

# BROWN WEALTH MANAGEMENT LLC

## **Form ADV Part 2A Firm Brochure March 20, 2024**

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**This Brochure provides information about the qualifications and business practices of Brown Wealth Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 952-303-6715 or at [Tim@BrownWealth.com](mailto:Tim@BrownWealth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Brown Wealth Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

## **Item 2            Material Changes**

This section describes the material changes to this Form ADV Part 2A, Brochure since the March 27, 2023, annual updating amendment.

There have been no material changes to this Brochure since the last annual updating amendment.

Brown Wealth Management, LLC's Chief Compliance Officer, Timothy B. Brown, remains available to address any questions that a client or prospective client may have regarding this Brochure.

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#### **Item 4            Advisory Business**

- A. Brown Wealth Management (the “Firm”) is a limited liability company formed on January 15, 2003 in the State of Minnesota. The Firm became registered as an investment adviser on August 15, 2002 with the Minnesota Department of Commerce and has been registered with the U.S. Securities and Exchange Commission since March 26, 2018. The Firm is owned entirely by Timothy B. Brown, who is also the Firm’s Chief Compliance Officer.
- B. As discussed below, the Firm offers to its clients (generally, individuals, high net worth individuals, pension and profit-sharing plans) investment advisory services, financial planning and related consulting services, and retirement plan consulting services.

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

The Firm provides fee-only financial planning and investment counseling services to individuals, corporations, small business, 401(k), pensions and profit-sharing plans, estates and trusts. The firm makes available financial planning to clients. This includes the five areas of financial planning which are Protection, Estate Planning, Income Tax Planning, Retirement income Planning and Investment Planning. The firm offers discretionary investment advisory services on advisory accounts.

This service is generally available for clients who have \$750,000 or more in investable assets.

For most clients, the Firm’s compensation derives from investment advisory fees on assets that are managed by the Firm, on behalf of the client. Clients pay the Firm a management fee, also called an investment advisory fee, calculated as a percentage of the market value of the account.

##### **HERITAGE DESIGN WEALTH MANAGEMENT**

The Heritage Design Wealth Management (HDWM) service is designed to help families survive and thrive for generations. HDWM is intended to educate and prepare children and grandchildren to grow, manage and protect the wealth they stand to inherit. HDWM is intended to assist high net worth families with traditional wealth management with a focus on education, estate planning, asset transfers, wealth preservation, and maintaining families for generations. The fee for this service is separately negotiated and dependent on the level of assets, the number of family members, and complexity.

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

The Firm also offers non-discretionary retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans and defined benefit plans with the selection and/or monitoring of investment alternatives from which plan participants may choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Firm may also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement between the Firm and the plan sponsor shall be set forth in a Retirement Plan Consulting Agreement.

## **MISCELLANEOUS**

**Non-Discretionary Service Limitations.** Clients that engage the Firm on a non-discretionary basis must be willing to accept that the Firm cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. For example, if securities markets experience significant volatility, and the client is unavailable to provide to consent to the Firm's recommended transactions, the Firm will be unable to effect such transactions as it would for its discretionary clients.

**Limitations of Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Firm may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. The Firm does not serve as a law firm, accounting firm, or insurance agency, and no portion of the Firm's services should be construed as legal, accounting, or insurance implementation services. Accordingly, the Firm does not prepare estate planning documents, tax returns, or sell insurance products. To the extent requested by a client, the Firm may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Firm. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

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

**Account Aggregators.** The Firm may provide its clients with access to online platforms that allow a client to view their complete asset allocation, including those assets that the Firm does not manage (the "Excluded Assets"). The Firm does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, the Firm shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and their other advisor(s) that maintain management authority for the Excluded Assets, and not Firm, shall be exclusively responsible for such investment performance. The client may choose to engage the Firm to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between the Firm and the client. Finally, the Firm shall not be held responsible for any adverse results a client may experience if the client engages in other functions on any online platform without the Firm's assistance or oversight.

**Trade Error Policy.** The Firm shall reimburse accounts for losses resulting from Firm's trade errors.

**Retirement Plan Rollovers.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted,

(iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If the Firm recommends that a client roll over their retirement plan assets into an account to be managed by the Firm, such a recommendation creates a conflict of interest if the Firm will earn a new (or increase its current) advisory fee as a result of the rollover. To the extent that the Firm recommends that clients roll over assets from their retirement plan to an IRA managed by the Firm, then the Firm represents that it and its investment adviser representatives are fiduciaries under the Employee Retirement Income Security Act of 1974 (“ERISA”), or the Internal Revenue Code, or both. No client is under any obligation to roll over retirement plan assets to an account managed by the Firm.

**Use of Mutual Funds.** While the Firm may recommend allocating investment assets to mutual funds that are not available directly to the public, the Firm may also recommend that clients allocate investment assets to publicly-available mutual funds that the client could obtain without engaging Firm as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds without engaging Firm as an investment adviser, the client or prospective client would not receive the benefit of Firm’s initial and ongoing investment advisory services. Other mutual funds, such as those issued by Dimensional Fund Advisors (“DFA”), are generally only available through registered investment advisers. Firm may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of Firm’s services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply. Clients that determine to sell such mutual funds could experience tax consequences. Firm is not responsible for any tax consequences incurred by clients because of their decision to sell mutual funds held in their account following the termination of the Firm’s services.

- C. The Firm shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s). Thereafter, Firm shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on Firm’s services.
- D. The Firm does not participate in a wrap fee program.
- E. As of January 25, 2024, the Firm had \$173,270,000 in assets under management, of which \$151,850,000 was managed on a discretionary basis and \$21,420,000 was managed on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **A. INVESTMENT ADVISORY SERVICES**

The Firm’s annual investment advisory fee is generally determined in one of three ways, each described in more detail below.

- 1. **Fixed Fees.** A fixed, annual fee. These arrangements are currently subject to a \$7,500 minimum annual fee. The Firm sets these fees based on various objective and subjective factors and after discussion with the client. The factors that the Firm

considers include, but are not limited to, the amount of the client's asset, the level and scope of the investment advisory services required, the complexity of the engagement and the number of times the client would like to meet with the Firm.

2. **Asset Based Fees.** An annual fee based upon the market value of the assets placed under the Firm's management. These arrangements are currently subject to a \$7,500 minimum annual fee. New clients will generally be subject to the following fee schedule:

<u>Market Value of Assets under Management or Advisement</u>	<u>% of Assets</u>
First \$3,000,000	1.00%
Amounts Exceeding \$3,000,000	0.70%

3. **Hourly Fees.** An hourly fee of \$400/hour. This hourly service is limited to clients with investment assets of less than \$350,000.

Fixed Fees and Asset Based Fee arrangements generally include initial financial planning fees, which on a stand-alone basis are charged according to the description contained in the Financial Planning and Consulting Services section below.

The Firm seeks to provide complete transparency about fees and expenses. Clients receive a confirmation statement from their account's custodian of each transaction clearly disclosing any transaction fees charged by the account custodian, and monthly statements detailing all activity and transaction fees.

The Asset Based Fee minimum of \$7,500 means that clients will pay at least \$1,875 each quarter. Clients with less than \$750,000 under management will be subject to rates above 1.00%.

At any time, clients may add funds or securities to their accounts, withdraw funds or securities from their accounts, or close their accounts. There are no lock-up provisions. Upon termination, any fees paid in advance are refunded pro-rata based on the number of days remaining in the period.

From time to time, the Firm may amend its fee structures and rates. Clients will be responsible for the fee contained in their applicable agreement, as amended from time to time. Based on our pricing arrangements, the Firm's clients can pay different fees for the same or similar services. The services provided to any particular client could be available from other investment advisers at lower (or higher) rate. All clients and prospective clients should be guided accordingly.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

Firm's financial planning and consulting fees are negotiable, but generally are \$400 per hour on an hourly rate basis, or between \$1,500 and \$10,000 on a fixed fee basis, depending upon the level and scope of the service(s) required.

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

The Firm also provides non-discretionary retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans and defined benefit plans with

the selection and/or monitoring of investment alternatives. The terms and conditions of the engagement shall generally be set forth in a Retirement Plan Consulting Agreement between the Firm and the plan sponsor. The Firm charges a negotiable annual fee for retirement plan consulting services, which generally ranges from 0.10% to 0.50% of plan assets depending on the level and scope of services requested, and the size of the plan.

**DISCLOSURE APPLICABLE TO ALL INVESTMENT ADVISORY SERVICES**

The Firm, in its sole discretion, may reduce its minimum fees and/or charge lesser fees based upon certain criteria, including without limitation, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, and negotiations with client.

- B. Clients may elect to have Firm's advisory fees deducted from their custodial account. Both Firm's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of Firm's investment advisory fee and to directly remit that fee to Firm in compliance with regulatory procedures. If the Firm bills the client directly, including for financial planning and consulting relationships, payment is due upon receipt of Firm's invoice.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Firm shall generally recommend Charles Schwab & Co., Inc., member FINRA/SIPC ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds and markups and mark downs are charged for fixed income securities transactions). In addition to Firm's investment advisory fees, brokerage commissions and/or transaction fees, clients will incur, relative to all mutual fund and ETF purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Except for hourly fees, the investment advisory services fee shall be prorated and paid quarterly, in advance. For current clients, this fee is based upon the market value of the assets under management and/or advisement on the first business day of the previous month. For new clients, it is based upon the value of the assets as provided by the client upon signing the agreement. Except for hourly fees, one-fourth of the investment advisory services fee is due and payable upon the execution of the applicable form of client agreement, and the remaining balance will be equally billed or deducted from client's account at three-month intervals. Thereafter, the investment advisory fee will be recalculated at the beginning of each 12-month period. The applicable form of agreement between the Firm and the client will continue in effect until terminated by either party by written notice in accordance with the terms of such agreement. Upon termination of the agreement, the Firm shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter, or debit or bill the client's account for the pro-rated portion of the unearned advanced fee based upon the number of days remaining in the quarter, as applicable. Hourly fees are generally due upon receipt of an invoice.
- E. Neither Firm, nor its representatives, accepts compensation from the sale of securities or other investment products.



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

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

## **Item 7            Types of Clients**

Most of the Firm's clients are either closely held family businesses or about to retire or are already retired individuals. Any client who has a financial, tax or investment problem, or who wishes to plan for their financial future could stand to benefit from our services.

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

A. The Firm may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

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

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

The Firm continually adapts its investment recommendations to market conditions and individual client needs. Experience has shown that no one approach works at all times for all clients.

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Firm) will be profitable or equal any specific performance level(s).

B. Firm's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Firm must have access to current/new market information. Firm has no control over the dissemination rate of market information; therefore, unbeknownst to Firm, certain analyses may be compiled with outdated market information, severely limiting the value of Firm's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

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

- C. Currently, Firm primarily allocates client investment assets among various individual equities, bonds, ETFs, index funds, and no-load and load-waived mutual funds on a discretionary or non-discretionary basis in accordance with the client's designated investment objective(s). In certain limited cases, Firm may also recommend the allocation of investment assets to Real Estate Investment Trusts ("REITs") and Structured Notes, which involve a higher level of inherent risk and liquidity constraints.

**REITs.** REITs are subject to risks generally associated with investing in real estate, such as: possible declines in the value of real estate; adverse general and local economic conditions; possible lack of availability of mortgage funds; changes in interest rates; and environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility. In the event that a client has any questions regarding the purchase of REITs for their account, the Firm's Chief Compliance Officer, Timothy B. Brown, remains available to address them.

**Structured Notes.** A structured note is a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. It is essentially a note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. Finally, structured notes may also have liquidity constraints, such that the sale thereof prior to maturity may be limited. **In the event that a client has any questions regarding the purchase of structured notes for their account, the Firm's Chief Compliance Officer, Timothy B. Brown, remains available to address them.**

## Item 9      Disciplinary Information

The Firm has not been the subject of any reportable disciplinary actions.

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

- A. Neither Firm, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Firm, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Firm has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Firm does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients. However, the Firm maintains a Business Continuity and Succession Plan and seeks to avoid a disruption of service to clients in the event of an unforeseen loss of key personnel, due to disability or death. To that end, the Firm entered into a succession agreement with Buckingham Strategic Wealth, effective November 12, 2015. The Firm can provide additional information to any current or prospective client upon request to Timothy Brown, Principal at Tim@BrownWealth.com.

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

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

Firm also maintains and enforces policies reasonably designed to prevent the misuse of material non-public information by Firm or any person associated with Firm.

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

Firm has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Firm's "Access Persons". Firm's securities transaction policy requires that an Access Person of Firm must provide the Chief Compliance Officer or his/her designee with a written report of their current securities

holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Firm selects.

- D. Firm and/or representatives of Firm may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Firm and/or representatives of Firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Firm has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Firm's Access Persons.

## **Item 12      Brokerage Practices**

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

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

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

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Firm may receive from Schwab (or another broker-dealer/custodian, investment platform, vendor, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Firm to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Firm may be investment-related research, pricing information and market

data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Firm in furtherance of its investment advisory business operations.

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

Firm's clients do not pay more for investment transactions effected and/or assets maintained at Schwab because of this arrangement. There is no corresponding commitment made by Firm to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangement.

2. Firm does not receive referrals from broker-dealers.
3. Firm does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Firm will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Firm. As a result, clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Firm to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction will generally cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Firm. Higher transaction costs adversely impact account performance. Please Also Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. Firm's Chief Compliance Officer, Timothy B. Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that Firm provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Firm decides to purchase or sell the same securities for several clients at approximately the same time. Firm may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Firm's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Firm shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Firm provides investment advisory services, account reviews are conducted on a periodic basis. For the avoidance of confusion, the Firm does not review its recommendations made to clients receiving advice pursuant to the Financial Planning and Consulting Services discussion above. All clients are advised that it remains their responsibility to advise Firm of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with Firm on an annual basis.

Firm generally reviews all client accounts receiving ongoing investment advisory services on a periodic basis and seeks to meet with such clients on at least an annual basis. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. During each meeting with the client, Firm discusses the client's accounts and securities portfolio(s) along with other matters, such as insurance or tax matters, that are relevant to the client's investment objectives. Where necessary, in light of the client's particular investment objectives, Firm recommends changes to the client's securities portfolio(s).

Firm may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event such as a market correction, large deposits or withdrawals from an account, substantial changes in the value of a client's portfolio, change in the client's investment objectives and client request.

- B. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for their accounts.

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

- A. As referenced in Item 12.1 above, Firm may receive economic benefits from Schwab including support services. Firm's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by Firm to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.
- B. Firm does not directly or indirectly compensate any person or entity in the event that a client is introduced to Firm for referral purposes.

### **Item 15            Custody**

It is Firm's policy to not accept physical custody of a client's securities. In other words, Firm is not granted access to a client's accounts which would enable Firm to withdraw or transfer or otherwise move funds or cash from any client account to Firm's accounts or the account of any third party (other than for purposes of fee deductions, as explained below).

The Firm has written authorization to deduct its fees directly from client's accounts at Schwab. The account custodian does not verify the accuracy of Firm's advisory fee calculation. All of the Firm's clients receive account statements directly from qualified custodians, such as a bank or broker-dealer that maintains those assets. To the extent the

Firm provides any client with an account statement, it may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The Firm urges all clients to compare the statements that it provides with those provided by the custodian in order to ensure their accuracy.

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

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

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

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

- A. Firm does not vote client proxies. 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.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Firm to discuss any questions they may have with a particular solicitation.

#### **Item 18          Financial Information**

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