations and decisions associated with an investment in an Opportunity Zone. Opportunity Zone implementation services may include selecting qualified investments, reviewing current applicable offerings and related materials, and assisting in the completion of transaction documentation.

## **WEALTH MANAGEMENT CONSULTING SERVICES**

For certain clients (including clients receiving Investment Advisory, Aggregated Reporting and/or Financial Planning Services, as described above) seeking additional or stand-alone Wealth Management Consulting Services, we will, as directed and agreed to by the client, provide specific consultation and administrative services that do not involve recommending, determining, or executing any transaction or providing an opinion on any individual security holding or transaction.

### **A. Consulting Services for Wealth Management Clients**

Wealth Management Consulting Services typically involve Choreo providing certain consultation, monitoring and administrative services related to a client’s Independent Advisors, as agreed to with the client. As part of this service Choreo will monitor the performance of Independent Advisors, typically by reviewing:

- Periodic client investment reports prepared by Independent Advisors;
- Any information regarding organizational changes of or other events pertaining to each Independent Advisor (e.g., portfolio manager changes, regulatory proceedings);
- Adherence to investment policy statements by Independent Advisors;
- If fees charged by Independent Advisors are consistent with the agreement between client and Independent Advisor; and
- Any overlapping and concentrated equity positions held or managed by client’s Independent Advisors.

Unless otherwise agreed in writing with a client, Wealth Management Consulting Services do not include or involve recommending, determining or executing any transaction or otherwise providing investment

advice related to any individual security holding or transaction. The client is solely responsible for all decisions related to investing with, continuing to invest with, or terminating their relationship with Independent Advisors.

Where Choreo provides Wealth Management Consulting Services, there is a conflict of interest if Choreo also provides Investment Advisory Services to the same client. This conflict of interest arises due to the possibility that Choreo could be perceived as being unable to judge fairly the performance of its own advisors relative to Independent Advisors. Clients are under no obligation to hire Choreo to provide Investment Advisory Services in addition to Wealth Management Consulting Services.

## **B. Outsourced Chief Investment Officer Services (“OCIO”)**

We offer OCIO services to certain legacy clients and will offer this service to other clients of Choreo on a case-by-case basis. In general, these services are provided to endowments and foundations. In addition to the services we offer as part of our Wealth Management Consulting Services above, we provide the following additional services to OCIO clients:

- Develop a written investment policy statement for clients to use with Independent Advisors which includes investment guidelines, objectives, and policies to assist clients with their goals;
- Identify independent managers to provide asset management services for various investment sectors;
- Guide clients through the process of selecting one or more managers by helping clients develop specific criteria for managers of each asset class and assisting clients with interviewing prospective managers;
- Review, evaluate and provide guidance on sophisticated investment strategies implemented by managers (including but not limited to private equity, hedge funds, venture capital and alternative investments).

## **RETIREMENT AND PENSION PLAN CONSULTING AND ADVISORY SERVICES**

When providing Retirement and Pension Plan Consulting and Advisory Services for plans subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), we generally act as a fiduciary under Section 3(21)A or Section 3(38) of ERISA. We also offer supplemental services to plans that engage a third-party as a 3(21) investment advisor or 3(38) investment manager, or to plans that participate in a pooled employer plan (“PEP”) where Choreo serves as the 3(38) investment manager. In the event we act as a fiduciary under Section 3(38) of ERISA, including to a PEP, we will acknowledge this fiduciary status in the contract with the client. In providing these services, Choreo relies on the tools and templates provided by an independent firm. In general, Choreo’s Retirement and Pension Plan Consulting and Advisory Services for a particular plan consist of some of all of the following services:

- **Benchmarking Services:** We evaluate a plan sponsor’s existing retirement plans and perform a side-by-side comparison of different service providers. We provide plan sponsors with an executive summary including a cost analysis and an analysis of services available through various retirement plan record keepers, helping employers make informed decisions. If a PEP is included among the appropriate options for a client, Choreo will only recommend one PEP where Choreo serves as the 3(38) investment manager.
- **Fiduciary Process Management:** We assist plan sponsors in building, managing and monitoring a fiduciary process designed to help meet their fiduciary responsibilities under ERISA.

- **Investment Policy Statement (“IPS”) Preparation:** We assist plan sponsors in preparing a written IPS for the retirement plan that reflects the stated investment objectives for the overall plan. Where we act as a 3(38) investment manager, we have a standard IPS for adoption by plan sponsors. The IPS outlines the underlying philosophies and process for investment selection as well as the procedures for periodic monitoring and evaluation of the investment options offered by the plan.
- **Investment Recommendations and Management:** Once the IPS has been established, we assist the plan sponsor and plan investment committee to determine suitable investment options for the plan based on the IPS. If we serve as a 3(38) investment manager, we will implement our recommendations with the recordkeeper for the plan.
- **Monitoring of Investments:** We monitor investment options in the plan based on the periodic monitoring and evaluation procedures described in the plan’s IPS. This will include a review of both quantitative performance measures and qualitative factors such as the investment style of the recommended fund manager. We may recommend changes to the investment options as market factors and plan needs dictate.
- **Employee Education and Communications:** We also offer periodic educational support, including access to a third-party digital financial wellness platform, and investment workshops designed for individual plan participants. The nature of the topics to be covered will be determined by Choreo and the plan sponsor. Unless specifically contracted for by the individual plan participant, the educational support and investment workshops will not provide plan participants with individualized, tailored investment advice or asset allocation advice, or any other services offered by Choreo that require a separate agreement between Choreo and the individual, and Choreo should not be considered a fiduciary under ERISA with respect to these services.

## ADDITIONAL SERVICES

From time to time, Choreo acquires assets of other investment advisers that established other advisory fee structures, account minimums, services or investment programs (“Acquired Services”). While Choreo’s goal is to move these clients to Choreo’s investment programs, fee structures and services over time, client accounts are managed under a client agreement and program of a previous adviser until the client executes a client agreement with Choreo.

Advisory services will differ as registered investment adviser firms acquired by us transition to our investment programs, fee structures and services over time. However, through the transition period, we evaluate whether to retain such Acquired Services past the transition period of the previous adviser. Any Acquired Services retained by us after the transition period will be included in a client’s new agreement with Choreo.

Upon client request, Choreo, together or through its affiliates, may introduce clients to affiliates and/or third parties that perform additional services such as tax preparation, bill pay, insurance policies, and estate planning document preparation. If agreed to with the client, Choreo may coordinate with its affiliates and/or third parties to share information regarding the client’s investment accounts that is needed in order for the third parties to provide their services (e.g., IRS 1099 forms). Depending on the particular third party and client situation, Choreo or its affiliate, as applicable, may arrange for the payment of the fees of such third-party service providers on behalf of the client. In consideration of the coordination services provided, Choreo or its affiliate, as applicable, may retain a portion of the fee paid to the third-party service provider or charge the client a separate, additional administrative fee. In some situations, the third-party may charge the client directly.

## **CONFLICTS OF INTEREST**

Choreo charges different fees for its various services. This creates an incentive for us to guide clients to services that generate higher fees. Choreo has an incentive to favor the clients that generate the most revenue for the firm. If Choreo pays an SMA Manager a portion of the fee charged by Choreo, we have an incentive to recommend or select an SMA Manager which will result in the highest residual fee to Choreo. We have implemented procedures designed to help ensure that clients are treated fairly and to help prevent these conflicts from influencing selection of a client's investments and the allocation of investment opportunities among clients.

The various service levels provided by Choreo, as described above, may pose a conflict between the interests of Choreo and the interests of clients. For example, a recommendation to engage Choreo for investment advisory services or to increase the level of investment assets with Choreo, including through rollovers or other transfers of retirement plan accounts or individual retirement accounts ("IRAs"), would pose a conflict, as it would increase the fees paid to Choreo. Specifically, Choreo will make more money if a client rolls over assets from a retirement plan or IRA for which we do not provide services, to a retirement plan or IRA for which we do provide services, whether the rollover is from (1) a plan to an IRA, (2) an IRA to an IRA, (3) a plan to another plan, or (4) an IRA to a plan. Choreo's advisors have a financial incentive to raise fees since they are compensated, in part, based on the amount of assets they service and the level of fees paid by clients. Therefore, both Choreo and our individual advisors have financial incentives to recommend plan and/or IRA rollovers to plans and IRAs serviced by Choreo. Clients are under no obligation, contractually or otherwise, to complete a rollover. Furthermore, if a client does complete a rollover, the client is under no obligation to have the assets in an IRA managed by us.

With respect to retirement client assets in affiliated products or managers in which Choreo maintains a financial interest, Choreo must comply with applicable requirements of ERISA and/or the Internal Revenue Code. These requirements include, but are not limited to, disclosure and avoiding double fees for retirement plans and IRAs. Choreo will either waive the portion of the advisory fee that is attributable to the client's assets invested in the affiliated product or manager in which Choreo maintains a financial interest or rebate the client's advisory fee by an amount equal to the fees charged by the affiliated product or manager. If the account is not charged an investment advisory fee by Choreo, it will not receive a rebate of the fees of the affiliated product or manager.

## **ITEM 5 FEES AND COMPENSATION**

### **INVESTMENT ADVISORY AND AGGREGATED REPORTING FEES**

The specific manner in which our fees for Investment Advisory and Aggregated Reporting Services are charged is established in the client's agreement with Choreo. The structure and level of our fees vary by client based upon the services provided and other considerations deemed relevant, but customarily are calculated as a percentage of billable assets or on a fixed-fee basis. Where our investment advisory or aggregated reporting fees are calculated as a percentage of billable assets, we generally apply a tiered schedule where fee rates decrease as billable assets increase. The fee decrease applies to the portion of the billable assets in each applicable tier. Legacy clients may be grandfathered to a flat fee schedule rather than a tiered fee schedule. The annual rate generally does not exceed 1.5% per annum unless otherwise agreed to with the client. We request new investment advisory clients to have investable assets of at least \$1,000,000 and we have an annual minimum fee of \$8,000. Clients affiliated with certain organizations are subject to a reduced fee schedule and lower minimum fee amounts. These minimum requirements may have the effect of making our services impractical for certain individuals or entities with fewer investable assets given the effective annual rate of advisory fees that would be charged. At our discretion,

we may waive or reduce annual minimum fees, accept new clients with less than \$1,000,000 in investable assets, and/or combine the account values of family members living in the same household to determine the applicable fee. For example, we may combine account values for an individual, their minor children, their spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in a reduced fee rate.

**Negotiability of Advisory Fees:** Choreo retains the discretion to negotiate fees, including minimum fee amounts, on a client-by-client basis within the above stated fee parameters. Client facts, circumstances and needs are considered in determining the fee arrangement. These include the complexity of client assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and custom reports, among other factors. Clients affiliated with certain organizations are subject to a reduced fee schedule and lower minimum fee amounts. Clients may pay more or less than other clients receiving similar services from Choreo. Legacy clients are generally subject to a different fee schedule than new clients. The specific annual fee is identified in the agreement between Choreo and each client, which may be amended by Choreo, including the amount or rates of fees, upon thirty days prior written notice to clients. Choreo's advisors receive a base salary and bonus based on both individual and firm performance factors including revenue generated from client assets they service. The receipt of compensation linked to revenue generated from client assets creates a conflict of interest as it incentivizes our advisors to increase fees and encourage clients to increase assets in their accounts.

**Third Party Fees:** All Investment Advisory and Aggregated Reporting Services Fees are separate and distinct from the fees and expenses that may be charged by Independent Advisors related to the assets held in Account(s). Where a client enters into a separate written agreement with an SMA Manager, the client will pay the SMA Manager a fee directly that is separate and distinct from the Investment Advisory Services Fee of Choreo. Where Choreo retains an SMA Manager directly on behalf of a client (i.e., a sub-advisor), Choreo either (i) shares a portion of its Investment Advisory Services Fee with the SMA Manager; (ii) directly debits a client's fee on behalf of an SMA Manager; or (iii) authorizes the SMA Manager to directly debit a client's fee. In addition, fees charged by investment vehicles held in Accounts are in addition to the Investment Advisory or Aggregated Reporting Services Fees of Choreo and the advisory fees of Independent Advisors and SMA Managers. The additional fees applicable to holdings in investment vehicles generally include a management fee, performance-based compensation (if applicable), other expenses, and a possible distribution fee. If the investment vehicle also imposes sales charges, a client may pay an initial or deferred sales charge. Such fees and expenses may be material and may negatively impact the value of the assets held in Account(s) or the performance thereof.

**Timing:** The fee for the quarter in which the account has been initially funded is prorated based on an average daily balance and charged in arrears. Thereafter, fees are generally payable in advance in quarterly installments during the first month of each calendar quarter and are computed based on the value of the assets under management on the last day of the calendar quarter. Client may make additions to and withdrawals from account(s) at any time, unless the account is restricted by the custodian. Advisor reserves the right, upon prior written notice to Client, or as otherwise agreed upon with the client, to adjust the Investment Advisory Services Fee to account for material deposits or withdrawals from an account during a billing period.

Choreo may cause a client to maintain cash and cash equivalent positions (such as money market funds) for defensive, liquidity or similar purposes, and periodic investment plans (i.e., dollar-cost-averaging). A significant amount of cash may accumulate in the account prior to Choreo rebalancing the portfolio. If cash is being managed at the portfolio level rather than the individual account level, it is possible that an

account may be allocated up to 100% cash. Unless otherwise agreed in writing, all cash and cash equivalent positions will be included as part of assets under management for purposes of calculating Investment Advisory Services Fees. Fees assessed on margin and securities-based loan balances will be based on the gross market value of the securities collateralizing the loan unless otherwise agreed to with the client in writing.

With respect to retirement client assets in affiliated products or managers in which Choreo maintains a financial interest, Choreo must comply with applicable requirements of ERISA and/or the Internal Revenue Code. These requirements include, but are not limited to, disclosure and avoiding double fees for retirement plans and IRAs. To the extent required by applicable law, Choreo will either waive the portion of the advisory fee that is attributable to the client's assets invested in the affiliated product or manager in which Choreo maintains a financial interest or rebate the client's advisory fee by an amount equal to the fees charged by the affiliated product or manager. If the account is not charged an Investment Advisory Services Fee by Choreo, it will not receive a rebate of the fees of the affiliated product or manager.

### **FINANCIAL PLANNING FEES**

The specific manner in which our fees for Financial Planning Services are charged is established in the client's agreement with Choreo. Choreo's Financial Planning fee is determined based on the nature of the services provided and the complexity of each client's circumstances. All fees are agreed upon in the contract with the client. Our Financial Planning fees may be calculated and charged on a fixed fee basis, depending on the specific arrangement reached with the client, or on an hourly basis, ranging from \$100 to \$600 per hour. The length of time it will take to provide a financial plan will depend on each client's personal situation and complexity. All Financial Planning fees are separate and distinct from the fees and expenses that may be charged by Independent Advisors or other third parties related to assets in any account(s) considered when providing Financial Planning Services. Choreo may reduce or waive the hourly or fixed fees for Financial Planning Services if a client additionally chooses to engage Choreo for other services.

### **FEES FOR 1031 LIKE-KIND EXCHANGE ADVISORY SERVICES**

Choreo charges fees for each of its 1031 Exchange planning services and 1031 Exchange implementation services ("1031 Services Fees"). 1031 Services Fees are generally charged on an hourly or per project basis and are set forth in separate engagement letters for 1031 Exchange planning services and 1031 Exchange implementation services. Certain legacy clients are charged an asset-based fee. Overall, 1031 Services Fees vary from client to client depending on scope, complexity and duration of services. Choreo does not charge ongoing advisory or monitoring fees in connection with 1031 investments on which Choreo advises clients, unless specifically agreed with the client. Choreo does not receive compensation from 1031 investment sponsors, brokers or service providers in connection with these 1031 like-kind exchange advisory services.

### **FEES FOR DEFERRED SALES TRUSTS™ CONSULTING SERVICES**

Choreo charges advisory fees for managing the assets in a Deferred Sales Trust™. Overture offers independent trustee services for Deferred Sales Trusts™. Choreo generally refers clients in need of independent trustee services to Overture. In consideration of such referrals to Overture, the Choreo advisors who are associated with Overture will receive a percentage of the profits Overture derives from the clients referred to Overture. This creates a conflict of interest due to the financial incentive it creates for us to refer clients to Overture based on the additional compensation the Choreo advisors stand to earn. We address this conflict of interest by advising referred clients that the Choreo advisors who are



associated with Overture will receive additional compensation if the clients use Overture, and by advising clients that they are not obligated to utilize the independent trustee services of Overture or any other third-party we may recommend. Currently, no Choreo advisor acts as a trustee for clients who use Overture's services.

#### **FEES FOR OPPORTUNITY ZONE INVESTMENTS CONSULTING SERVICES**

Choreo charges fees for each of its Opportunity Zone planning services and Opportunity Zone implementation services ("Opportunity Zone Services Fees"). Opportunity Zone Services Fees are generally charged on an hourly or per project basis and are set forth in separate engagement letters for Opportunity Zone planning services and Opportunity Zone implementation services. Overall, Opportunity Zone Services Fees vary from client to client depending on scope, complexity and duration of services. Choreo does not charge ongoing advisory or monitoring fees in connection with Opportunity Zone investments on which Choreo advises clients, unless specifically agreed with the client. Choreo does not receive compensation from Opportunity Zone investment sponsors, brokers or other service providers in connection with these Opportunity Zone advisory services. Choreo's Opportunity Zone Service Fees are in addition to any underlying opportunity zone investment fees charged by fund sponsors and managers or tax attorneys.

#### **WEALTH MANAGEMENT CONSULTING SERVICES FEES**

Fees for Wealth Management Consulting Services are determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon in the client's contract. Wealth Management Consulting Services fees may be calculated and charged on a fixed fee basis, subject to the specific arrangement reached with the client, or on an hourly basis, ranging from \$100 to \$600 per hour. The length of time it will take to provide the agreed upon services will depend on each client's personal situation.

For Outsourced Chief Investment Officer ("OCIO") services, the cost for this service is a flat fee that generally ranges from \$15,000 to \$1,000,000 annually based on the complexity of the consulting arrangements we are hired to perform, or is calculated as a percentage of assets. These consulting services will be billed in advance or in arrears on a monthly or quarterly basis depending on the terms of the agreement. Clients are generally charged a one-time set-up fee ranging between \$5,000 and \$100,000 depending on the nature and complexity of the client's circumstances and based on the terms agreed to between us and each client. For other ongoing services associated with our OCIO services, we charge a range of fees. The exact fee will be based on the size, nature and complexity of the client's account and managers to be examined. All fees are agreed upon in the contract with the client.

#### **RETIREMENT PLAN AND PENSION CONSULTING AND ADVISORY FEES**

The specific manner in which our fees for Retirement Plan and Pension Consulting and Advisory Services are charged is established in the client's agreement with Choreo. The structure and level of our fees vary by client based upon the services provided and other considerations deemed relevant, but customarily are calculated as a percentage of the assets held in the applicable accounts or on a fixed-fee basis. Where our fee is calculated as a percentage of assets, the annual rate generally does not exceed 1.5% per annum unless otherwise agreed to with the client. Additional agreed-upon fees are charged for access to a third-party financial wellness platform for plan participant education. Our fees for benchmarking services are charged on a fixed-fee basis depending on the nature and complexity of the services provided.

**Retirement and Pension Plan Benchmarking Fee Offset:** Choreo may reduce or waive the fixed fee for benchmarking services if a client chooses to additionally engage Choreo for our ongoing Retirement Plan and Pension Consulting and Advisory Services.

For Retirement Plan and Pension Consulting and Advisory clients, fees are generally payable in advance in quarterly installments during the first month of each calendar quarter. However, fees for some Retirement Plan and Pension Consulting and Advisory clients will be billed in arrears in quarterly installments based on the selected record keeper's billing practices. Whether billed in advance or in arrears, annual asset-based fees are based on the value of total plan assets on the last day of the month preceding the billing month. The fee for the quarter in which the agreement becomes effective will be prorated.

Choreo may provide services to individual plan participants, such as management of a self-directed brokerage account option within a plan, in addition to Retirement Plan and Plan Consulting and Advisory Services provided to the plan. Under this arrangement, the individual will contract separately with Choreo for a separate agreed upon fee that is paid either directly from the individual plan participant's account, or indirectly by the participant. This creates an inherent conflict of interest due to the possibility of Choreo receiving fees for both Retirement Plan and Pension Consulting and Advisory Services from the plan as well as fees from the plan participant for other Choreo services.

### **COMBINED FEE ARRANGEMENTS**

A client may choose to engage Choreo to provide multiple services for an all-inclusive fee. For example, we may provide Financial Planning, Aggregated Reporting, Wealth Management Consulting Services and Investment Advisory Services to a client and charge one fee for all these services. While fees for those individual services will be determined and negotiated separately, they may be combined and deducted from an investment advisory account specified by the client. In that situation, the deducted fee could consist of Financial Planning Fees, Aggregated Reporting Fees, Wealth Management Consulting Services Fees and Investment Advisory Services fees, in which case the overall, all-inclusive fee could exceed the fee maximums discussed above. In limited cases, Choreo's advisory fee includes the cost of tax preparation services by the client's third-party tax preparer. In those cases, Choreo separately pays the third-party tax preparer for their services to our client. The terms of these fees will be documented in the contractual agreement between Choreo and the client.

### **ADDITIONAL COMPENSATION RELATED TO INSURANCE**

From time to time in the course of providing services to Clients, Choreo will recommend Choreo Insurance Agency, LLC ("Choreo Insurance"), an insurance agency licensed in certain states. Choreo Insurance and certain Choreo advisors who maintain insurance licenses recommend fixed insurance products to clients. Additionally, if appropriately licensed, certain Choreo advisors may recommend other insurance products if Choreo Insurance is appropriately licensed. Some Choreo advisors are appointed sales agents for insurance agencies including Choreo Insurance and receive commissions when they recommend a fixed insurance product to a client. Choreo Insurance retains a portion of commissions. A conflict of interest therefore arises as these insurance sales create an incentive to recommend products based on the additional compensation either Choreo Insurance and/or the advisor earns. Clients are under no obligation to accept any of the recommendations or purchase insurance products through their Choreo advisor or Choreo Insurance.

### **ADDITIONAL COMPENSATION RELATED TO BROKERAGE PRODUCTS**

Certain Choreo advisors who maintain brokerage licenses and are dually registered with Purshe Kaplan Sterling Investments ("PKS") previously recommended variable annuities, 529s and other brokerage products to clients. In the future, Choreo advisors may be registered with broker-dealers other than PKS. These dually registered advisors receive trailing commissions directly from PKS (or another broker-dealer in the future) for past sales of annuities, 529s or other brokerage products, or if the client names their



Choreo advisor as the broker of record on an existing annuity. Choreo advisors are not permitted to receive commissions on new sales of variable annuities or other brokerage products.

#### **GENERAL INFORMATION ABOUT FEES**

**Payment of Fees:** Clients may grant Choreo the authority to receive payments of Choreo's fees directly from the client's investment account held by a qualified custodian. Based on Choreo's instruction and calculation, the custodian will deduct the fee from the client's investment account and will provide the client a statement, at least quarterly, indicating amounts disbursed from the account including the amount of fees. Clients paying investment advisory fees by check will receive an invoice for quarterly fees, which are billed in advance during the first month of each quarter and are payable promptly upon receipt of the invoice.

**Valuation:** We charge Investment Advisory Services Fees and Aggregated Reporting Services Fees based upon the valuation of client accounts(s) as reflected in our internal portfolio management system, which interfaces and is reconciled with the custodian daily for publicly traded securities. The total portfolio value on which fees are based can vary from the value on the custodian statement (the valuation could be higher or lower) due to such factors that include, but are not limited to, the timing and posting of dividends, settlement dates for trades and accrued interest. The value of a client's account, including any accruals (i.e., pending dividends and interest), as of the last business day of the previous quarter (as shown in our internal portfolio management system) is used to determine the fees charged for the following quarter.

For private investments, Choreo's fees are billed based on the most recently updated value of the investment reflected in our portfolio management system or on the original subscription amount, as agreed to with the client. Our third-party portfolio management system will be manually updated, generally on a quarterly basis. An invoice or other written documentation, including the subscription agreement, provided by the investment manager for a private investment will be utilized to support the valuation. The value of a client's account, including any accruals (i.e., pending dividends and interest), as of the last business day of the previous quarter (as shown in Choreo's portfolio management system based on the written documentation provided by the investment manager) is used to determine the fees charged for the following quarter.

**Termination of the Advisory Relationship:** The agreement between Choreo and the client will continue in effect until terminated in accordance with the terms of the agreement. Upon effective termination in accordance with the terms of the agreement, the client will receive a refund of any prepaid and unearned fees (prorated for the balance of the quarter, if needed) after the 30-day required notice period set forth in the agreement. The client remains responsible for payment for services rendered by Choreo prior to the effective date of termination (which is 30 days after notice of termination), as well as any transactional or custodial charges levied by the client's custodian after the termination of the agreement. We have no obligation to refund fees charged by the custodian.

**Investment Vehicle Fees:** Fees paid to Choreo are separate and distinct from the fees and expenses charged by mutual funds, exchange traded funds (ETFs), private funds and/or other investment vehicles to their shareholders, including investment vehicles affiliated with Choreo. These fees and expenses are described in each investment vehicle's prospectus. These investment vehicle fees will generally include a management fee, performance-based compensation (if applicable), other fund expenses, and a possible distribution fee. If the investment vehicle also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in an investment vehicle directly, without our services. In that case, the client would not receive the services provided by our firm, which are designed, among other things, to assist the client in determining which investment vehicles are most appropriate to the client's financial

condition and objectives. Accordingly, the client should review both the fees charged by the investment vehicles and our fees to fully understand the total amount of fees to be paid by the client.

Many funds offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to more commonly offered retail mutual fund share classes (typically, Class A (including load-waived A shares), B and C shares for mutual funds), some funds offer institutional share classes or other share classes specifically designed for purchase within a fee-based investment advisory account. However, these share classes may also have higher transaction costs and may have minimum purchase criteria that limit availability to larger transactions. Clients should not assume that their assets will be invested in the share class (regardless of the type of fund structure – mutual fund, closed-end fund, hedge fund, private equity fund or other alternative vehicle) with the lowest possible expense ratio. From time to time, Choreo acquires assets of other investment advisers that invested in less favorable share classes. It is Choreo's goal to move these clients to more favorable share classes over time, if appropriate for the client.

**Wrap Fee Programs and Separately Managed Account Fees:** Clients invest in SMAs directly or through custodian wrap fee programs, depending on applicable account minimum requirements. While Choreo currently does not sponsor a wrap fee program, Choreo may recommend investing in SMAs through custodian wrap fee programs, particularly when the custodian / wrap fee program sponsor has negotiated lower initial account minimums. Clients participating in wrap fee programs are charged various wrap fee program fees. Wrap fee program fees and SMA Manager fees are in addition to the fees charged by Choreo. In a wrap fee arrangement, clients pay a single fee that covers the SMA Manager's advisory services, brokerage, and custodial services. Client's portfolio transactions generally are executed without a separate commission charge in a wrap fee arrangement; however, the SMA Manager retains the right to trade away with a third-party broker which would result in commission charges. In evaluating a wrap fee arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the program sponsor, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

**Additional Fees and Expenses:** In addition to Choreo's fees, clients are also responsible for other fees. These include fees imposed for third-party reporting services providers, and/or expenses imposed by custodians, brokers, third party managers and other third parties, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Please refer to [Item 12 – Brokerage Practices](#) for additional information.

**Trust Services Fees:** Trust accounts incur fees that are separate from and in addition to our advisory services fee, such as legal fees, custodian fees, trust administration fees charged by a corporate trustee or other trust administrator, and other fees typically associated with a trust account.

**ERISA Accounts:** To the extent that we provide services to an ERISA account and serve as a fiduciary, Choreo is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. Choreo does not receive any commissions, 12b-1 fees, or revenue-sharing from any funds.

**Margin and SBL Fees:** Clients electing to use margin in an investment account or obtain a securities-based loan ("SBL") will incur interest charges assessed by and paid to the custodian, pursuant to the custodial

agreement. These charges are separate from Choreo's fees. Choreo generally charges asset-based fees on the gross market value of securities collateralizing the margin or securities-based loan.

**Advisory Fees in General:** Clients should note that similar advisory services are available from other registered investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 six months or more in advance of services rendered.

**Indirect Compensation:** From time to time, Choreo receives non-monetary compensation in connection with investment advisory business generally, and also potentially with respect to client account(s), from providers or other third parties such as separate account managers, mutual fund companies, insurance companies, custodians or retirement plan record keepers. Non-monetary compensation includes the value of gifts or entertainment that are received from providers or third parties, as well as the cost of meals, travel, lodging, seminars, waived registration fees and entertainment that Choreo and its employees may receive in connection with training events or conferences, generally subject to limits imposed by Choreo. Please refer to *Item 12 – Brokerage Practices* for additional information.

**Different Fee Structures:** Choreo may acquire assets of other investment advisers that established other advisory fee structures, account minimums or investment programs. While Choreo's goal is to move these clients to Choreo's fee structures, investment programs and services over time, client accounts are managed under a client agreement and program of a previous adviser, which may deviate from the general practices described above, until the client agrees to a client agreement with Choreo. Clients should refer to their applicable account agreements to understand the specific billing practices applicable to their accounts.

For more information, clients can contact their Choreo advisor or the Compliance Department at 312-702-1680 or [WMCompliance@choreoadvisors.com](mailto:WMCompliance@choreoadvisors.com).

## **ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

### **Performance-Based Compensation**

Choreo does not charge performance-based compensation. If deemed appropriate for a particular client, our recommended investments include certain investment products that charge performance-based compensation, potentially including investment products managed by our affiliates or funds in which our advisors have a material interest. Such compensation creates a conflict of interest in that there is an incentive to recommend that clients invest in such investments since Choreo's affiliates or advisors stand to earn performance-based compensation.

### **Side-by-Side Management**

In some cases, Choreo manages clients in the same or similar strategies. This may give rise to potential conflicts of interest if the clients have, among other things, different objectives or fees. For example, potential conflicts may arise in the following areas: client orders do not get fully executed; trades may get executed for an account that may adversely impact the value of securities held by a client; there will be cases where certain clients receive an allocation of an investment opportunity when other accounts may not; and/or trading and securities selected for a particular client may cause differences in the performance of different accounts that have similar objectives. Certain limited investment opportunities are available only to the legacy clients of certain investment advisory businesses acquired by Choreo. These potential conflicts will likely increase during periods of unusual market conditions. As a fiduciary, Choreo's goal is

to treat accounts equitably over time regardless of the fee arrangement. There can be no assurance, however, that all conflicts have been addressed in all situations.

#### **ITEM 7 TYPES OF CLIENTS**

Choreo provides advisory services to a broad range of client types, including but not limited to:

- Individuals (other than high net worth individuals);
- High net worth individuals;
- Family Offices;
- Pension, retirement and profit sharing plans (other than plan participants);
- Charitable organizations;
- Estates and trusts;
- Banking or thrift institutions; and
- Corporations or other business entities not listed above.

Generally, we request new investment advisory clients to have investable assets of at least \$1,000,000. This amount may be reduced in our discretion. However, since we generally charge an annual minimum fee of \$8,000, our services may be impractical for certain individuals or entities with fewer investable assets given the effective annual rate of advisory fees that would be charged. The annual minimum fee may be reduced or waived at our discretion.

#### **ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

##### **METHODS OF ANALYSIS AND RISKS**

**Development of Choreo's Investment Platform:** Choreo's investment process begins with adoption of capital markets assumptions, which generally are updated annually unless significant markets events dictate more frequent updates. From there, we establish strategic asset allocation models designed to provide an appropriate mix of equities, fixed income, and other asset classes and sub-classes for each portfolio risk profile (e.g., capital preservation, conservative, balanced, growth, aggressive growth). We select investment managers for each sub-class within our asset allocation models, beginning with quantitative screening to identify managers that fit initial criteria, followed by due diligence on the people and processes associated with each manager, ultimately approving select managers for our investment platform. From time to time, Choreo reviews its investment platform to assess its effectiveness relative to current objectives and market conditions. Based on these reviews, Choreo may change the make-up of its investment platform. The underlying investments and the allocation ranges in each asset allocation model are subject to change from time to time without notice to clients.

Choreo currently uses third-party investment consultants to provide capital markets assumptions, strategic asset allocation models, investment manager searches, due diligence on investment managers, market research, and/or other expertise as it relates to investments, and Choreo may retain other such consultants in the future. The third-party investment consultants we use are evaluated internally and subject to change based on our internal reviews performed by the Choreo Investment Committee. No third-party investment consultants have been or will be given discretion over any client accounts or the ability to make any recommendations directly to our clients unless the client separately contracts with

the third-party investment consultant. The capital markets assumptions, asset allocation models and investment recommendations provided by third-party investment consultants are reviewed and approved by the Choreo Investment Committee prior to being recommended or implemented in any client portfolios. The Choreo Investment Committee generally meets on a quarterly basis and as otherwise needed to discuss changes that may impact the investment platform. Choreo may also use the following tools and information when formulating investment advice: commercially available software and databases, securities rating services, market and financial information, financial newspapers, various reports of mutual fund performance, prospectuses, various financial and business magazines, periodicals and issuer-prepared information, including filings with the Securities and Exchange Commission and financial statements.

**Development of Client Portfolios:** Choreo advisors work with each client to develop their portfolio's risk profile based on the client's particular objectives, goals, risk tolerance, constraints and other relevant criteria and select the appropriate asset allocation model for their risk profile. As a general matter, the advisor will determine the specific investments to use in a client's portfolio from the list of investment strategies, SMA Managers and products approved in the manner described above. When an investment strategy, SMA Manager and/or product are no longer approved for investment in client portfolios, Choreo will generally seek to liquidate positions held by clients, unless a client specifically directs otherwise. In addition, the portfolios of certain clients may contain investment strategies, SMA Managers and/or products not approved in the manner described above as a result of holdings a client maintains from before they became a client of Choreo, including holdings of clients who came to Choreo through acquisitions of other investment advisory businesses. Choreo will not be responsible for any such legacy assets and will not provide due diligence, monitoring services or investment advice or recommendations with respect to any such legacy assets.

Choreo advisors manage clients assets by directly purchasing securities, allocating to other managers, investing in a variety of funds, and/or using Third-Party Models or Choreo Models described below.

Choreo may use model portfolios developed by a third party in the management of client accounts ("Third-Party Models"). Third-Party Models include allocations to investment vehicles affiliated with the third-party provider and, in some instances, exclusively to investment vehicles affiliated with the third-party provider. Choreo is not obligated to pay for Third-Party Models if client accounts are allocated to investment vehicles affiliated with the provider. Since the third-party provider and its affiliates stand to benefit financially from additional investments in affiliated investment vehicles, and Choreo stands to receive the Third-Party Models at no cost, the third-party provider and Choreo both have conflicts of interest in developing and deploying the Third-Party Models.

In addition to Third-Party Models, Choreo's centralized portfolio management team develops and manages model portfolios that align with Choreo's asset allocation models ("Choreo Models"). Choreo advisors may use Choreo Models or Third-Party Models if appropriate based upon the client's stated investment objectives.

**Risks for All Forms of Analysis:** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

**Independent Advisor Analysis:** For our OCIO service, we examine the experience, expertise, investment philosophies, and past performances of Independent Advisors in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor underlying holdings, strategies, concentrations, and leverage as part of our overall periodic risk assessment. Additionally, as part of our due diligence process for OCIO services, we survey the Independent Advisor's compliance and business enterprise risks; however, as we do not control the daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risk of Loss:** Investments in any securities, including mutual funds, private funds, ETFs and SMAs, involves a risk of loss of both income and principal. There is also a substantial risk of volatility in the market. Certain legal, tax, and regulatory changes could materially impact an investment. Past performance is not indicative of future results; therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that client goals will be achieved.

## **INVESTMENT STRATEGIES AND RISKS**

**Our advice is primarily based upon long-term investment strategies:** We emphasize the development of broadly and globally diversified portfolios. Our investment approach allows Choreo to focus on the issues and concerns of our clients, avoiding decision-making based on emotion or short-term forecasts. It is important that implementation is appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

**Asset Allocation:** Rather than focusing on selection of individual securities, we attempt to identify an appropriate mix of various types of securities among different asset classes (e.g., equities, fixed income, alternative investments, etc.) suitable to the client's investment goals and risk tolerance.

A risk of a broadly diversified asset allocation is that the client may not participate in sharp increases in a particular security, industry or narrow market sector. Another risk is that the ratio of securities among different asset classes will change over time due to market movements and, if not corrected, will no longer be appropriate for the client's goals. Rebalancing is a process that we employ to minimize this risk. Rebalancing is a process whereby the client's current asset allocation among various asset classes is adjusted back to its target allocation. Rebalancing may occur infrequently due to several factors, including tax considerations.

**Long-Term Purchases:** We may recommend that a client hold certain securities in the client's account for a year or longer in order to obtain exposure to a particular asset class over time. A risk in a long-term purchase strategy is that by holding the security for this length of time, a client may not take advantage of short-term gains that could be profitable. Another risk is that a security may decline sharply in value before a decision to sell is made.

## **TYPES OF INVESTMENTS AND RISKS**

Different types of investments involve varying degrees of risk. It should not be assumed that future performance of any specific investment will be profitable or equal any specific performance level(s). Our advisors strive to ensure our clients understand the risks of the investments we recommend, and that the client's portfolio matches the client's risk tolerance (willingness and ability to take risks). Clients may have exposure, directly or through investment with SMA Managers or investment vehicles, to various asset types, including, but not limited to, individual stocks, bonds, U.S. Treasuries, certificates of deposit, ETFs, exchange-traded notes, closed-end funds, mutual funds, private pooled investment vehicles, structured



notes, and alternative investments. In addition to general investment risks, there are additional material risks associated with the types of strategies and investment vehicles in which a client's account may invest from time to time. Please refer to the relevant prospectus or offering materials for more information regarding risk factors for a particular investment in an investment vehicle. Some of the most common risks associated with investments are discussed below. Depending on the different types of investments and strategies employed for a client's account, there are varying degrees of risk.

- **Market Risk:** The investment may incur losses due to declines in the market. Either the market as a whole, or the value of an individual company, may decline, resulting in a decrease in the value of client investments. Global markets are interconnected, and events like hurricanes, floods, earthquakes, forest fires and similar natural disturbances, war, terrorism or threats of terrorism, civil disorder, public health crises, and similar "Act of God" events have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term and wide-spread effects on world economies and markets generally. Clients may have exposure to countries and markets impacted by such events, which could result in material losses.
- **Equity Risk:** Stocks are susceptible to fluctuations and to the volatile increases and decreases in value as their issuer's confidence in or perceptions of the market change. Investors holding common stock of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Issuer Risk:** There is always a level of company or industry risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced, but not eliminated, through appropriate diversification. There is the risk that a company will perform poorly or that its value will be reduced based on factors specific to it or its industry.
- **Credit Risk:** An issuer of a security is unable to pay interest payments as scheduled or repay the principal. Credit risk can be seen with U.S. Treasury securities, for example.
- **U.S. Treasury Securities Risk:** Securities backed by the U.S. Treasury or the full faith and credit of the United States are guaranteed only as to the timely payment of interest and principal when held to maturity, but the market prices for such securities are not guaranteed and will fluctuate, including as changes in global economic conditions affect the demand for these securities.
- **Other Fixed Income Risk:** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments (i.e., Credit Risk). In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk. The fixed income instruments purchased by a client are subject to the risk that market values of such securities will decline as interest rates increase. These changes in interest rates have a more pronounced effect on securities with longer maturities or durations. Fixed income securities are also subject to reinvestment risk in that if interest rates are falling during a period of reinvestment, returns will be lower. Interest rate risk increases as portfolio duration increases. Reinvestment risk increases as portfolio duration decreases.
- **Interest Rate Risk:** As interest rates rise, the value of fixed income investments fall, and vice versa.
- **Inflation Risk:** The value of bonds or other debt instruments may not keep up with price increases from inflation.

- **Concentration Risk:** An account may concentrate its investments in a particular industry, sector or geographical area, which can result in a less diversified portfolio that may be subject to greater volatility in performance than a fund that does not concentrate its investments.
- **Sovereign Risks:** A foreign nation may either fail to meet debt repayments or not honor sovereign debt payments.
- **Political/Geopolitical Risk:** The investment may incur losses due to political changes or instability in a country, including changes in regulations, currency valuation, tax law, and spending. This risk increases with less developed or emerging nations.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. The less liquid an asset is, the greater the risk that, if circumstances require an investor to sell the asset quickly, it will be sold at a price below fair value. Generally, an asset is more liquid if it represents a standardized product or security and there are many traders interested in making a market in that product or security. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Options Risk:** Options on securities are subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time. Options, like other securities, carry no guarantees, and investors should be aware that it is possible to lose their initial investment, and sometimes more. Option holders risk the entire amount of the premium paid to purchase the option. If a holder's option expires "out-of-the-money" the entire premium will be lost. Option writers may carry an even higher level of risk since certain types of options contracts can expose writers to unlimited potential losses. Extreme market volatility near an expiration date could cause price changes that result in the option expiring worthless. Since options derive their value from an underlying asset, which may be a stock or securities index, any risk factors that impact the price of the underlying asset will also indirectly impact the price and value of the option.
- **Margin Risk:** Margin trading involves interest charges and risks, including the potential to lose more than deposited or the need to deposit additional collateral in a falling market. A margin transaction occurs when an investor uses borrowed assets by using other securities as collateral to purchase financial instruments. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. To the extent that a client authorizes the use of margin, and margin is thereafter employed by Choreo in the management of a client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Choreo will generally be increased, unless accounts hold options, in which case the fee may be decreased under certain market conditions. As a result, in addition to understanding and assuming the additional principal risk associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin will correspondingly increase the advisory fee payable to Choreo.
- **Securities-Based Loan (SBL) Risk:** Clients may, if the use of leverage is determined to be a suitable investment strategy, be able to pledge account assets as collateral for loans obtained through lenders associated with the client's account custodian. SBLs are subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the SBL if the SBL Lender determines that the value of collateralized securities is no longer sufficient to support the value of the



SBL; the risk that the SBL lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the SBL lender may terminate the SBL at any time. Choreo does not provide any offset or reduce its investment advisory fee as a result of a client's decision to enter into an SBL and charges its fees based on the market value of the securities held in a client's account.

- **ETF, Closed-end Fund and Mutual Fund Risk:** ETF, closed-end fund and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF, closed-end fund or mutual fund generally reflects the risks of owning the underlying securities held by the ETF, closed-end fund or mutual fund. If the ETF, closed-end fund or mutual fund fails to achieve its investment objective, the account's investment in the fund may adversely affect its performance. In addition, because ETFs and many closed-end funds are listed on national stock exchanges and are traded like stocks listed on an exchange, (1) the account may acquire ETF or closed end fund shares at a discount or premium to their NAV, and (2) the account may incur greater expenses since ETFs are subject to brokerage and other trading costs. Since the value of ETF shares depends on the demand in the market, we may not be able to liquidate the holdings at the most optimal time, adversely affecting performance. Closed-end funds which are not publicly offered provide only limited liquidity to investors. Closed-end funds generally are not required to buy their shares back from investors upon request. In addition, they are allowed to hold a greater percentage of illiquid securities in their investment portfolios than mutual funds.
- **Exchange Traded Notes:** An account, depending on the strategy, may invest in exchange traded notes ("ETNs"). ETNs are a type of senior, unsecured, unsubordinated debt security issued by financial institutions that combine aspects of both bonds and ETFs. An ETN's returns are based on the performance of a market index minus fees and expenses. Similar to ETFs, ETNs are listed on an exchange and traded in the secondary market. However, unlike an ETF, an ETN can be held until the ETN's maturity, at which time the issuer will pay a return linked to the performance of the market index to which the ETN is linked minus certain fees. Like other index-tracking instruments, ETNs are subject to the risk that the value of the index may decline, at times sharply and unpredictably. In addition, ETNs—which are debt instruments—are subject to risk of default by the issuer. ETNs are subject to both market risk and the risk of default by the issuer. ETNs are also subject to the risk that a liquid secondary market for any particular ETN might not be established or maintained.
- **REITs and Real Estate Risk:** The value of an account's investment in real estate investment trusts ("REITs") may change in response to changes in the real estate market. A strategy's investments in REITs may subject it to the following additional risks: declines in the value of real estate, changes in interest rates, lack of available mortgage funds or other limits on obtaining capital and financing, overbuilding, extended vacancies of properties, increases in property taxes and operating expenses, changes in zoning laws and regulations, casualty or condemnation losses, and tax consequences of the failure of a REIT to comply with tax law requirements. An account will bear a proportionate share of the REIT's ongoing operating fees and expenses, which may include management, operating and administrative expenses.
- **Tax Management Risk:** There is risk that deploying tax loss harvesting and other tax management strategies will not result in reduced or deferred taxes. Attempts to reduce the taxable consequences of a portfolio may cause a disparity in the performance of the portfolio where, for example, certain assets are not sold when they might have been sold if taxes were not considered.
- **Short Selling Risk:** A limited number of investment strategies offered by Choreo involve short selling. This is an investment strategy which involves the selling of assets that the investor does not own. The

investor borrows the assets from a third-party lender (i.e., broker-dealer) with the obligation of buying identical assets at a later date to return to the third-party lender. Individuals who engage in this activity only profit from a decline in the price of the assets between the original date of sale and the date of repurchase.

- **Deferred States Trusts™ Risk:** To the extent a client establishes a Deferred States Trusts™, a transaction intended to defer capital gains, the client may face adverse consequences if the transaction is disallowed by the US Internal Revenue Service, including the payment of interest and penalties.
- **1031 Exchange Risk:** To the extent a client engages in a 1031 Exchange, if a transaction intended to qualify as such is later determined to be taxable, such client may face adverse consequences, including the payment of interest and penalties.
- **Cash Management Risk:** A portfolio may not achieve its investment objectives during such time as cash in an account is not invested.
- **Public Health Risks:** In the event of a public health crisis or pandemic, client accounts could be negatively impacted. A public health crisis or pandemic could also have a materially adverse effect on: (i) Choreo's business; (ii) Choreo's service providers' businesses; (iii) financial markets; and (iv) the performance of client accounts.
- **Cybersecurity and Business Continuity Risks:** Choreo information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornados, floods, hurricanes and earthquakes. Although Choreo has implemented various measures to protect the confidentiality of its internal data and to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Choreo will likely have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Choreo's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to clients. Such a failure could harm Choreo's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Choreo will seek to notify affected clients of any known cybersecurity incident that will likely pose substantial risk of exposing confidential personal data about such clients to unintended parties.
- **Annuity Fee Risks:** Annuity fees will impact any living benefit feature and will reduce the cash surrender value of an annuity contract. Fees will also reduce the net death benefit payable under an annuity contract. In certain cases, fee disbursements are calculated and included as part of the free withdrawal amount permitted each year without surrender charges. There are potential tax consequences associated with advisory fee disbursements. In certain circumstances, fee disbursements may be taxable to the contract owner.
- **Other Risks, Information and Sources of Information:** Client accounts are also subject to investment style risk. A client account invested in one of our investment strategies involves the risk that the investment strategy may underperform other investment strategies or the overall market. The firm does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

Allocations to SMA Managers and investors in private funds are subject to the following additional risks:

- **Third-Party Aggressive Investment Technique Risk:** The manager may use investment techniques and financial instruments that may be considered aggressive, including but not limited to investments in derivatives, such as futures contracts, options on futures contracts, securities and indices, forward contracts, swap agreements and similar instruments. Such techniques may also include taking short positions or using other techniques that are intended to provide inverse exposure to a particular market or other asset class, as well as leverage, which can expose a client's account to potentially dramatic changes (losses or gains). These techniques may expose a client to potentially dramatic changes (losses) in the value of its allocation to the manager.
- **Liquidity and Transferability:** Certain private funds and interval funds offer their investors only limited liquidity and interests are generally not freely transferable. In addition to other liquidity restrictions, investments in private funds and interval funds may offer liquidity at infrequent times (i.e., monthly, quarterly, annually or less frequently). Accordingly, investors in private funds and interval funds should understand that they may not be able to liquidate their investment in the event of an emergency or for any other reason.
- **Use of Leverage:** Certain investment strategies keep a client's existing assets in place and utilize the account's assets as collateral to build a long/short extension. Use of leverage exposes clients to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the clients not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions, (iii) losses on investments where the investment fails to earn a return that equals or exceeds the clients' cost of borrowing such funds and (iv) fluctuations in interest rates on the clients' borrowings, which may have a negative effect on the clients' profitability. In the event of a sudden, precipitous drop in value of a clients' assets, the client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.
- **Possibility of Fraud and Other Misconduct:** When a private fund invests in an underlying fund, the private fund does not have custody of the underlying fund's assets. Therefore, there is the risk that the underlying fund or its custodian could divert or abscond with those assets, fail to follow agreed upon investment strategies, provide false reports of operations, or engage in other misconduct. Moreover, there can be no assurances that all underlying funds will be operated in accordance with all applicable laws and that assets entrusted to underlying funds will be protected.
- **Counterparty Risk:** The institutions (such as banks) and prime brokers with which a manager does business, or to which securities have been entrusted for custodial purposes, could encounter financial difficulties. This could impair the operational capabilities or the capital position of a manager or create unanticipated trading risks.

In addition to the risk factors discussed above, there is a risk that investments may have high fees, be tax inefficient, experience poor performance, and/or have poor quality of management. For mutual funds, we seek to obtain access to the most cost-effective share class available given individual client circumstances and may recommend more tax efficient mutual funds (passively managed or indexed). Clients should read any prospectus, offering memorandum, or disclosure document provided by the mutual fund or investment manager for details on the risks associated with the specific investment. All investments have a risk of loss.

## **ITEM 9 DISCIPLINARY INFORMATION**

Item 9 is not applicable to us as we have no reportable material legal or disciplinary events.

## **ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

We have relationships and arrangements that are material to our advisory business or to our clients with related persons that provide a variety of financial services and products, as detailed below. When appropriate for a client, we use and/or recommend services and products offered by our affiliates or parties in which we have a financial interest. Except as noted herein, the affiliated services, products and underlying funds charge fees in addition to the fees charged by the firm.

The management and advisory personnel of Choreo's advisory business spend the majority of their time on advisory business. From time to time, Choreo employees are involved in outside business activities. These activities include but are not limited to, board positions for institutions, charities, and non-profit groups. Due to these outside business activities, employees have a conflict of interest in allocating their time between Choreo and the other endeavors with which they are involved. Choreo seeks to monitor and manage this conflict of interest by requiring employees to report and receive approval for outside business activities.

**Brokerage Activities:** Purshe Kaplan Sterling Investments (PKS) is a FINRA-registered broker dealer. We have employees who are registered representatives of PKS and are eligible to receive trailing commissions for past sales of variable annuities and other brokerage products to clients. Choreo advisors are not permitted to receive commissions on new sales of variable annuities or brokerage products. Choreo and PKS are not affiliated companies.

**Other Investment Adviser:** Choreo Partner Alliance, LLC (CPA) is a registered investment adviser and an affiliate of Choreo. Investment advisor representatives of CPA generally receive compensation for successfully referring clients to Choreo. As such, investment advisor representatives of CPA have a conflict of interest in recommending the services of Choreo since they stand to receive compensation if the referred individual becomes a Choreo client. Referred individuals are under no obligation to become Choreo clients.

**Insurance Activities:** Choreo Insurance is a subsidiary of Choreo and is a licensed insurance agency in certain states where we conduct business. Choreo Insurance is eligible to receive commissions in certain states where it is licensed. Choreo has employees who are licensed as insurance agents with Choreo Insurance or other eligible insurance agencies ("Advisor Insurance Agents"). Advisor Insurance Agents are eligible to receive commissions for selling insurance products to clients. Advisor Insurance Agents cannot earn a commission from an advisory client unless the amount of the commission has been disclosed to the client. Clients are under no obligation to purchase insurance products through Choreo Insurance or any of its agents.

**Tax Preparation Services:** An affiliate of Choreo, Choreo Tax Services, LLC ("Choreo Tax"), provides tax preparation services by referring clients to an independent third-party tax preparer. Where a client requests these services, we generally recommend the independent third-party tax preparer. Tax preparation services shall be rendered independent of Choreo pursuant to a separate agreement between the client and the third-party tax preparer. In certain cases, Choreo Tax invoices the client and remits such payment to the third-party tax preparer.

**Choreo Ownership:** As previously discussed, Choreo is ultimately majority owned by investment vehicles managed by Parthenon Capital Partners, a separately registered investment adviser which operates

independently of Choreo. Due to its ownership structure, Choreo is affiliated with certain private investment vehicles and the managers of such vehicles. Choreo currently does not anticipate that such investment vehicles will be offered to its clients. In addition to the ownership of Choreo listed above, certain members of management, former owners of acquired firms, and employees of Choreo are equity owners.

**Affiliated Funds:** While Choreo currently does not anticipate offering affiliated investment vehicles to clients, where determined appropriate for a client in the future, Choreo may recommend investment vehicles managed by Choreo or its affiliates. As a general matter, investments in such affiliated investment vehicles are subject to a management fee and/or performance-based compensation paid to affiliates of Choreo. Generally, except where prohibited by applicable law, clients of Choreo that invest in such affiliated investment vehicles are subject to the fees of the affiliated investment vehicles, in addition to the fees charged to such client by Choreo. With the ability to earn an additional layer of fees for its affiliates, Choreo has a financial incentive to recommend investment in such affiliated investment vehicles over similar unaffiliated options. In addition, a client that invests in an affiliated investment vehicle will pay the client's pro rata share of the expenses of the affiliated investment vehicle. An affiliated investment vehicle may offer limited or no liquidity, and thus clients of Choreo may be holding the investment for an indefinite period of time. Even if the client terminates its relationship with Choreo, it may be unable to withdraw from the affiliated investment vehicle. A number of employees of Choreo maintain personal investments in certain investment vehicles managed by Choreo's affiliates, including the investment vehicles managed by Parthenon Capital Partners which ultimately own Choreo.

#### **ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Choreo has adopted a code of ethics to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (the "Code of Ethics"). The Code of Ethics contains provisions related to:

- Compliance with the firm's fiduciary obligations to investment advisory clients;
- Compliance with applicable securities laws;
- Reporting violations of the Code of Ethics to the Chief Compliance Officer;
- Periodic submission of personal securities holdings and transactions reports;
- Initial and annual certification of review and receipt of the Code of Ethics.

In compliance with Rule 206(4)-7 under the Investment Advisers Act of 1940, Choreo has adopted written policies and procedures, including those set forth in its Code of Ethics, designed to detect and prevent the misuse of material, non-public information and to protect against any advantage to firm personnel from any recommendations made to clients.

A conflict of interest exists to the extent Choreo and/or its related persons invest in the same securities that are recommended to clients. In order to address this conflict of interest, Choreo has implemented certain policies and procedures in its Code of Ethics.

If we determine that it is appropriate based on the client's investment objectives and investor status, we recommend to clients, or buy or sell for client accounts, securities in which our related persons or their family members or other clients have a financial interest or other involvement with the security. This

includes, but is not limited to, affiliated investment funds which we recommend as client investments. See Item 10 for additional disclosure regarding this conflict.

A copy of the Code of Ethics will be provided upon request. Clients and prospective clients may request a copy from their advisor or from the Compliance Department at 312-702-1680 or [wmcompliance@choreoadvisors.com](mailto:wmcompliance@choreoadvisors.com). Any concerns and reportable events can be reported to the Compliance Department at 312-702-1680 or [wmcompliance@choreoadvisors.com](mailto:wmcompliance@choreoadvisors.com).

## **ITEM 12 BROKERAGE PRACTICES**

### **THE CUSTODIAN AND BROKERS WE USE**

Choreo does not maintain physical custody of client assets on which we advise, although we may be deemed to have custody of a client's assets in certain situations, including if given authority to withdraw assets from a client's account (please see *Item 15 – Custody*). Client assets must be maintained in an account at a "qualified custodian," generally a broker/dealer or bank. We generally recommend that clients use Charles Schwab & Co., Inc. (Schwab); however, we may also recommend that clients use Fidelity Brokerage Services LLC and National Financial Services LLC (Fidelity) as the qualified custodian. Both Schwab and Fidelity are registered broker-dealers and members of the Securities Investor Protection Corporation (SIPC). If clients do not wish to place assets at Schwab or Fidelity, we may not be able to manage the account. From time to time, generally in connection with acquisitions of other investment advisers, we establish custodial relationships with other qualified custodians used by the acquired firms. In general, we do not open new accounts at those other qualified custodians. We are independently owned and operated and are not affiliated with any custodian. The custodian will hold client assets in a brokerage account and buy and sell securities based on instruction from Choreo or the client. While we generally recommend that clients use Schwab or Fidelity as custodian/broker, clients will decide whether to do so and will open client accounts with the custodian by entering into an account agreement directly with the custodian. We generally do not open accounts for clients, although we may assist clients in doing so. Our clients receive statements concerning their portfolios from both Choreo and their custodians, and we encourage clients to compare these reports. Even though a client's account is maintained at the custodian, other brokers may be used to execute trades for a client account as described below (see "Client Brokerage and Custody Costs").

### **HOW WE SELECT CUSTODIANS AND BROKERS**

The firm recommends Schwab and Fidelity to clients based on a number of factors including, but not limited to: (1) breadth of investment products made available to clients, (2) custodial platform provided to clients for which separate fees are not charged by the custodian, (3) reputation, financial strength and stability, (4) prior service to Choreo clients, and (5) other products and services that benefit Choreo, as discussed below. Choreo may not obtain execution as favorable as the execution obtained by using broker-dealers other than Schwab or Fidelity. Choreo periodically compares the prices obtained through Schwab and Fidelity, as applicable, with prices available through other brokers or execution venues for reasonableness, taking into account any applicable trade away fee. We do not consider client referrals in selecting or recommending broker-dealers.

### **CLIENT BROKERAGE AND CUSTODY COSTS**

For our clients' accounts custodied at Schwab or Fidelity, the custodian generally does not charge clients separately for custody services but is compensated by charging clients commissions or other fees on trades that it executes or that settle into a client account. In addition to commissions, the custodian charges clients a flat dollar amount as a "prime broker" or "trade away" fee for each trade executed by a



different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's account. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Because of this, in order to minimize client trading costs, we have Schwab or Fidelity execute most trades for client accounts. As a general matter, clients are not permitted to direct brokerage away from their chosen custodian. SMA Managers are authorized to use other brokers to execute trades for client accounts. The commission and/or transaction fees charged by Schwab and/or Fidelity may differ from each other and be higher or lower than those charged by other brokers. Standard fee schedules for custodians are available on their websites. Choreo has negotiated fee schedules with Schwab and Fidelity which are available upon request.

### **PRODUCTS AND SERVICES AVAILABLE TO CHOREO FROM CUSTODIANS**

Schwab and Fidelity provide Choreo access to their institutional trading and custody services, which are typically not available to retail customers. The custodians also make available various support services. Some of those services help Choreo manage or administer our clients' accounts, while others help Choreo manage and grow our business. The custodians' support services generally are available on an unsolicited basis (we do not have to request them) and at no charge, or little charge, to Choreo. Following is a more detailed description of the custodians' support services:

#### **Services That Benefit Clients**

The custodians' services include access to a broad range of investment products, execution of securities transactions, custody of client assets, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. The custodians' services described in this paragraph generally benefit clients and clients' accounts.

#### **Services That May Not Directly Benefit Clients**

The custodians also make available to Choreo other products and services that benefit Choreo but may not directly benefit clients or a client's account. These products and services assist Choreo in managing and administering our clients' accounts and include investment research from both the custodians' and from other third parties.

In addition to investment research, the custodians also make available software and other technology that:

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

We do not generally rely upon unsolicited research provided to us by the custodians in servicing our clients' accounts, but it remains available to us. On occasion, if a report would be responsive to a client's request, we may provide copies of research reports to our clients, including clients whose accounts are not maintained at the applicable custodian. We do not consider the investment research and other products and services received from Schwab or Fidelity to be "soft dollars" (research and/or other products and services paid for with client commissions) since these are not directly tied to commissions.

These products and services are provided by the custodian on an unsolicited basis for using their institutional platform.

### **Services That Generally Benefit Only Choreo**

The custodians also offer other services intended to help Choreo manage and further develop our business enterprise. These services include:

- Educational conferences and events;
- Marketing consulting and support;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

The custodians may provide some of these services directly to Choreo. In other cases, a custodian will arrange for third-party vendors to provide the services to Choreo. A custodian may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Custodians may also provide Choreo with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in our Custodians' Services**

The availability of these services from the custodians benefits Choreo because we do not have to separately produce or purchase these services. We do not have to pay for the custodians' services so long as our clients collectively keep a specified amount of their assets in accounts at the custodian. This is a conflict of interest. We believe, however, that our general recommendation of Schwab or Fidelity as custodian and broker is in the best interests of our clients. Our general recommendation is primarily supported by the scope, quality, and price of the custodians' services (please see "How We Select Custodians and Brokers" above) and not the custodians' services that benefit only Choreo.

### **AGGREGATION OF CLIENT TRADE ORDERS**

Choreo either implements client transactions separately for each client account or aggregates orders for multiple clients into block trades. If client transactions are entered separately, certain client trades may be executed before others, at different prices and/or commission rates. Additionally, our clients will not receive volume discounts available to advisors who block client trades. If we or a service provider block trade multiple client accounts at the same time and the order is partially filled, securities would be allocated pro rata across client accounts participating in the block trade.

### **CROSS TRADES, PRINCIPAL TRADES, AND AGENCY CROSS TRADES**

Choreo does not perform cross trades (a transaction involving the sale of a security in one client account and the simultaneous purchase of that security in another client account that is affected by a third party broker), principal trades (a transaction involving the purchase or sale of a security between Choreo and a client account), or agency cross trades (a transaction involving the purchase or sale of a security between a client account and an affiliated broker).

### **TRADE ERRORS**

In the event of a trade error caused by Choreo, we work with custodians to restore the client's account to the position it was in prior to any error. Client accounts will not be negatively impacted by a trade error. Corrective action taken by the custodians include, but are not limited to, cancelling the trade, making restorative payments and/or reimbursing the affected account. Depending on the custodian used by the



client, the client's account retains the profit, or the profit/loss is placed into an error account at the custodian. If the profit/loss is in an error account at the custodian, Choreo will cover any negative balance and a positive balance is given to a charity of our choosing at the end of each month.

### **ITEM 13 REVIEW OF ACCOUNTS**

#### **INVESTMENT ADVISORY SERVICES**

Accounts for which Choreo provides Investment Advisory Services are monitored on a continuous and ongoing basis with formal reviews conducted not less than annually. The review typically is conducted by the advisor responsible for the account, in association with the client. The review process is tailored to the client's individual circumstances, but typically consists of the following elements: a comparison of the portfolio to the client's goals and objectives as outlined in the client's written investment plan; an evaluation of the investment strategy in light of any change in client's circumstances; a review of the assets in the portfolio; and discussion with the client as to rebalancing the portfolio, if and as necessary.

In addition to the monthly statements that clients receive from their custodian, we offer quarterly reports or portal access summarizing account performance, balances and holdings.

#### **AGGREGATED REPORTING SERVICES**

While reviews may occur at different stages depending on the nature and terms of the specific engagement, we typically will not conduct formal reviews of accounts for which we provide Aggregated Reporting Services clients unless otherwise contracted. Choreo will not review, investigate or otherwise examine the investment worthiness of securities or any other assets held in Independent Accounts and is not responsible for any investment decisions related to such Independent Account(s). If requested, we will recommend an asset allocation (i.e., a mix of equity, fixed income and other asset classes) as appropriate in furtherance of the client's investment objectives as set forth in a written investment plan and based on our understanding of clients' needs, circumstances and risk profile. Such asset allocation advice will be made on a non-discretionary basis, meaning the client will have sole responsibility for accepting and implementing such recommendations (e.g., executing the relevant trades).

Aggregated Reporting clients are offered quarterly reports or portal access regarding the value or performance of clients' accounts that are not managed or advised by Choreo. More frequent reporting may be provided to clients upon request, which may be subject to additional fees as agreed upon in writing with the client.

#### **FINANCIAL PLANNING SERVICES**

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted.

If agreed with the client, we will prepare a written financial plan, which may be updated periodically to reflect changes in the client's circumstances to the extent requested by a client.

#### **WEALTH MANAGEMENT CONSULTING SERVICES**

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews are conducted for Wealth Management Consulting Services clients unless otherwise contracted.

Wealth Management Consulting Services clients receive reports if agreed to contractually with the client.

## **RETIREMENT PLAN AND PENSION CONSULTING AND ADVISORY SERVICES**

Choreo reviews the client's written investment plan whenever the client advises Choreo of a change in circumstances regarding the needs of the plan. Choreo will also review the investment options of the plan according to the agreed upon time intervals established in the written investment plan and contract. Such reviews generally occur quarterly. These plans are reviewed by the advisor assigned to the relationship.

These clients receive written reports on a periodic basis as agreed to in their services agreement.

## **1031 EXCHANGE SERVICES**

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews are conducted for 1031 Exchange Services clients unless otherwise contracted.

1031 Exchange Service clients receive reports if agreed to contractually with the client.

## **CLIENT RESPONSIBILITY TO NOTIFY CHOREO OF CHANGES**

It is the client's responsibility to promptly notify Choreo if there is any change in their financial or personal situation or investment objectives as it relates to any of the above contracted services.

## **ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION**

Choreo receives an economic benefit from custodians in the form of the support products and services the custodians make available to Choreo and other independent investment advisors that have their clients maintain accounts at Schwab or Fidelity. These products and services, how they benefit Choreo, and the related conflicts of interest are further described above (please see *Item 12 – Brokerage Practices*). The availability to Choreo of the custodians' products and services is not based on Choreo giving particular investment advice, such as buying particular securities for our clients. Similarly, Choreo's costs for product development are reduced if certain assets under management thresholds are met with the sub-advisor performing the product development. Therefore, Choreo has an incentive to allocate client assets to the sub-advisor. This conflict is mitigated because the fees paid by clients for direct indexing and SMA model delivery through the sub-advisors are often lower than the costs they are currently paying for similar management.

Choreo pays referral fees to a limited number of persons or firms, including Choreo's affiliate Choreo Partner Alliance, LLC, (Solicitors) for introducing clients to Choreo, as disclosed to the applicable clients. Each Solicitor retained by Choreo has executed a solicitation agreement or other similar agreement to serve as a solicitor for Choreo in accordance with applicable law. We also compensate certain employees for business development activity, including for referring, attracting and retaining client assets, in accordance with applicable law.

Certain Choreo advisors are associated with Overture Strategic Partners LLC ("Overture") which offers independent trustee services for Deferred Sales Trusts™. From time to time, clients who are in need of such services may be referred to Overture. In consideration of such referrals to Overture, Choreo advisors who are associated with Overture will receive a percentage of the profits Overture derives from the clients referred to Overture. This creates a conflict of interest due to the financial incentive it creates for us to refer clients to Overture based on the additional compensation the applicable Choreo advisors stand to earn. We address this conflict of interest by advising referred clients of the compensation that will be received, and by advising clients that they are not obligated to utilize the independent trustee services of

Overture or any other third-party we may recommend. No Choreo advisors act as trustee for clients who use Overture's services.

From time to time, Choreo may seek sponsorship from third parties, fund managers and/or vendors to host companywide events which includes practice management education, thought leadership and general educational seminars.

#### **ITEM 15 CUSTODY**

Except for any privately held securities that do not need to be held by a qualified custodian, all client securities under our management are held at independent, qualified custodians. As noted in Item 5 - Fees and Compensation, our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to provide the client a statement showing all transactions within the account during the reporting period. Choreo urges its clients to compare the official account statement from the custodian with the quarterly reports provided from Choreo, if applicable.

The custodian does not calculate the amount of the fee to be deducted; therefore, it is important for clients to carefully review their custodial statements to verify the accuracy of the fee calculation, among other things. Clients should contact Choreo directly if they believe an error may have occurred.

Clients should receive monthly or quarterly statements or links to their quarterly statements from the broker-dealer, bank, or other qualified custodian that holds and maintains clients' investment assets. These reports detail the performance of the accounts, portfolio holdings, and transactions. The relevant custodian(s) will also send information regarding account holdings, transactions, and cash flows directly to clients. Clients may also choose to receive trade confirmations directly from the custodian. Choreo urges clients to carefully review such statements and compare such official custodial records to the quarterly reports that we may provide, which may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **ITEM 16 INVESTMENT DISCRETION**

Except as otherwise agreed, clients generally provide Choreo discretionary authority when they engage Choreo to provide Investment Advisory Services. Clients may limit this authority by giving Choreo written instructions. Clients may also change/amend such limitations by providing Choreo with written instructions. Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell;
- Determine the amount of the security to buy or sell;
- Determine when to place the buy or sell;
- Selecting SMA Managers for client accounts; and
- Reallocating and/or journaling assets between client accounts at the same custodian.

#### **ITEM 17 VOTING CLIENT SECURITIES AND CLASS ACTIONS**

Unless otherwise agreed with client in writing, Choreo will not take any action or render any advice regarding the voting of proxies for securities on behalf of clients. Accordingly, although Choreo may provide investment advisory services for client investment assets, generally clients maintain exclusive responsibility for (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Unless otherwise agreed with client in writing, Choreo does not offer any consulting assistance regarding proxy issues to clients.

In situations where Choreo does have proxy voting responsibilities (which generally occurs through the acquisition of other investment advisory businesses which previously accepted this responsibility), Choreo uses a proxy service provider's suite of electronic voting services which allow us to manage proxy voting through electronic delivery of ballots, online voting, and integrated reporting and record keeping. Voting recommendations are provided by the proxy service provider and generally will not be overridden by us.

Unless otherwise agreed with client in writing, we will neither advise nor act on behalf of clients in a legal proceeding involving companies whose securities are in client accounts, including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

#### **ITEM 18 FINANCIAL INFORMATION**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client six months or more in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts and that may be deemed to have custody, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Choreo has no additional financial circumstances to report. Choreo has not been the subject of a bankruptcy petition at any time during the past ten years.