

# Capital Cities, LLC

426 East New York Street  
Indianapolis, IN 46202-3602

**Telephone: 317-475-4500**

**Facsimile: 317-475-4505**

[www.capcities.com](http://www.capcities.com)

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Capital Cities, LLC. If you have any questions about the contents of this brochure, contact us at 317-475-4500. 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 Capital Cities, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Capital Cities, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated February 26, 2023, we have no material changes to report.

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## Item 4 Advisory Business

### Description of Services and Fees

Capital Cities, LLC is an independent provider of investment consulting services to public funds, retirement plans, foundations, endowments, operating funds and trusts. Capital Cities, LLC is a registered investment adviser with the U.S. Securities and Exchange Commission and is headquartered in Indianapolis, Indiana. We are organized as a limited liability company under the laws of the State of Indiana. We have been providing investment advisory services since 1998. William Mauger and Joe Bill Wiley are principal owners owning 25% or more of Capital Cities, LLC.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to our clients' needs. As used in this brochure, the words "we," "our," and "us" refer to Capital Cities LLC, and the words "you," "your," "plan," and "client" refer to you as either a client or prospective client of our firm. Additionally, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Consulting and Management Services

Our advice is specific to your investment objectives, time horizon, risk tolerance, asset class preferences and expected returns. The range of investment consulting services we offer is depicted below in our five-step process. While each client has unique needs and nuances, we encourage following the institutional process:

1. **Review of Current Program** - We will complete a study analyzing the portfolio's/plan's current position. The analysis will include recommendations of actions to be taken and a timeline for these actions to be completed.
2. **Asset Allocation Modeling/Investment Structure Evaluation** - We will assist in the preparation of asset allocation modeling. This includes; (i) development of investment policy guidelines, (ii) evaluation and development of asset allocation strategy and spending policy/liability coordination, (iii) suggestions of alternative investment manager structures, if appropriate, and (iv) identification of appropriate performance benchmarks. In the case of participant-directed plans, we will assist in the determination of an appropriate investment menu by evaluating whether there are gaps or overlaps in the investment structure.
3. **Initial Investment Policies and Procedures** - We will assist in the preparation of a written Investment Policy Statement (hereafter IPS) that typically includes; (i) duties of the investment committee, board, staff, custodian/recordkeeper, and consultants, (ii) investment objectives, (iii) investment guidelines, (iv) procedures for selection of investment managers and other vendors, and (v) benchmarks and procedures for monitoring investment performance.
4. **Investment Manager and Custodian/Recordkeeper/Program Manager Search** - We will assist in selecting investment managers and, if necessary, a custodian/recordkeeper/program manager. We will present the board and/or investment committee with recommendations for investment managers and/or custodian/recordkeeper/program manager that fit the fund/plan specifications and needs.
5. **Retainer Services** - We can be retained to provide ongoing services including periodic review of the IPS, periodic review of fees, searches for additional or replacement investment managers if needed, preparation of quarterly investment performance measurement reports, and presentation of reports at quarterly board and/or investment committee meetings.

To enhance our investment consulting services, we are a member of the Independent Adviser Group (IAG), a division of Callan Associates Inc. ("Callan"). Callan is one of the largest institutional investment consulting firms in the country. The IAG is a group of independent investment advisory

firms with access to various services of Callan. Through our membership in the IAG, we have access to research and analytical software tools. Such services include capital markets and investment manager research. The analytical tools are used to assist in determining an appropriate asset allocation strategy, establishing investment manager structure, and monitoring portfolio and investment manager results relative to benchmarks and peer groups.

### **Other Services**

In limited circumstances, we may be engaged to monitor the account on a regular, but periodic basis. Subject to any written guidelines provided by you we will be granted discretion and authority to perform various functions without further approval from you. Such functions include determining the securities and amount of securities to be purchased/sold for the purposes of periodically re-balancing the portfolio as changes in market conditions and your circumstances may require. In some cases, we may be granted discretionary authority to hire and fire managers and reallocate your assets to other funds, where such action is deemed to be in your best interest. Additionally, we may enter into non-discretionary arrangements, where we will obtain your approval prior to the execution of any trade.

In some cases, you may wish to engage us on a per-project basis. For example, we might conduct a fiduciary review, fee analysis, manager evaluation, etc.

### **Advisory Services to Retirement Plans**

As disclosed above, we offer various levels of advisory and consulting services to retirement plans ("Plan"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to plan participants under the Employee Retirement Income Securities Act ("ERISA") to the extent the Plan is subject to ERISA. Pursuant to adopted regulations of the U.S. Department of Labor, we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan are described above, and in the service agreement that you have previously signed. Our compensation for these services is described herein at Item 4 and Item 5, and also in the service agreement. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan, unless the plan sponsor directs us to deduct our fee from the plan or directs the plan record-keeper to issue payment for our fee out of the Plan. If we receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

In providing services to the Plan, our status is that of an investment adviser registered under the Investment Advisers Act of 1940, and we are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting as a fiduciary of the Plan as defined in Section 3(21) under ERISA, and, to the extent applicable, as a discretionary fiduciary of the Plan as defined in Section 3(38) under ERISA.

### **Types of Investments**

We do not typically provide advice on individual securities such as individual company stocks or bonds. We may advise you on either a discretionary or non-discretionary basis to implement asset allocation strategies with investment managers via separately-managed accounts, mutual funds, exchange-traded funds, limited partnerships, and other commingled vehicles that may invest in some or all of these types of securities. You may request that we refrain from investing in particular securities or certain types of securities.

## **Assets Under Management\*\***

We provide investment consulting services to approximately 52 clients with assets totaling just over \$35 billion as of December 31, 2023. The vast majority of these assets are advised to on a non-discretionary basis. In a few cases, clients delegate authority to us to take specific investment-related actions on their behalf. See "Item 16 – Investment Discretion" in this brochure.

As of December 31, 2023, we manage \$175,532,425 in client assets on a discretionary basis. We do not provide continuous supervision of these assets; however, we periodically re-balance the accounts. We also advise on \$35,059,046,014 in client assets on a non-discretionary basis. This figure reflects the amount of assets for which we provide advice. We do not provide continuous supervision of these assets; however, we make periodic recommendations to the client or other plan fiduciaries.

\*\*These assets do not meet the SEC's definition of "regulatory" assets under management and are not reported as such on Form ADV Part 1. We are registered with the SEC, rather than state securities authorities, because we provide investment advice to employee benefit, governmental plans, or church plans with respect to assets having an aggregate value in excess of \$200,000,000.

## **Item 5 Fees and Compensation**

### **Fees**

Fees are customized and are dependent on the amount of work involved, any client-specific consulting needs, and the size of the account. We receive no compensation from any source other than the fees paid to us by our clients. Fees can be either a percentage of assets or a fixed fee. Fees may range from 0.05% to 1.00% of the asset value per year and/or may be set as a fixed fee for a certain pre-determined period of time. Fees are paid either quarterly in advance or quarterly in arrears. The advisory agreement details your specific fee arrangements.

Typically, fees for individual projects will be a negotiated one-time fee due upon completion of the relevant project. However, all fees and terms will be negotiated between us and the client in advance of services rendered and outlined in the client agreement.

### **Termination of Services**

Either party to the Advisory Agreement can terminate the Advisory Agreement upon 30 days' written notice. If applicable, any prepaid, unearned fees will be refunded to you.

### **Additional Fees and Expenses**

Our consulting fees do not include investment management fees, custody/recordkeeper/program manager fees, transaction costs, retirement plan administrator costs or any fees charged by other service providers. In our role as a fiduciary, we use our knowledge of the marketplace to work diligently to assist with identifying and negotiating the best services, at a reasonable cost, from third-party service providers.

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

### **Compensation for the Sale of Securities or Other Investment Products**

Neither our firm nor our Associated Persons are licensed to sell securities, insurance, or any other investment products. Therefore, they do not earn any additional compensation in the connection with investments made on behalf of your account(s).

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

We do not accept performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Fees and Compensation* section above and are not charged based on a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. We do not participate in side-by-side management of your accounts with performance-based fee accounts.

## **Item 7 Types of Clients**

We are an independent provider of investment consulting services to public funds, retirement plans, foundations, endowments, operating funds and trusts.

In general, we require you to have in excess of \$5,000,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size.

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

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

We may use one or more of the following methods of analysis of investment strategies when providing investment advice to you:

*Qualitative Analysis* - involves utilizing judgment to analyze investment strategies based on non-quantifiable information such as organizational strength, management stability, portfolio manager expertise and clarity of investment philosophy and process.

*Quantitative Analysis* - involves analyzing quantifiable data such as performance and risk relative to benchmarks and peer groups, as well as fees.

*Asset Allocation/Liability Analysis Modeling* - involves utilizing forward-looking estimations for risk and return across asset classes to inform recommendations on overall asset allocation strategies.

We provide a comprehensive five-step institutional process with the objective of designing an investment strategy that achieves sufficient returns to achieve your goals while minimizing volatility. This process is outlined previously in Item 4.

Our investment strategies and advice may vary depending upon your specific financial situation and suitability.

Strategies may be based upon consideration of any of the following:

- Risk tolerance
- Asset Class Preferences
- Expected Return
- Current income needs
- Need for inflation protection
- Loss of principal tolerance
- Volatility of income
- Liquidity requirements
- Time Horizon
- Tax considerations
- Legal requirements
- Unique needs and considerations

Your restrictions and guidelines may affect the composition of your portfolio.

Asset allocation modeling allows us to identify an appropriate investment strategy for each client. We believe the asset allocation decision (the allowable exposure of the portfolio to the asset classes of capital appreciation, capital preservation and cash securities) is the most important determining factor to portfolio performance both from identifying an expected probability in return, to the expected range of downside risk. We believe quantifying downside risk is the one the best ways to identify a client's risk tolerance.

In constructing manager structures, we generally believe, in most instances, that a combination of active and passive management should be utilized. Passive management assists with controlling costs particularly in more efficient sub-asset classes. Active management allows for the exploitation of market inefficiencies especially within less efficient asset classes. A risk associated with active management is that certain managers can experience significant tracking errors from their benchmarks.

Our asset allocation process does not eliminate risk, but it does attempt to reduce volatility through diversification. We believe this process results in the implementation of broadly diversified portfolios.

For participant-directed plans, we will assist in the determination of an appropriate investment menu by evaluating whether there are gaps or overlaps in the investment structure. Variables considered may include the following, if appropriate given the plan type:

- Is the investment menu designed to meet ERISA 404(c) and Qualified Default Investment Alternative (QDIA) regulations?
- Is the investment menu generally providing an investment solution for each type of participant?
- Is the investment menu offering an appropriate number of investment options that allow participants to build a diversified portfolio?
- Is the investment menu appropriate in light of current industry trends and regulations?
- Is the investment menu meeting your unique objectives for the plan?

Upon completion of the identification of an appropriate investment strategy, we will assist in the completion of an IPS. We believe this is the most important step in the investment process as it provides governance and continuity for the investment management program. The IPS assists in managing risks in many ways, including helping remove the emotion out of future decision making. The IPS includes criteria for manager selection and the monitoring of investment performance.



After the IPS is adopted, we assist in identifying investment managers to implement the investment strategy. Generally, mutual funds, exchange traded funds, common trust funds, separately managed stock or bond portfolios, and limited partnership investments are implemented. We believe that investment managers should have a proven strategy and track record, and charge competitively. We do not normally advise on, recommend, or monitor individual stocks or bonds.

Finally, the preparation of performance reports, coupled with the benchmarking procedures established in the IPS, allows for effective ongoing management of the investment strategy. In addition, we find value in periodically reviewing the IPS and confirming the asset allocation/investment menu decision. If necessary we will adjust the investment strategy as well as identify potential changes in investment managers.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. No investment strategy or method of analysis can assure that any trade or investment will result in a profit. Furthermore, you should be aware that any trade or investment could result in a loss and that the value of your portfolio could decline below the original investment. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Risks of Asset Allocation**

The risks of investing via a diversified asset allocation strategy include that you may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of capital appreciation, capital preservation, and cash securities will change over time due to market price movements and, if not corrected, will no longer meet your goals. Therefore, a disciplined rebalancing strategy should be incorporated into the investment strategy.

### **Risks of Securities**

As disclosed under the Advisory Business section in this brochure, we advise on various types of securities. We do not necessarily recommend one particular type of security over another, since each client has different needs and different tolerances for risk. Each type of security has its own unique set of associated risks. Risks can vary widely, even within the same type of securities. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

We recommend mutual funds and exchange traded funds. Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and exchange-traded funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds and exchange-traded funds can be reduced by the costs to manage the funds. In addition, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds charge such fees, which can also reduce returns. Mutual funds can also be "closed end" or "open end." So-called "open end" mutual funds continue to allow in new investors indefinitely, which can dilute other investors' interests. We primarily recommend no-load funds.

Commingled Funds are mutual funds that include assets from several accounts pooled together, to reduce management and administration costs. These are sometimes called pooled funds. Investors in commingled fund investments benefit from economies of scale, which allow for lower trading costs per dollar of investment, diversification, and professional money management. These funds are "commingled" to reduce the costs of managing them separately, but the main disadvantage of these funds is that capital gains are spread evenly among investors.

Collective Investment Trusts (CITs) are tax-exempt, pooled investment vehicles sponsored by a bank or trust company exclusively for qualified plans, including 401(k)s, as well as for certain types of government plans. Plan sponsors can offer participants trusts with a variety of investment objectives, including target date funds. For some trusts, independent money managers are hired to sub-advise these trusts in a manner that reflects the investment objective of the trust. For others, the trust's assets are invested in shares of mutual funds or exchange-traded funds (ETFs) in a manner that reflects the trust's investment objective. CITs are less likely to provide their pricing data in newspapers and on websites, although monthly investment returns and daily trust unit values are generally found on the participant website. Participants cannot roll over their CIT-balances when they leave the 401(k) because the trusts do not trade on open markets. Consequently, the participant must choose between leaving the assets with the previous employer (if permitted) or liquidating his or her CIT holdings and then rolling over the cash position to the new employer's plan or an IRA. Although CITs are not subject to the Investment Company Act of 1940 and are not registered, they are not unregulated. In the U.S., collective trusts are subject to banking regulations and are supervised by the Office of the Comptroller of the Currency (OCC), unlike mutual funds that are regulated by the SEC. The Pension Protection Act of 2006 approved CITs as default investment options for defined contribution plans.

#### **Risk of Utilizing Active Investment Managers**

Utilizing active investment managers exposes you to potential tracking errors, which is described as a deviation in performance between the actively-managed strategy and the broad market against which the active manager is trying to add value.

#### **Risk of Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers began reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Item 9 Disciplinary Information**

Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

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

### **Arrangements with Other Investment Advisers**

We are affiliated with Capital Cities Investments, Inc. through common control and ownership. Capital Cities Investments, Inc. is an SEC-registered investment adviser. Associated Persons of our firm are also registered as investment adviser representatives of Capital Cities Investments, Inc. Our advisory services are separate and distinct from the advisory services offered by Capital Cities Investments, Inc. Advisory fees paid to our firm are separate and distinct from fees paid to Capital Cities Investments, Inc. for their advisory services. Clients of our firm are not clients of Capital Cities Investments, Inc.

We are a member of the Independent Adviser Group (IAG), a division of Callan Associates Inc. ("Callan"). Callan is one of the largest institutional investment consulting firms in the country. The IAG is a group of independent investment advisory firms with access to various services of Callan. Through our membership in the IAG, we have access to research and analytical software tools. Such services include capital markets and investment manager research. The analytical tools are used to assist in determining an appropriate asset allocation strategy, establishing investment manager structure, and monitoring portfolio and investment manager results relative to benchmarks and peer groups.

Gene Krinn, Member and Senior Advisor of our Company is the sole member of Fairway Advisors, LLC. Fairway Advisors LLC provides consulting regarding single family office executive operations, family generational issues, and manager research and due diligence on private investments. We may retain Fairway Advisors to provide these services to our firm which creates a conflict of interest since an associated person of our firm, will benefit from us engaging the services of Fairway Advisors, LLC. You are not charged any more for the services we provide to you if we engage Fairway Advisors to consult with us on your account or the execution of the services we provide to you.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Robert Pelkey at 317-475-4500.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

**Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

**Item 12 Brokerage Practices**

We may recommend brokers/trustees to clients and such recommendations will take into account a number of factors, some of which may include custodial fees charged by the broker for holding securities for you, commission rates, quality of execution and record keeping and reporting capabilities, among others. When recommending a broker/trustee, we will attempt to minimize the total cost for all services paid by you. However, it may be the case that the recommended broker/trustee charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker.

**Research and Other Soft Dollar Benefits**

We do not have any soft dollar arrangements with any brokers/dealers or other qualified custodians.

**Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

**Directed Brokerage**

In limited circumstances, you may engage us to implement trades on behalf of your account. In such cases, you will instruct us to use one or more particular brokers for the transactions in your accounts. If you wish to direct us to use a particular broker, you should understand that we would not be able to negotiate brokerage compensation on your behalf. The chosen broker may not provide the most favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we might otherwise recommend.

**Block Trades**

Because we rarely trade on behalf of your accounts, and because you may utilize different brokers and/or custodians, and rarely hold the same securities, we do not aggregate transactions for multiple client accounts. Nonetheless, in rare instances, because orders are not aggregated on a pro-rata basis, you may receive different prices for the same securities, and/or may be charged higher commissions, and/or different quantities of the same securities may be purchased or sold for different accounts.

**Item 13 Review of Accounts**

Our investment consultants will monitor and review your accounts on a periodic basis in light of your identified needs, objectives and your IPS. Such review will be conducted at least annually or on a more frequent basis at your request. We make no representation with respect to the legal or tax matters, and it is your responsibility to consult with your own legal or tax counsel as necessary.

On a quarterly basis, your portfolio/plan will receive scrutiny to ensure compliance with your stated IPS. A review of the portfolio's current asset allocation will be conducted and compared to the strategic asset allocation, as defined in your IPS. At that time, if necessary, the need for re-balancing will be addressed with you.

You will receive detailed performance reports on a quarterly basis that relate to portfolio/plan performance as defined in the IPS.

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

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## **Item 15 Custody**

If you are not directly invoiced and if you elect to have us directly debit your account(s) for the payment of our advisory fees, the ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

## **Item 16 Investment Discretion**

Our services are most often offered on a non-discretionary basis. If you enter into non-discretionary arrangements with us, we will obtain your prior approval before implementing any trades on behalf of your account(s). In some cases, you may delegate authority to us to take specific actions on your behalf including, for example, rebalancing the portfolio back to strategic targets identified in the IPS, and hiring and firing investment managers. If we have discretionary authority to implement clients' your asset allocation strategies, the authority is limited to implementation and rebalancing with third-party investment managers, as outlined in the IPS.

Accordingly, we may be granted the authority to purchase, sell, or exchange shares of mutual funds, ETFs, money market funds, or other investments as determined by your IPS, the amount to be bought or sold, and the timing of the transaction without obtaining your prior consent. The client services agreement will specify whether we will have such discretionary authority.

## **Item 17 Voting Client Securities**

### **Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you. We have not filed a bankruptcy petition at any time in the past ten years.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and you will not keep the profit.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.