



A Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Allodium Investment Consultants, LLC (hereinafter “Allodium”). If you have any questions about the contents of this brochure, please contact Tyler Chapman at (612) 230-3700. 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 Allodium Investment Consultants, LLC is available on the SEC’s website at www.adviserinfo.sec.gov. Allodium Investment Consultants, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This Item discusses only the material changes that have occurred since Allodium's last annual update dated March 8, 2023. Since the previous filing, Allodium has updated its direct owners. Please see Item 4 for details.

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Item 4. Advisory Business

Allodium is an independent fee-only registered investment adviser providing investment management, financial planning, and fiduciary consulting services. To best serve clients, Allodium is committed to minimizing potential conflicts of interest, providing transparent pricing, and receiving financial compensation only from its clients. Allodium strives to simplify and improve the financial lives of its clients. Where appropriate, Allodium's advisors will work with a client's other professional advisors to ensure effective execution of suggested strategies. Allodium has been in business since August 2005 and is owned by David Bromelkamp, Eric Hutchens, Saul Baumann, Derek Van Calligan and Tyler Chapman.

This disclosure brochure describes the business of Allodium. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of Allodium's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees, or any other person who provides investment advice on Allodium's behalf and is subject to Allodium's supervision or control.

Prior to engaging Allodium to provide investment advisory services, the client is required to enter into one or more written agreements with Allodium setting forth the terms and conditions under which Allodium renders its services (collectively the "Agreement"). The specific investment advisory services Allodium provides to each client—as described in detail later in this section—vary based on the client's needs and are determined by which of the following types of *Agreements* the client enters with Allodium:

- *Wealth Management* – discretionary investment management + financial planning services
- *Fiduciary Management* – discretionary investment management + fiduciary consulting services
- *Financial Planning* – financial planning services only
- *Fiduciary Consulting* – fiduciary consulting services only
- *Allodium Portfolios* – investment management via the Betterment for Advisors platform + limited financial planning services
- *Investment Management Consulting* – investment management services only on a consulting basis

Neither Allodium nor the client may assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of Allodium is not considered an assignment.

Allodium has \$396,432,633 of Assets Under Management (AUM) as of December 31, 2023, all of which are managed on a discretionary basis. Separate from its AUM, Allodium has \$300,165,013 of Assets Under Advisement (AUA) as of December 31, 2023. Clients with AUA sign the *Investment Management Consulting Agreement* described above and their assets are managed on a consulting basis as described in the following section.

Investment Management Services

Clients may engage Allodium to manage all or a portion of their investment portfolios on a discretionary, non-discretionary, or consulting basis. When assets are managed on a discretionary basis, Allodium has written authority to implement investment decisions on behalf of the client without first seeking the client's consent. When assets are managed on a non-discretionary basis, Allodium has written authority to implement investment decisions on behalf of the client after first obtaining the client's consent. When assets are managed on a consulting basis, Allodium provides advice regarding client's assets without performing continuous supervision of the assets or implementing investment decisions on a client's behalf, including the hiring, and firing of independent investment managers ("*Independent Managers*").

Clients may additionally (but are not required to) engage Allodium to perform financial planning and/or fiduciary consulting services as a part of its investment management services, which Allodium refers to as "Wealth Management" and "Fiduciary Management" respectively. Allodium also offers a service called "Allodium Portfolios" for clients with smaller investment portfolios and/or less complex financial situations who require primarily investment management services.

Apart from Allodium Portfolios clients, Allodium typically will assist clients in initially determining their investment objectives, risk tolerance, and cash flow needs. Portfolios are customized for each investor. The determination of an appropriate portfolio for each client is a function of current and future cash flow needs, risk tolerance, time horizon, goals, and modeled return.

Allodium primarily directs or recommends the allocation of client assets among various asset classes, with a bias for implementing investment strategies with low-fee, tax advantaged investments typically embodied through a passive approach to the markets. However, where certain inefficiencies present themselves or Allodium believes that a manager has an unusual advantage in a marketplace, Allodium may suggest or employ other strategies. These strategies may include *Independent Managers*, mutual funds, exchange-traded funds ("ETFs"), or other listed securities, in accordance with the investment objectives of its individual clients. Where appropriate, the Firm may also provide advice about client-selected securities, legacy positions, or other investments held in client portfolios.

Allodium also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, Allodium either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Allodium tailors its advisory services to meet the individual needs of its clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles.

Allodium consults with clients on an ongoing basis to determine changes to their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios.

Clients are advised to promptly notify Allodium if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Allodium determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to Allodium's management efforts.

With its Allodium Portfolios service, Allodium utilizes the Betterment for Advisors platform to manage client assets in a manner that incorporates broad diversification, periodic rebalancing and investment portfolios that are designed to align with client goals and time horizon. This investment management service is supplemented with an assigned investment consultant who reviews investments relative to financial goals and is available for ad hoc financial planning and investment-related questions depending on the client's specific needs.

Use of Independent Managers

As mentioned above, Allodium may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among *Independent Managers*, based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between Allodium or the client and the designated *Independent Managers*. Allodium renders services to the client relative to the discretionary and non-discretionary selection of *Independent Managers*. Allodium also monitors and reviews the account performance and the client's investment objectives. With respect to any assets placed with *Independent Managers*, Allodium's annual advisory fee is typically based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, Allodium reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that Allodium considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, will be exclusive of, and in addition to, Allodium's investment advisory fee as described in Item 5 below.

In addition to Allodium's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* impose more restrictive

account requirements and varying billing practices than Allodium. In such instances, Allodium may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Financial Planning and Fiduciary Consulting Services

Allodium believes that financial planning and fiduciary consulting services can be as important as investment management depending on the client's investment needs. Accordingly, financial planning and fiduciary consulting services are offered by Allodium on a one-time basis via standalone *Agreements* or ongoing as a part of its Wealth Management and Fiduciary Management *Agreements*, respectively.

Financial planning services may include general oversight and guidance for individuals and families on any or all of the following services, among others:

- Financial Goal Setting & Prioritization
- Financial Position Analysis
- Investment Planning
- Retirement Planning
- Asset & Income Protection Planning
- Income Tax Planning
- Philanthropic Planning
- Wealth Transfer & Estate Planning
- Socially Responsible Investing (SRI)
- Concentrated Wealth Strategies

As part of Allodium's Wealth Management *Agreement*, Allodium performs a comprehensive initial and annual review of each client's financial situation to provide recommendations in some or all of the above areas.

Fiduciary consulting services may include general oversight and guidance for individuals and institutions who serve in a fiduciary role on any or all of the following services, among others:

- Financial Goal Setting & Prioritization
- Financial Position Analysis
- Investment Planning
- Spending Policy Development
- Investment Policy Development
- Financial Analyses
- Investment Governance
- Fiduciary Education
- Socially Responsible Investing (SRI)
- Fiduciary Reviews & Assessments

As part of Allodium's Fiduciary Management *Agreement*, Allodium performs a comprehensive initial and annual review of each client's financial situation to provide recommendations in some or all of the above areas.

In performing its services, Allodium is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information.

Allodium recommends the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Allodium recommends its own services. The client is under no obligation to act upon any of the recommendations made by Allodium under a financial planning or fiduciary consulting engagement or to engage the services of any recommended professional, including Allodium itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Allodium's recommendations. Clients are advised that it remains their responsibility to promptly notify Allodium if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Allodium's previous recommendations and/or services.

Item 5. Fees and Compensation

Allodium offers its services on a fee basis, which include hourly and/or fixed fees, as well as fees based upon assets under management.

Fees for Investment Management Services

Allodium provides investment management services for an annual fee that is dependent on a number of factors, including the services to be provided and assets being managed by Allodium. Allodium's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Allodium does not, however, receive any portion of these commissions, fees, and costs.

For clients under Allodium's Wealth Management or Fiduciary Management *Agreements*, Allodium's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Allodium on the last day of the previous quarter. The annual fee varies between 0.05% and 1.00%, depending upon the market value of the assets under management. The annual fee may exceed 1.00% for those clients with less than \$1,000,000 under Allodium's management, as Allodium imposes a minimum quarterly fee of \$2,500 for these services.

For clients under Allodium's Investment Management Consulting *Agreement*, Allodium typically charges an annual retainer fee between \$50,000 and \$100,000 based on complexity of the relationship and the services requested. This fee is prorated and charged quarterly in advance.

Where the Firm charges a fixed fee for services, the Management Fee will automatically increase each year by 3% (rounded to the nearest whole dollar amount) at the start of each calendar year regardless of when the *Agreement* is executed. Clients should be aware that it is possible that a fixed fee could be higher than

what they would pay for a typical asset-based fee depending on the assets under management.

For client assets on the Allodium Portfolios platform, Allodium's annual fee is prorated, calculated and paid quarterly in arrears based on the average daily account balance during the previous quarter as valued by the custodian. Allodium's annual fee for clients on the Allodium Portfolios platform is 1.00%, and a minimum fee is not imposed for this service.

Allodium, in its sole discretion, may negotiate to charge a fixed retainer fee or modified fee schedule that varies from Allodium's standard fee schedule described above 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, pre-existing client relationship, account retention, pro bono activities, etc.).

Allodium includes cash in a client's account in determining the valuation for billing purposes. The Firm may, in its sole discretion, not include cash in determining the fee, especially where a client has a high percentage of cash for reasons other than the Firm's investment management decision.

Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Allodium for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

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 interests ahead of yours

Fees for Standalone Financial Planning and Fiduciary Consulting Services

Allodium charges a fixed fee and/or hourly fee for standalone financial planning and fiduciary consulting services. These fees are negotiable, but generally range from \$2,500 to \$50,000 on a fixed fee basis and/or from \$200 to \$500 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the fiduciary consulting services. If the client engages Allodium for additional investment management services, Allodium may offset all or a portion of its fees for those investment management services based upon the amount paid for the financial planning and/or fiduciary consulting services.

Prior to engaging Allodium to provide standalone financial planning and/or fiduciary consulting services, the client is required to enter into a written *Agreement* with Allodium setting forth the terms and conditions of the engagement. Allodium requires one-half of the fee (estimated hourly or fixed) payable upon entering the written *Agreement*. The balance is due upon completion of the agreed upon services.

Fees Charged by Financial Institutions

As further discussed in Item 12 below, Allodium generally recommends that clients under Allodium's Wealth Management, Fiduciary Management or Investment Management Consulting *Agreements* utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts. For client assets on the Allodium Portfolios platform, Allodium recommends utilizing the brokerage and clearing services of Betterment Securities ("*Betterment*").

Allodium only implements its investment management recommendations after the client has arranged for and furnished Allodium with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, *Betterment*, any other broker-dealer or independent custodian recommended by Allodium, any broker-dealer or independent custodian selected by the client, any trust companies, banks, etc. (collectively referred to herein as the "*Financial Institutions*").

Clients will incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers*, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients will incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Allodium's fee. Allodium, in its sole discretion, may credit certain clients' accounts for these charges, fees and commissions.

Allodium's *Agreement* and the separate agreement with any *Financial Institutions* authorize Allodium or *Independent Managers* to debit the client's account for the amount of Allodium's fee and to directly remit that management fee to Allodium or the *Independent Managers*. Any *Financial Institutions* recommended by Allodium have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Allodium.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees shall be calculated on a pro rata basis. The Agreement between Allodium and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Allodium's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Allodium's right to terminate an account. Clients may withdraw account assets on notice to Allodium, subject to the usual and customary securities settlement procedures. However, Allodium designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

Additions may be in cash or securities provided that Allodium reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Allodium may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

For clients billed in advance, if assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

Item 6. Performance-Based Fees and Side-by-Side Management

Allodium does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

Allodium provides its services to individuals, foundations, endowments, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities.

Minimum Fee

As a condition for starting and maintaining a relationship under Allodium's Wealth Management and Fiduciary Management *Agreements*, Allodium imposes a minimum quarterly fee of \$2,500. This minimum fee will have the effect of making Allodium's service impractical for certain clients, particularly those with portfolios with less than \$1,000,000 under Allodium's management, and so Allodium typically recommends clients with less than \$1,000,000 under Allodium's management to use the Allodium Portfolios platform. Allodium, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

Additionally, certain *Independent Managers* impose more restrictive account requirements and varying billing practices than Allodium. In such instances, Allodium may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

Methods of Analysis and Investment Strategies

Allodium assists Wealth Management, Fiduciary Management and Investment Management Consulting clients with long-term investment plans that are guided by documented client goals, constraints and risk profiles. To this end, Allodium makes initial investment recommendations only after thoroughly analyzing each new client's risk tolerance, goals and financial situation. Once Allodium has established an appropriate investment portfolio for a new client based on these guiding factors, Allodium then meets or interacts with each client at least annually to review any changes to their situation that may require adjustments to their investment portfolio.

To manage investment risk, Allodium uses a range of strategic asset allocation models that are appropriate for various investor time horizons, risk profiles and investment objectives. Allodium uses these models as a starting point to develop asset allocation strategies that are tailored to the unique needs of each Wealth Management, Fiduciary Management and Investment Management Consulting client.

To broadly diversify investments, Allodium uses asset allocation models that employ multiple asset classes, and typically recommends only well-diversified mutual funds, exchange-traded funds, *Independent Managers* and appropriate alternative investments as investment options within these asset classes.

In an effort to optimize investment performance, Allodium pursues the following three strategies:

1) Allodium seeks to select sound and well-performing investment managers (i.e., mutual funds, exchange-traded funds, etc.) in each asset class. To this end, Allodium uses a disciplined investment review process that employs externally purchased investment screening methodologies and tools to assess investment managers on both quantitative and qualitative factors. Some examples of screening criteria used include: i) level of regulatory oversight, ii) historical investment performance relative to appropriate benchmarks and peer group, iii) size of fund in terms of total assets managed, iv) stability of the organization, v) investing style and history relative to asset class and stated investment objectives, vi) expense ratio and/or fees relative to peer group, and vii) investment manager tenure.

Once Allodium selects investment managers to recommend to clients, it monitors performance of these managers at least quarterly to ensure they continue to perform satisfactorily relative to the original qualitative and quantitative screens used to initially select them.

2) Allodium periodically rebalances client portfolios back to their target asset allocation to methodically capture gains in well-performing asset classes and take advantage of depressed values in assets classes that may be temporarily out of favor.

3) Allodium monitors each client's overall investment performance at least quarterly by employing an external vendor to produce comprehensive performance reports showing each client's entire investment portfolio so that appropriate adjustments can be made, as needed.

Allodium assists Allodium Portfolios clients as needed with setting up a financial profile and goals on the Betterment for Advisors platform. Aspects of each goal, such as objectives, time horizon, and ongoing deposits, help determine appropriate risk and allocation for assets attributed to the respective goal. Allodium then reviews these goals as a part of the client annual review process, and if so, recommends appropriate adjustments that could be considered to bring the portfolio into alignment with the respective goal.

Allodium generally does not attempt to actively time investment purchases or sales (i.e., market timing) as a method to boost investment performance.

Risks

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Market Risks

The profitability of a significant portion of Allodium's recommendations depends to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Allodium will be able to predict those price movements accurately.

Mutual Fund and ETF Risks

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual funds and ETFs are subject to secondary market trading risks. Shares of mutual funds and ETFs will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that a mutual fund's and ETF's exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the mutual fund or ETF may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV), which is the price that an investor would buy or sell the mutual fund or ETF at. The per share NAV of a mutual fund or ETF is calculated at the end of each business day and fluctuates with changes in the market value of the mutual fund's or ETF's holdings. The trading prices of a mutual fund's or ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's or ETF's shares trading at a premium or discount to NAV.

Use of Independent Managers

Allodium recommends the use of *Independent Managers* for certain clients. Allodium will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, Allodium does not have the ability to supervise the *Independent Managers* on a day-to-day basis, if at all.

Item 9. Disciplinary Information

Allodium is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Allodium does not have any required disclosures related to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Allodium is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Allodium has disclosed any such relationship or arrangement below.

Fees from Independent Managers

As discussed above, Allodium recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*.

Item 11. Code of Ethics

Allodium and persons associated with Allodium ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Allodium's policies and procedures.

Allodium has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Allodium or any of its associated persons. The Code of Ethics also requires that certain of Allodium's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Allodium's Code of Ethics, none of Allodium's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Allodium's clients.

When Allodium is purchasing or considering for purchase any security on behalf of a client, no Access Person may affect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Allodium is selling or considering the sale of any security on behalf of a client, no Access Person may affect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; (iv) exchange-traded funds (ETFs); and (v) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Allodium to request a copy of its Code of Ethics.

Allodium has voluntarily subscribed to the "Real Fiduciary™ Practices" published by the Institute for the Fiduciary Standard. Real Fiduciary™ Practices offer a simple code of conduct and outline a commitment to clients of subscribing financial advisors. They seek to clearly articulate what a client can expect to receive from a subscribing financial advisor. These Real Fiduciary™ Practices do not replace Allodium's regulatory compliance obligations or duties to clients under relevant laws, rules, or regulations. The Institute for the Fiduciary Standard's role is limited to publishing the practices as well as maintaining a corresponding register of subscribing financial advisors. Allodium's affirmation of Real Fiduciary™ Practices can be verified on its website or at the Institute for the Fiduciary Standard website at www.thefiduciaryinstitute.org. The practices can be found at <https://thefiduciaryinstitute.org/wp-content/uploads/2019/03/Real-Fiduciary-Practices-2019-02-22.pdf>.

Allodium has also been voluntarily certified by the Centre for Fiduciary Excellence (CEFEX) with respect to the firm's fiduciary investment management services. CEFEX-certified firms adhere to specific standards substantiated by regulation or written in consultation with leading firms. Certification is obtained by completing a standards-based assessment and annual audits thereafter performed by independent analysts. This continually verifies Allodium's CEFEX certification, which is supplemental and does not replace Allodium's regulatory compliance obligations or duties to clients under relevant laws, rules, or regulations. The CEFEX audit fosters a culture of continuous improvement within the firm and increases transparency and accountability of the management team. More information about CEFEX and its certification process can be found on their website at <https://www.cefex.org/advisor/Index.shtml>.

Item 12. Brokerage Practices

As discussed above in Item 5, Allodium generally recommends that clients under our Wealth Management, Fiduciary Management, and Investment Management Consulting *Agreements* utilize the brokerage and clearing services of *Schwab* for investment management accounts. For client assets on the Allodium Portfolios platform, Allodium recommends utilizing the brokerage and clearing services of *Betterment*.

Factors which Allodium considers in recommending *Schwab*, *Betterment*, or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by *Schwab* or *Betterment* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Allodium's clients comply with Allodium's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to affect the same transaction where Allodium determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Allodium seeks competitive rates but may not necessarily obtain the lowest possible commission rates for transactions.

Allodium periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Allodium in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Allodium will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Allodium (as described below). As a result, the client 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. Subject to its duty of best execution, Allodium may decline a client's request to direct brokerage if, in Allodium's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client will be affected independently unless Allodium decides to purchase or sell the same securities for several clients at approximately the same time. Allodium may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Allodium's clients' differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Allodium's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Allodium determines to aggregate client orders for the purchase or sale of securities, including securities in which Allodium's *Supervised*

Persons may invest, Allodium shall do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Allodium shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that Allodium determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Allodium may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Allodium in its investment decision-making process. Such research will be used to service all of Allodium's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Allodium does not have to produce or pay for the products or services.

Products and Services Available to Allodium from Financial Institutions

Financial Institutions such as *Schwab* and *Betterment* may provide Allodium and its clients with access to their institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to retail customers. They also make available various software and support services. Some of those services help Allodium manage or administer its clients' accounts while others help Allodium manage and grow its business. In fulfilling its duties to its clients, Allodium endeavors at all times to put the interests of its clients first. Allodium receives the software and related support without cost because Allodium renders investment management services to clients that maintain assets at these *Financial Institutions*. As discussed below, the software and related systems support may benefit Allodium, but not its clients directly. Clients should be aware, however, that Allodium's receipt of economic benefits from a broker-dealer creates a conflict of interest, since these benefits can influence Allodium's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services. Here is a more detailed description of services from *Financial Institutions*:

Services that Benefit Clients

Financial Institutions brokerage services typically include access to a broad range of investment products, access to block trading, access to an electronic communication network for client order entry and account information, execution of securities transactions, and custody of client assets. The investment products available through *Financial Institutions* include some to which Allodium might not otherwise have access or that would require a significantly higher minimum initial investment by Allodium's clients. The *Financial Institution's* services described in this paragraph generally benefit clients and their accounts.

Services that May Not Directly Benefit Clients

Financial Institutions also make available to Allodium other products and services that benefit Allodium but may not directly benefit clients and their accounts. These products and services assist Allodium in managing and administering its clients' accounts. They include investment research, both directly from *Financial Institutions* and from third parties. Allodium uses this research to service all or some substantial number of Allodium clients' accounts, including accounts not maintained at the *Financial Institution*. In addition to investment research, *Financial Institutions* also make available software and other technology that:

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

Services that Generally Benefit Only Allodium

Financial Institutions also offer other services intended to help Allodium manage and further develop its business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

A *Financial Institution* provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Allodium. It also discounts or waives its fees for some of these services

or pays all or a part of a third party's fees. It may also provide Allodium with other benefits such as occasional business entertainment for its personnel.

Item 13. Review of Accounts

For those clients to whom Allodium provides investment management services, Allodium monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Allodium provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of Allodium's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Allodium and to keep Allodium informed of any changes thereto. Allodium shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts.

Those clients to whom Allodium provides financial planning and/or consulting services will receive reports from Allodium summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Allodium.

Item 14. Client Referrals and Other Compensation

Client Referrals

In the event a client is introduced to Allodium by either an unaffiliated or an affiliated promoter, the Firm may pay that promoter a referral fee in accordance with applicable securities laws. Unless otherwise disclosed, any such referral fee is paid solely from Allodium's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated promoter, the client will receive a disclosure statement containing the terms and conditions of the arrangement. Any affiliated promoter of Allodium is required to disclose the nature of his or her relationship to prospective clients at the time and will provide all prospective clients with a copy of the Firm's written brochure(s).

Products and Services from Financial Institutions

Allodium receives economic benefits from *Financial Institutions* in the form of the support products and services they make available to Allodium and other independent investment advisors. These products and services, how they benefit Allodium, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability of a *Financial Institution*'s products and services is not based on giving particular investment advice, such as buying particular securities for clients.

Item 15. Custody

Allodium's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Allodium through such *Financial Institution* to debit the client's account for the amount of Allodium's fee and to directly remit that management fee to Allodium in accordance with applicable custody rules. The *Financial Institutions* maintain actual custody of your assets.

The *Financial Institutions* recommended by Allodium have agreed to provide a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Allodium. Clients should carefully review the statements provided by the *Financial Institutions*.

Surprise Independent Examination

When Allodium is deemed to have custody over certain specific clients' cash, bank accounts or securities (for reasons other than those discussed above), the Firm is required to engage an independent accounting Firm to perform a surprise annual examination of those assets and accounts over which it maintains custody. Any related opinions issued by an independent accounting Firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website. Allodium does not have direct access to client funds as they are maintained with an independent qualified custodian.

Standing Letters of Authorization

Allodium also has custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the Firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the Firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the Firm will keep records showing that the third party is not a related party of the Firm or located at the same

address as the Firm; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

Item 16. Investment Discretion

Allodium may be given the authority to exercise investment discretion on behalf of clients. Allodium is considered to exercise investment discretion over a client's account if it can affect transactions for the client without first having to seek the client's consent. Allodium can be given this authority through a power-of-attorney included in the *Agreement* between Allodium and the client. Clients may limit the discretionary authority that they grant Allodium, such as certain securities not to be bought or sold, through an explicit written request. Allodium takes investment discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

Item 17. Voting Client Securities

Allodium generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. In the limited circumstances in which Allodium accepts responsibility to vote proxies, such as where a client is required to assign proxy voting responsibility to Allodium, the Firm will make proxy vote decisions on a case-by-case basis that are, in its judgment, consistent with the client's best interests, including abstaining from voting.

Absent special circumstances, all proxies will be voted consistent with guidelines described in Allodium's Proxy Voting Policies and Procedures, which may be amended from time-to-time. Clients may contact Allodium to request information about how the Firm voted proxies for that client's securities or to request a copy of Allodium's Proxy Voting Policies and Procedures. A brief summary of Allodium's Proxy Voting Policies and Procedures follows:

- Allodium's Compliance Committee has been delegated the responsibility of ensuring that the Firm's proxy voting policies are followed;
- The Compliance Committee will review received proxies on a case-by-case basis and make proxy vote decisions that are, in its judgment, consistent with the best interest of clients; and
- Clients cannot direct Allodium's vote on a particular solicitation but in most circumstances can revoke the Firm's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships and the Firm decides to vote on that proxy, the Firm takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

Item 18. Financial Information

Allodium does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Allodium is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Allodium has no disclosures pursuant to this Item.