

## Carret Asset Management, LLC

SEC Number: 801– 63093

### **2A Brochure**

**March 29, 2024**

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This brochure provides information about the qualifications and business practices of Carret Asset Management. If you have any questions about the contents of this brochure, contact us at (212) 593-3800 or [mvega@carret.com](mailto:mvega@carret.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 Carret Asset Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Carret Asset Management 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 Summary of 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 Carret Asset Management, LLC's (the "Registrant") last annual amendment filing dated March 29, 2023, the firm is reporting the following material changes:

### **Item 4 Advisory Business**

We added information about our investment methodology.

We added information about our services as manager of various wrap fee program.

We discuss how our firm advises on IRA rollovers, and our obligations pursuant to Rule PTE 2020-02.

### **Item 5 Fees and Compensation**

We added additional information about the fees associated with participation in a wrap fee program.

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

We added additional information about common risks associated with the asset types we manage.

### **Item 15 Custody**

We added information to this item regarding debiting of advisory fees from client accounts, and how our firm manages custody issues arising from use of Standing Letters of Authorization.

### **Item 16 Investment Discretion**

We explain the differences between how our management differs between discretionary and non-discretionary accounts.

Carret's Chief Compliance Officer, Marco A. Vega, remains available to address any questions that a client or prospective client has regarding this Brochure, including any of the above referenced disclosure changes and/or enhancements.

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## Item 4 Advisory Business

### Description of Firm

Carret Asset Management, LLC (the "Registrant") is a limited liability company formed in May 2004 in the State of New York. The Registrant became registered as an Investment Adviser Firm in May 2004. The Registrant is wholly owned by Carret Holdings, Inc. Carret Holdings, Inc. is ultimately owned through various intermediaries, including SBI Holdings, Inc.

As discussed below, the Registrant offers to its clients (individuals, investment companies, investment limited partnerships, pension and profit-sharing plans, investment advisors, business entities, trusts, estates and charitable organizations, etc.) investment advisory services. To the extent specifically requested by a client, Registrant may provide limited consultation services to its investment management clients on investment and non-investment related matters. Any such consultation services, to the extent rendered, shall be rendered on an unsolicited basis, for which Registrant shall generally not charge a fee. In the event that the client requires extraordinary consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

To commence the investment advisory process, the Registrant will ascertain each client's investment objective(s) and then invest the client's assets consistent with the client's designated investment objective(s). Once invested, the Registrant provides ongoing supervision of the account(s). Before engaging Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

### Investment Advisory Services

We offer discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives.

If you participate in our discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. We will also have discretion over the broker or dealer to be used for securities transactions, and over the commission rates to be paid. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm.

You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing.

Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, account additions/withdrawals, mutual fund manager tenure, style drift, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when the Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment

decisions made by Registrant will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

### **Investment Methodology**

Registrant structures portfolio strategies (each a “Strategy” and collectively the “Strategies”) developed to meet client investment objectives. These Strategies are composed of, but not limited to, equity securities, as well as mutual funds, exchange traded funds, fixed-income securities, and other exchanged traded securities. The Strategies are based on fundamental research on a wide range of securities to determine their qualification for initial and continuing investment. This is described further in Item 8: Method of Analysis, Investment Strategies and Risk of Loss. The Strategies are rebalanced periodically. The Strategies selected for each client are intended to meet the client objectives. Clients can place restrictions on securities selected.

Registrant has developed specialized tailored strategies being offered to clients:

*Fixed Income Opportunity Strategy*

*Leveraged Opportunity Strategy*

*Taxable Bond Strategy*

*Municipal Bond Strategy*

*Enhanced Cash Strategy*

*Large Cap Equity*

*Custom Balanced*

### **Sub-Advisory Services**

The Registrant may serve as a sub-advisor to unaffiliated registered investment advisors according to the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the unaffiliated entities that engage the Firm’s sub-advisory services maintain both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for the Registrant’s designated investment strategies and/or programs. If the custodian/broker-dealer is determined by the unaffiliated investment adviser, the Registrant will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. 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 through alternative clearing arrangements recommended by Registrant. Higher transaction costs adversely impact account performance.

With respect to these types of engagements, the unaffiliated entities that engage the Registrant’s sub-advisory services and/or assist their clients in selecting the Registrant as a separate account manager, maintain both the initial and ongoing day-to-day relationship with the underlying client, including the initial and ongoing determination of client suitability for the Registrant’s investment strategies. The Registrant’s obligation shall be to manage the client’s account consistent with the investment strategy designated by the unaffiliated firm. In addition, for all such engagements, the Registrant does not generally have the ability to choose and/or determine: (1) the custodian and/or broker- dealer for the client’s account; (2) whether the services are part of a wrap program or provided on an unbundled basis; or (3) program and/or transaction cost pricing. Thus, the Registrant is unable to control or confirm best execution for account transactions. Higher fees and transaction costs adversely impact account performance.

### **Adviser to Registered Investment Company**

The Registrant also serves as the investment manager to the Carret Kansas Tax Exempt Bond Fund, which is an investment company (also referred to as mutual fund) registered under the Investment Company Act of 1940, as amended (the “Fund”). A complete description of the Fund, its strategy,

objectives, and cost is set forth in the Fund's then-current prospectus, a copy of which is available from the Registrant upon request. As the investment manager to the Fund, Registrant has discretionary authority over the management of the Funds' assets. The Registrant does not recommend the Fund to its managed account clients.

### **Financial Consulting and Planning**

Although the Registrant does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, the Registrant may provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. the Registrant shall not receive any separate or additional fee for any such consultation services. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant's services should be construed as same. Accordingly, the Registrant does not prepare legal documents or tax returns, nor does it sell insurance products. To the extent requested by a client, the Registrant 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 recommendation from the Registrant.

To the extent requested by a client, the Registrant may provide investment advice regarding private investment funds (generally, positions purchased by the client independent of the Registrant). The Registrant's role relative to such private investment funds shall be limited to its ongoing monitoring services. The amount of assets invested in the fund(s) shall not be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided.

It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

### **Retirement Plan Services**

**Trustee Directed Plans.** The Registrant may be engaged to provide discretionary investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, the Registrant will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 ("ERISA"). The Registrant will generally provide services on an "assets under management" fee basis per the terms and conditions of an Investment Advisory Agreement between the Plan and the Firm.

**Participant Directed Retirement Plans.** Registrant may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a Retirement Plan Services Agreement between Registrant and the plan. For such engagements, Registrant shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by Registrant), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision-making process.

**Wrap Fee Program(s)**

Registrant manages accounts in wrap fee programs sponsored by third-party financial services firms (typically broker/dealers). Under an agreement to participate as an outside investment manager in a wrap program, Registrant acts as an outside manager with the custodian handling all transactions. A wrap fee program is an investment advisory program under which a client typically pays a single fee to the sponsor based on assets under management. Fees paid are not based directly upon transactions in the client's account or the execution of client transactions. The program sponsor determines the fee to charge to the wrap fee program clients and has primary responsibility for client communications and service. Registrant provides investment management services. Wrap fee accounts are considered directed brokerage accounts. When determining whether to participate in a wrap fee program you should consider, among other things, our brokerage practices and the fees charged by the program sponsor in relation to the expected trading volume. (Item 12 provides more information about our brokerage practices, including our treatment of directed brokerage accounts.)

Payment of advisory fees to Registrant and wrap fees to the sponsor will increase overall costs. Therefore, performance will differ in these "wrap fee" arrangement portfolios in comparison to other like managed portfolios. We choose investments and manage the accounts of clients in the wrap fee program the same way we manage other client accounts in similar strategies, and these clients have the same access to their portfolio managers as all other clients.

The Registrant does not sponsor a wrap program. In the event that the Registrant is engaged to provide investment management services as part of an unaffiliated wrap-fee program, Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. In the event the Registrant elects to effect fixed income securities transactions through broker dealers other than the wrap program sponsor, the investor participant may incur costs in addition to those arranged by the wrap program sponsor.

Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that the Registrant is engaged to provide investment management services as part of an unaffiliated managed account program, Registrant will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

**IRA Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Put your interests ahead of our own when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments.

- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We may benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees.

Descriptions of the educational background and employment history of our investment professionals are included in the Brochure Supplement (Form ADV Part 2B), which is available from Registrant upon request.

### **Discretionary and Non-Discretionary Services**

As a discretionary investment adviser, Registrant will have the authority to supervise and direct client portfolios without prior consultation with the client.

In a non-discretionary arrangement, we retain the responsibility for the final decision on all actions taken with respect to client's portfolio. For non-discretionary accounts, the client may also execute a limited power of attorney, which allows us to carry out trade recommendations and approved actions in the client's portfolio. However, in accordance with our non-discretionary investment advisory agreement with the client, Registrant does not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action.

The use of non-discretionary accounts may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block.

Carret provides investment advisory services specific to the needs of each client. Prior to providing investment advisory services, your investment adviser representative will ascertain your investment objective(s). Thereafter, we 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 the Registrant's services.

### **Types of Investments**

We offer advice on equity securities, corporate debt securities (other than commercial paper), United States government securities, private placements, mutual funds, and ETFs.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Since our investment strategies and advice are based on each client's specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

If you participate in a wrap fee program, the sponsor will provide you with a separate Wrap Fee Program Brochure explaining the program and costs associated with the program. You should also review this Part 2A thoroughly to evaluate any differences between wrap versus non-wrap services.



## **Assets Under Management**

As of December 31, 2023, the Registrant had \$3,115,450,861 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

### **Investment Advisory Services**

If a client determines to engage the Registrant to provide discretionary investment advisory services on a fee basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value of assets placed under the Registrant's management. The Registrant's fee is negotiable and will not exceed 1.25% under any circumstances. The Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance or arrears (as the case may be), based upon the market value of the assets on the last business day of the previous quarter. Registrant will individually negotiate fees with each client, with annual fees not exceeding 1.25% of assets placed under Registrant's management.

Registrant, in its sole discretion, may charge a lesser investment advisory fee and/or charge a flat fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, prior fee schedules, competition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, negotiations with client, etc.). As a result, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

Registrant includes the value of certain month or quarter end interest or dividend payments when calculating client fees. Because these payments may be credited to the appropriate account subsequent to the issuance of the applicable brokerage statement, the market value reflected on the client brokerage statement may differ slightly from the value used in Registrant's fee billing process.

Registrant shall generally compensate its representatives based upon the revenues derived from accounts that they service. The representative generally maintains the authority to determine/negotiate the percentage advisory fee. Thus, a conflict of interest is presented because the higher the advisory fee, the greater the representative's (and Registrant's) compensation.

Although Registrant will invest client assets consistent with the client's designated investment objective, the fact that Registrant earns a higher fee for management of securities other than fixed income as referenced in the above fee range, Registrant has a conflict of interest since it will present an economic incentive to allocate more assets to those types of securities from which it will earn a higher advisory fee.

The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, if billed in advance, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter. Upon termination, if billed in arrears, the Registrant shall debit the account for the pro-rated portion of the unpaid advanced advisory fee based upon the number of days that services were provided during the billing quarter. The Registrant's policy is to treat intra-quarter (intra-month, if billing is monthly) account additions and withdrawals equally, where deposits or withdrawals in excess of 25% of the account's value will result in an intra-period adjustment to the client's quarterly fee.

Margin Accounts: Except with respect to its Leveraged Opportunity Strategy (see Item 6 below), the

Registrant does not recommend the use of margin. A margin account is a brokerage account that allows investors to borrow money to buy securities. By using borrowed funds, the customer is employing leverage that will magnify both account gains and losses. The broker charges the investor interest for the right to borrow money and uses the securities as collateral. Should a client determine to use margin, the Registrant will include the entire market value of the margined assets when computing its advisory fee. Accordingly, the Registrant's fee shall be based upon a higher margined account value, resulting in Registrant earning a correspondingly higher advisory fee. As a result, the potential of conflict of interest arises since Registrant may have an economic disincentive to recommend that the client terminate the use of margin.

Neither the Registrant, nor its representatives, accept compensation from the sale of securities or other investment products.

### **Sub-Advisory Services**

The Registrant can also be engaged to serve as a sub-advisor to unaffiliated registered investment advisors according to the terms and conditions of a written Sub-Advisory Agreement. The Registrant's annual sub-advisory fee shall be based upon a percentage of the market value of assets placed under the Registrant's management. Registrant will individually negotiate fees with each sub-advisory client, with annual fees not exceeding 1.25% of assets placed under Registrant's management. See Limitations of Sub-Advisory Services above.

Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance or arrears (as the case may be), based upon the market value of the assets on the last business day of the previous quarter.

### **Custodial Fees**

As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Registrant generally recommends that Charles Schwab & Co., Inc. ("Schwab") and/or Fidelity Investments and National Financial Services, LLC (Collectively "Fidelity") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab and Fidelity charge transaction fees for effecting securities transactions (i.e. including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including Schwab and Fidelity, do not currently charge fees on individual equity transactions, others do). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom the client has entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "trade-away" fee charged by Schwab and/or Fidelity and /or other custodians). In addition to Registrant's investment advisory fee referenced in Item 5 below, the client will also incur transaction fees to purchase securities for the client's account.

In addition, Schwab (as do its primary competitors that provide similar pricing arrangements) require that cash proceeds to automatically be swept into a Schwab proprietary or affiliated money market mutual funds or cash sweeps accounts, which proprietary/affiliated Schwab funds/accounts do not provide the highest return available.

### **Wrap Fee Programs**

The fees described in the Brochure do not include information for investment management provided through any Wrap Programs. The terms of each client's account in a Wrap Program are governed by the client's agreement with the Program sponsor and disclosure document for the Wrap Program (Form ADV 2A Appendix 1 Wrap Fee Brochure). Wrap Program clients are urged to refer to the sponsor's disclosure document and client agreement for more information about the Wrap Program. The fees for a Wrap program may result in higher costs than a client would otherwise realize by paying standard fees and negotiation separate arrangements for trade execution, custodial and consulting services. Wrap Programs typically pay a fee to the Program Sponsor based on assets managed through the program.

### **Additional Fees and Expenses**

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, refer to the *Brokerage Practices* section of this brochure.

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

The Registrant offers its Leveraged Opportunity Strategy on a performance fee basis.

The Registrant may charge performance-based fees to clients who have at least \$1,000,000 in portfolio assets managed by the firm, or who together with their spouse have a net worth of at least \$2,100,000 excluding principal residence. Clients are advised that performance-based fees involve a sharing of any portfolio gains between the client and the investment manager. Such performance-based fees create an economic incentive for Registrant to take additional risks, such as using leverage, in the management of a client portfolio that may be in conflict with the client's current investment objectives and tolerance for risk. No performance-based fees will be assessed until the portfolio, on a cumulative basis from account inception, is in a net gain position.

"Side-by-side management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Performance-based fees are in addition to the asset-based fees detailed in Item 5 of this Brochure. Clients are also advised that as a result of the standard asset-based fee and the performance-based fee, the investment manager has a conflict of interest and an economic incentive to recommend a performance-based fee structure.

Performance-based fees may only be offered to clients who meet one of the following criteria:

- A natural person who or a company that immediately after entering into the contract has at least \$1,100,000 under the management of the investment adviser.
- A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:
- Has a net worth (together, in the case of a natural person, with assets held jointly with a

spouse, excluding principal residence) of more than \$2,200,000, at the time the contract is entered into; or

- Is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(51)(A)) at the time the contract is entered into; or
- A natural person who immediately prior to entering into the contract is:
- An executive officer, director, trustee, general partner, or person serving in similar capacity of the investment adviser; or
- An employee of the investment adviser (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

## Item 7 Types of Clients

The Registrant's clients shall generally include individuals, investment companies, investment limited partnerships, pension and profit-sharing plans, Taft Hartley clients, investment advisors, "business entities, trusts, estates and charitable organizations. The Registrant, in its sole discretion, may reduce its investment management fee, charge a flat fee, or reach some other mutually agreeable fee arrangement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, competition, negotiations with client, etc.).

We do not require a minimum amount to open an account.

We may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to provide better pricing.

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

### Our Methods of Analysis and Investment Strategies

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

**Charting Analysis** - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

**Risk:** Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Technical Analysis** - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

**Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately

detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

**Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

**Risk:** The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

**Short-Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

**Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

**Short Selling** - short selling is an investment strategy with a high level of inherent risk. Short selling 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 shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

**Margin** - Margin is an investment strategy with a high level of inherent risk. A margin transaction

occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. 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.

Please Note: To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

**Option Writing** - a securities transaction that involves selling an option. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price on or before the expiration date of the option. When an investor sells a call option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. When an investor sells a put option, he or she must pay the strike price per share if the buyer exercises the option, and will receive the specified number of shares. The option writer/seller receives a premium (the market price of the option at a particular time) in exchange for writing the option.

**Risk:** Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited. The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

Please Note: Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept this enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

### **Cash Management**

In managing the cash maintained in your account, we utilize the sole exclusive cash vehicle (money market) made available by the custodian. There may be other cash management options away from the custodian available to you with higher yields or safer underlying investments.

## **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 consult with a tax professional regarding the investing of your assets.

Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. 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, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. 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 clients 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.

## **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price, or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired or are nearing retirement.

## **Recommendation of Particular Types of Securities**

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary

widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

**Bonds:** Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Inverse ETFs:** Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks) and debt (bonds) securities, exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), and, to a much lesser extent, among no load and/or load waived mutual funds, on a discretionary basis in accordance with the client's designated investment objective(s). As disclosed above, the Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") 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 ETFs 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. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs of managing the funds. Also, 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 do 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 whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track



the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

**Limited Partnerships:** A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner has management authority and unlimited liability. The general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and their liability is limited to the amount of their capital commitment. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership. The range of risks are dependent on the nature of the partnership and disclosed in the offering documents if privately placed. Publicly traded limited partnership have similar risk attributes to equities. However, like privately placed limited partnerships their tax treatment is under a different tax regime from equities. You should speak to your tax adviser in regard to their tax treatment.

**Private Investment Funds:** The Registrant, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets in private investment funds. The terms and conditions for participation in any private investment fund, including management fees, conflicts of interest, and risk factors, are set forth in each fund's offering documents. Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment.

In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price.

**Private Placements:** A private placement (nonpublic offering) is an illiquid security sold to qualified investors and are not publicly traded nor registered with the Securities and Exchange Commission.

**Risk:** Private placements generally carry a higher degree of risk due to illiquidity. Most securities that are acquired in a private placement will be restricted securities and must be held for an extended amount of time and therefore cannot be sold easily. The range of risks are dependent on the nature of the partnership and are disclosed in the offering documents.

**Cash Sweep Accounts.** Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, Registrant may purchase a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, depending upon the unique cash

needs of clients and in consideration of the particular investment mandate.

**Cybersecurity Risk.** The information technology systems and networks that Registrant and its third-party service providers use to provide services to Registrant's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Registrant are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Registrant has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Registrant does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Digital Assets:** Digital Assets generally refers to an asset that is issued and/or transferred using distributed ledger or blockchain technology, including, "virtual currencies" (also known as cryptocurrencies), "coins", and "tokens". We may invest client accounts in and/or advise clients on the purchase or sale of digital assets. This advice or investment may be in actual digital coins/tokens/currencies or via investment vehicles such as exchange traded funds (ETFs) or separately managed accounts (SMAs). The investment characteristics of Digital Assets generally differ from those of traditional securities, currencies. Digital Assets are not backed by a central bank or a national, international organization, any hard assets, human capital, or other form of credit and are relatively new to the market place. Rather, Digital Assets are market-based: a Digital Asset's value is determined by (and fluctuates often, according to) supply and demand factors, its adoption in the traditional commerce channels, and/or the value that various market participants place on it through their mutual agreement or transactions. The lack of history to these types of investments entail certain unknown risks, are very speculative and are not appropriate for all investors.

**Price Volatility of Digital Assets Risk:** A principal risk in trading Digital Assets is the rapid fluctuation of market price. The value of client portfolios relates in part to the value of the Digital Assets held in the client portfolio and fluctuations in the price of Digital Assets could adversely affect the value of a client's portfolio. There is no guarantee that a client will be able to achieve a better than average market price for Digital Assets or will purchase Digital Assets at the most favorable price available. The price of Digital Assets achieved by a client may be affected generally by a wide variety of complex factors such as supply and demand; availability and access to Digital Asset service providers (such as payment processors), exchanges, miners or other Digital Asset users and market participants; perceived or actual security vulnerability; and traditional risk factors including inflation levels; fiscal policy; interest rates; and political, natural and economic events.

**Digital Asset Service Providers Risk:** Service providers that support Digital Assets and the Digital Asset marketplace(s) may not be subject to the same regulatory and professional oversight as traditional securities service providers. Further, there is no assurance that the availability of and access to virtual currency service providers will not be negatively affected by government regulation or supply and demand of Digital Assets. Accordingly, companies or financial institutions that currently support virtual currency may not do so in the future.

**Custody of Digital Assets Risk:** Under the Advisers Act, SEC registered investment advisers are required to hold securities with "qualified custodians," among other requirements. Certain Digital Assets may be deemed to be securities. Many Digital Assets do not currently fall under the SEC

definition of security and therefore many of the companies providing Digital Assets custodial services fall outside of the SEC's definition of "qualified custodian". Accordingly, clients seeking to purchase actual digital coins/tokens/currencies may need to use nonqualified custodians to hold all or a portion of their Digital Assets.

**Government Oversight of Digital Assets Risk:** Regulatory agencies and/or the constructs responsible for oversight of Digital Assets or a Digital Asset network may not be fully developed and subject to change. Regulators may adopt laws, regulations, policies or rules directly or indirectly affecting Digital Assets their treatment, transacting, custody, and valuation.

**Interval Funds/Risks and Limitations:** Where appropriate, the Registrant may utilize interval funds. An interval fund is a non-traditional type of closed-end mutual fund that periodically offers to buy back a percentage of outstanding shares from shareholders. Investments in an interval fund involve additional risk, including lack of liquidity and restrictions on withdrawals. During any time periods outside of the specified repurchase offer window(s), investors will be unable to sell their shares of the interval fund. There is no assurance that an investor will be able to tender shares when or in the amount desired. There can also be situations where an interval fund has a limited amount of capacity to repurchase shares and may not be able to fulfill all purchase orders. In addition, the eventual sale price for the interval fund could be less than the interval fund value on the date that the sale was requested. While an interval fund periodically offers to repurchase a portion of its securities, there is no guarantee that investors may sell their shares at any given time or in the desired amount. As interval funds can expose investors to liquidity risk, investors should consider interval fund shares to be an illiquid investment. Typically, the interval funds are not listed on any securities exchange and are not publicly traded. Thus, there is no secondary market for the fund's shares. Because these types of investments involve certain additional risk, these funds will only be utilized when consistent with a client's investment objectives, individual situation, suitability, tolerance for risk and liquidity needs. Investment should be avoided where an investor has a short-term investing horizon and/or cannot bear the loss of some, or all, of the investment. There can be no assurance that an interval fund investment will prove profitable or successful.

**Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.**

THIS LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN CONNECTION WITH THE ADVISER'S INVESTMENT OR THE MANAGEMENT OF CLIENTS ACCOUNTS. IN ADDITION, PROSPECTIVE CLIENTS SHOULD BE AWARE THAT, AS THE MARKET DEVELOPS AND CHANGES OVER TIME, INVESTMENTS OF BEHALF OF CLIENTS ACCOUNTS MAY BE SUBJECT TO ADDITIONAL AND DIFFERENT RISKS. CLIENTS INVESTING IN PRIVATE FUNDS SHOULD ALSO CAREFULLY REVIEW THE RISKS DISCLOSURES AND OFFERING DOCUMENTS ASSOCIATED WITH SUCH INVESTMENTS.

In the course of creating and managing a client's investment portfolio, Registrant believes it is important for clients to understand and evaluate the risks set forth in this Item 8, as part of their overall approach to setting realistic investment objectives.

## **Item 9 Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

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

Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer; as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

## **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 persons associated with our firm. 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 persons associated with our firm are expected to adhere strictly to these guidelines. 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, nonpublic information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request. In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant 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 the Registrant 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 the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons." The Registrant's securities transaction policy requires that an Access Person of the Registrant 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 the Registrant

selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

The Registrant and/or representatives of the Registrant may buy or sell securities at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest.

### **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 mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

### **Aggregated Trading**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("aggregated trading"). Refer to the *Brokerage Practices* section in this brochure for information on our aggregated trading practices.

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 firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We generally recommend the brokerage and custodial services of Charles Schwab and Fidelity (whether one or more "Custodian"). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Our selection of custodian is based on many factors, including the level of services provided, the custodian's financial stability, and the cost of services provided by the custodian to our clients, which includes the yield on cash sweep choices, commissions, custody fees and other fees or expenses.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.
- The likelihood that your trades will be executed.
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with our firm and our other clients.

### **Research and Other Soft Dollar Benefits**

We do not have any soft dollar arrangements.

**Referrals from Schwab**

As indicated below at Item 14, the Registrant also participates in the Schwab Advisor Network™, pursuant to which the Registrant compensates Schwab for client introductions. Please see disclosure below at Item 14, including the corresponding conflict of interest presented by such arrangement.

**Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

**The custodian and brokers we use**

We do not maintain custody of your assets, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab) or Fidelity, both registered broker-dealers, members SIPC, as the qualified custodian.

We are independently owned and operated and are not affiliated with Schwab or Fidelity. Schwab or Fidelity will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab or Fidelity as custodian/broker, you will decide whether to do so and will open your account with Schwab or Fidelity by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab or Fidelity, we can still use other brokers to execute trades for your account as described below (see “Your brokerage and custody costs”).

**Accounts at Schwab**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds, and U.S. exchange-listed equities and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab’s Cash Features Program.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trade through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How we select brokers/ custodians”). By using another broker or dealer you may pay lower transaction costs.

### **Products and services available to us from Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like ours. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through our firm. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available at no charge to us. Following is a more detailed description of Schwab's support services:

**Services that benefit you.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services that do not directly benefit you.** Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes 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
- Assist with back-office functions, record keeping, and client reporting

**Services that generally benefit only us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

### **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, and at our discretion, some clients may instruct our firm to use one or more

particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining 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 would otherwise obtain for you.

### **Aggregated Trades**

We combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment.

We do not aggregate trades for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

## **Item 13 Review of Accounts**

For those clients to whom the Registrant provides investment advisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment advisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

The Registrant may conduct account reviews other than on a periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. We strongly encourage you to review these statements and promptly notify your adviser if you notice any discrepancies or errors in your statement of account(s).

The Registrant is compliant on a firm wide and composite basis with the Global Investment Performance Standards ("GIPS"). ACA Performance Services, a nationally recognized independent firm that specializes in GIPS, performs examinations of the Firm and the Firm's Municipal Bond Composite and Taxable Bond Composite. A copy of their most recent report is available upon request.



## Item 14 Client Referrals and Other Compensation

### Client Referrals and Other Compensation

If a client is introduced to the Registrant by either an unaffiliated or an affiliated promoter, the Registrant may pay that promoter a referral fee in accordance with the requirements of the Investment Advisers Act of 1940, Rule 206(4)-1 (Marketing Rule), and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated promoter, the promoter, at the time of the promotion, shall disclose the nature of his/her/its promoter relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure, together with a copy of a separate written disclosure statement from the promoter to the client disclosing the terms of the promoter arrangement between the Registrant and the promoter, including the compensation to be received by promoter from the Registrant.

### Schwab Referrals

Registrant receives client referrals from Schwab through Registrant's participation in Schwab Advisor Network™ ("the Service"), designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Registrant. Schwab does not supervise the Registrant and has no responsibility for Registrant's management of clients' portfolios or Registrant's other advice or services. The Registrant pays Schwab fees to receive client referrals through the Service. The Registrant's participation in the Service raises potential conflicts of interest described below.

The Registrant pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Registrant is a percentage of the fees owed by the client to Registrant or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Registrant pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Registrant quarterly and may be increased, decreased, or waived by Schwab from time to time. The Participation Fee is paid by the Registrant and not by the client. Registrant has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Registrant charges clients with similar portfolios (pursuant to Registrant's standard fee schedule as in effect from time to time) who were not referred through the Service.

Registrant may pay Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab, unless the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Registrant generally would pay in a single year. Thus, the Registrant will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Registrant's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Registrant will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Registrant's fees directly from the accounts.

For accounts of Registrant's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Registrant's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it

executes) for clearance and settlement of trades to be executed through Schwab rather than another broker-dealer. Registrant nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Registrant's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## **Item 15 Custody**

### **Debiting of Fees**

Pursuant to Rule 206(4)-2, Registrant is deemed to have custody of our client account's funds and securities because we may debit fees directly from client accounts. Your independent custodian will directly debit your account(s) for the payment of our advisory fees. This 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 qualified custodian. You will receive account statements from the 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.

### **Standing Letters of Authorization**

Certain clients have executed a letter or instruction or similar asset transfer authorization arrangement with a qualified custodian whereby we are authorized to withdraw client funds or securities maintained with a qualified custodian upon our instruction to the qualified custodian (each, an "SLOA"). The terms of each such SLOA are consistent with the terms described in the February 21, 2017 letter of the Chief Counsel's Office of the Securities and Exchange Commission clarifying custody with respect to a standing letter of instruction or other similar asset transfer authorization arrangement established by a client with a qualified custodian. As a result, with respect to transfers of funds and securities between client accounts and to third parties, client accounts will not be subject to independent verification (i.e., a surprise examination).

The qualified custodian of each client account sends or makes available, on a quarterly basis or more frequently, account statements directly to each client. We urge clients to carefully review these account statements from their qualified custodians and compare the information therein with any financial statements or information received or made available to clients through us or any other outside vendor.

Registrant reviews all client custody arrangements, and pursuant to Section 206(4)-2 of the Custody Rule, identifies client accounts subject to a surprise examination. If required, Registrant will engage an independent public accountant to perform a surprise examination on an annual basis as required by the Custody Rule. The independent public accountant is required to file an ADV-E with the Securities and Exchange Commission within 120 days of the surprise exam documenting the results of such examination.

## **Item 16 Investment Discretion**

With respect to discretionary investment advisory services, the client grants Registrant the authority through an executed investment advisory agreement to carry out various activities in the account, generally including the selection and amount of securities to be purchased or sold in a portfolio without obtaining additional consent from the client. Registrant then directs investment of the client's portfolio using its discretionary authority. The client may limit the discretion of the Registrant in writing as

described above.

For non-discretionary client accounts, clients must approve the initial implementation and all subsequent changes to the asset allocation and trades.

In non-discretionary arrangements, the client retains the responsibility for the final decision on all actions taken with respect to a client's portfolio. For non-discretionary accounts, the client may also execute a limited power of attorney, which allows us to carry out trade recommendations and approved actions in the client's portfolio. However, in accordance with Registrant's non-discretionary investment advisory agreement with the client, Registrant does not implement trading recommendations or other actions in the account unless and until the Client has approved the recommendation or action.

The use of non-discretionary accounts may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block.

## **Item 17 Voting Client Securities**

Unless the Registrant has agreed to otherwise, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities 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.

In the event that Registrant does vote proxies, absent mitigating circumstances and/or conflicts of interest (to the extent any such circumstance or conflict is presented, if ever, information pertaining to how the Registrant addressed any such circumstance or conflict shall be maintained by the Registrant), it is the Registrant's general policy to vote proxies in conjunction with the services provided by, and consistent with the recommendations of Broadridge Investor Communications Solutions ("Broadridge"). With regard to Taft-Hartley clients, Registrant has retained Broadridge, at no cost to the client, to vote all proxies in accordance with AFL-CIO Guidelines for Voting Proxies which by definition is in the best interests of the client.

The Registrant (in conjunction with the services provided by Broadridge) shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption, or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant (in conjunction with the services provided by Broadridge) shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Marco A. Vega.

Unless the Registrant has agreed to vote client proxies, clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation. The Registrant may provide information but will not act or advise Clients in any legal proceedings, including but not limited to class actions, involving securities

held or previously held by the Account.

## **Item 18 Financial Information**

The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.

The Registrant 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.

The Registrant has not been the subject of a bankruptcy petition.

## **Item 19 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.

### **Class Action Lawsuits**

We will assist you, in conjunction with your legal counsel or other professionals, in filing claims with the claims administrator to participate in any settlement proceeds related to class action settlements involving a security held in your portfolio. We may also work with your legal counsel to determine whether you are eligible to participate in class action litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held in your portfolio.