

**Date: March 8, 2024**

## **Form ADV Part 2A: Disclosure Brochure**

### **New Harbor Financial Group, LLC**

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This brochure provides information about the qualifications and business practices of New Harbor Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at 978-537-7701. 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 New Harbor Financial Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## Item 2 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 our last annual updating amendment, dated February 24, 2023, we have made the following material changes to our Form ADV:

On September 5, 2023, we updated our brochure to disclose that we may recommend investment in precious metals ETFs and the associated risks. We also updated our brochure to reflect that we now use Schwab as custodian and broker for client accounts.

In March 2024, we updated our brochure to disclose our arrangement with Thoughtful Money as a endorser of our firm. If the person who Thoughtful Money referred becomes a client, we will pay a portion of the advisory fees collected to Thoughtful Money. We also provided guidance on how trade error gains and losses are handled. If there is a gain as a result of a trade error, the gain will be passed to the client.

We have begun offering educational seminars/workshops on various topics. These seminars will be held at different locations around the country. Individuals who are not a client of our firm may be charged a nominal fee to attend the event.

The investment adviser representative of your account will monitor the account on an ongoing basis and will conduct a review annually. You should contact your representative if you are interested in setting up a review.

Schwab has assisted our firm with a partial fee waiver for one attendee to participate in the IMPACT 2023 conference.

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## Item 4 Advisory Business

### Description of Services and Fees

New Harbor Financial Group, LLC is a registered investment adviser primarily based in Worcester, MA. Our firm has been organized as a limited liability company under the laws of the State of MA since 2005. Prior to that date, some of our advisors were affiliated with another financial services firm. For the period between 2005 and 2010, the principals of our firm, Michael Preston and John Llodra, provided investment advisory services through an affiliation with Commonwealth Financial Network. Our firm registered directly with the SEC as a registered investment adviser in January 2011.

Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Investment Management and Wealth Management Services
- Financial Planning and Consulting Services

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to New Harbor Financial Group, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

### Investment Management and Wealth Management Services

We offer discretionary and non-discretionary investment management services. In addition, we may provide our clients with wealth management services which may include broad-range financial planning and consulting services.

We manage our discretionary accounts through model portfolios. We will invest your assets according to one of our model portfolios if the model is suitable for you given your investment objectives, risk tolerance, and other relevant information. We manage our model portfolios on an ongoing basis. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and the appropriate trading authorization forms. In providing discretionary management services, we typically accommodate client restrictions on the specific securities or the types of securities that may be held in the client's account.

If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. We will execute transactions for non-discretionary accounts only at your request.

You must promptly notify our firm of any changes in your financial situation or investment objectives, or if you wish to impose any restrictions on our management services.

## **Financial Planning Services**

We offer financial planning services which typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad-range financial planning to consultative/single subject planning, as requested by the client.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change. In performing our services, we shall not be required to verify any information we receive from you or your other professionals (e.g., attorney, accountant, etc.) and we are expressly authorized to rely on such information.

We charge either a fixed or hourly fee for our financial planning services. The form and level of our fees for financial planning are dependent upon the scope of services and the professional rendering the financial planning advice. These fees, along with a detailed proposed scope of work will be provided to you in advance of any stand-alone financial planning services rendered.

At our discretion, we typically recommend that you implement our recommendations through our services, through persons associated with our firm. It is our practice to waive our financial planning fees to the extent that you have at least \$200,000 of assets under our management and you implement the plan advice through our Investment Management Services. Fees for stand-alone financial planning services are due upon completion of plan services rendered. You may terminate the financial planning agreement by providing written notice to our firm. At our discretion, you may incur a pro rata charge for services rendered prior to the termination of the agreement.

A conflict of interest exists if we recommend our own services or other professionals affiliated with our firm. You retain absolute discretion over all implementation decisions and are free to accept or reject any of our recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

## **Educational Seminar/Workshops**

At times, our Independent Adviser Representatives may conduct financial educational seminar/workshops on a wide range of topics at various locations throughout the country. Depending on the topic, we may partner with attorneys and other professionals to offer these seminars.

## **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);
- Never put our financial interests ahead of yours 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 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. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

### **Types of Investments**

We intend to primarily allocate our client's investment management assets among exchange-traded funds, individual equities, individual bonds, options, and to a less frequent extent among mutual funds, and other types of securities. Additionally, we may advise you on any type of investment that we deem appropriate 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.

### **Assets Under Management**

As of January 30, 2024, we provide continuous management services for \$469,882,025 in client assets on a discretionary basis, and \$25,608,053 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **Investment Management and Wealth Management Services**

Our fee for portfolio management services is based on a percentage of your assets we manage and generally ranges from 0.85% to 2.00% annually, depending on the aggregate assets we manage for a client and individual client circumstances.

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis in arrears, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement at any time by verbal or written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Additions to your account may be in cash or securities provided that we reserve the right to liquidate any transferred securities or decline to accept particular securities into your account. We may consult with you about the options and ramifications of transferring securities. However, when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund

level (i.e., contingent deferred sales charge) and/or tax ramifications. 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.

### **Financial Planning Services**

We may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$5,000 on a fixed fee basis and \$150 - \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or consulting services. At our discretion, we typically waive our financial planning fees to the extent you implement the financial plan through our Investment Management Services.

Fees are due upon completion of services rendered. You may terminate the financial planning agreement by providing written notice to our firm. At our discretion, you may incur a pro rata charge for services rendered prior to the termination of the agreement.

### **Educational Seminars/Workshops**

We may charge a nominal fee to attendees who are not current clients of our firm for admittance to our educational seminars/workshops.

### **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 may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.

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

Our firm's Chief Compliance Officer, Christine Drisco, is a registered representative with Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC-registered securities broker-dealer and a member of FINRA. In her capacity as a registered representative, Ms. Drisco may receive commission-based compensation in connection with the purchase, sale, or holding of variable annuities. Compensation earned by Ms. Drisco in her capacity as a registered representative is separate and in addition to our advisory fees. In addition, persons providing investment advice on behalf of our firm are also licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. The receipt of commissions by these individuals presents a conflict of interest because they have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, it is our policy to make recommendations to you based on your best interests rather than any additional compensation earned. Additionally, although Ms. Drisco may hold variable annuities for advisory clients in her capacity as a registered representative of PKS, she will not earn commissions for securities recommendations to clients. You are under no obligation, contractual or otherwise, to purchase insurance products through any person affiliated with our firm.

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

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

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

## Item 7 Types of Clients

We offer investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require a minimum aggregate investment for each client of \$200,000 to open and maintain an advisory account; however, we have the right accept clients below this level on a case by case base, and to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

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

### Our Methods of Analysis and Investment Strategies

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

*Technical analysis* - involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that the Firm will be able to accurately predict such a reoccurrence.

*Cyclical analysis* - is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that the Firm is recommending. The risks with cyclical analysis are similar to those of technical analysis.

*Fundamental analysis* - involves the fundamental financial condition and competitive position of a company. We may analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security. Also, the 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.

*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. The primary risk is that

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.

*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. 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. 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.

We may use *short-term trading* (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. This may include buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses, or to reset and/or adjust positions we may use to hedge your portfolio against risk and volatility. However, there is a risk that frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

### **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 prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. We endeavor to consider the tax aspects of the portfolios by repositioning in such a way to mitigate the tax impacts of capital gains. Our repositioning takes into account many factors one of which is the tax implications. This is not our sole or primary factor in making investment decisions. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Market Risks**

The profitability of a significant portion of our recommendations may depend to a great extent upon correctly assessing the future course of price movements of securities, including ETFs, stocks and bonds. There can be no assurance that we will be able to predict those price movements accurately. Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

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

As disclosed under the *Advisory Business* section in this brochure, we primarily recommend exchange-traded funds ("ETFs"), individual equities, and options. 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 it.

**ETFs:** 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 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. Most ETFs seek to achieve the same return as a particular market index and the ETF will primarily invest in the securities of companies that are included in a selected market index. Shares of an ETF are listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. The primary risk of inverse and/or leveraged ETFs is that they are designed to achieve their objectives on a short-term basis and their performance over longer periods of time can differ significantly (to the potential benefit or detriment to clients) from the performance of their underlying index or benchmark during the same period of time. This can result in losses, which can be magnified in volatile markets. Inverse and/or leveraged ETFs seek to achieve their stated objectives on a daily basis, and their performance over longer periods of time can differ significantly from the multiple or inverse multiple of the index performance over those longer periods of time. We may also invest in precious metals ETFs, which offers investors exposure to the precious metals market without the need to hold physical precious metals. These ETFs are volatile and can experience significant price fluctuations in a short period of time.

**Options:** We may recommend the use of options for clients, in addition to other possible strategies as appropriate for clients. Specifically, in conducting our investment strategy, we may elect to engage in the selling of covered call options or the purchase of protective put options, or some combinations of both (e.g., "collar" hedges, etc.). Options allow our firm to hedge (limit) certain potential losses on positions clients hold. In addition, options may allow our firm to lessen the volatility that a client's account might otherwise be subjected to.

If we sell a covered call option, the client's account will receive a payment in the amount of the call option premium less any transaction costs. This payment is retained by the client and can reduce potential downside risks of owning the underlying security against which the option was written. However, such downside protection is limited to the amount of the net option premium received by the client. In return for this downside protection, the client foregoes upside appreciation in the underlying security if the call option buyer exercises their right to purchase the client's shares of the underlying security.

In the case of purchasing protective put options, the client will incur a cost (known as the option premium, plus a potential transaction charge). In return for payment of this premium, the client will be protected from losses on the underlying security if it falls below the strike price of the put option. If the price of the underlying security does not drop after the put option is purchased, the client may not recoup the cost incurred to purchase the option.

We may actively manage covered call or protective put options by entering into closing transactions prior to the option expiration date, in which case the client may experience a capital gain or loss on the option position.

**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; the effect of changes in interest rates; 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.

## Item 9 Disciplinary Information

New Harbor Financial Group, LLC is required to disclose whether its firm or management persons have been involved in any legal events, criminal or civil action, an administrative proceeding before the SEC or any other regulatory agency, or a self-regulatory organization proceeding or disciplinary events that are material to a referral's or a prospective referral's evaluation of our advisory business or the integrity of our management. New Harbor Financial Group, LLC entered into a settlement on October 11, 2022, with the Commonwealth of Massachusetts, Office of the Secretary of the Commonwealth Securities Division. The Division alleged that New Harbor failed to reasonably supervise an Investment Advisory Representative's investment activity. Specifically, the Division stated that New Harbor could not demonstrate that there were documentation procedures in place to monitor that their IAR could track the performance of a leveraged inverse exchange traded fund on a frequency as often as daily. The period of time covered by the settlement was August 1, 2016 to July 31, 2018. Without admitting or denying the alleged violations of law, New Harbor Financial Group, LLC agreed to reimburse management fees attributable to such investments totaling \$1,538.12, total restitution of \$822.55, and an administrative fine of \$100,000. New Harbor Financial Group, LLC has complied with all undertakings pursuant the consent order.

## Item 10 Other Financial Industry Activities and Affiliations

The principals of our firm are also co-owners of New Harbor Acquisition Partners, LLC, a corporate acquisition consulting firm. Advisory clients in need of corporate acquisition services or opportunities may use Mad River Associates for such services, and our firm's principals have an incentive to recommend Mad River Associates due to their affiliation with the firm; however, clients are under no obligation to do so. Mad River Associates' fees and services are separate and apart from our firm's services and fees.

### Registrations with Broker-Dealer

Some persons providing investment advice on behalf of our firm are registered representatives with Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC-registered securities broker-dealer and a member of FINRA and are insurance agents. Please refer to Item 5 under "Compensation for the Sale of Securities or Other Investment Products" for more information regarding these activities.

## **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. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

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.

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

Neither our firm nor any persons associated with our firm has any material financial interest in securities recommended to clients beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the *Brokerage Practices* section in this brochure for information on our block 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. Our routine use of block trades is meant to ensure our personal trades do not receive preferential treatment above our clients' trades.

## **Item 12 Brokerage Practices**

### **The custodian and brokers we use**

We do not maintain custody of your assets that we manage, 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), a registered broker-dealer, member SIPC, as the qualified custodian.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when you instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab 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. If you do not wish to place your assets with Schwab, then we cannot manage your account. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, and we anticipate that most trades will be executed through Schwab, we can still use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

### **Your brokerage and custody costs**

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 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. Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

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 trades through Schwab, we have determined that having Schwab execute 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 us. 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 us, but doing so would be at the expense of not having access to the investment advisory services provided by us.

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 on an unsolicited basis (we don't have to request them) and 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 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, recordkeeping, 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
- Partial waiver of attendee fee to Schwab's IMPACT conference
- Consulting on technology and business needs
- Consulting on legal and related compliance 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.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

### **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.

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding

factual and market conditions, when we combine orders, each participating account pays the account custodian transaction costs at the rates we have negotiated on behalf of our clients. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

In the event that we determine 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 largest order or the largest 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, we 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.

We do not combine orders for non-discretionary accounts and/or unsolicited trades which a client requests us to execute. Accordingly, non-discretionary accounts may receive different pricing than discretionary accounts. However, because we execute transactions for non-discretionary accounts only at the client's request, our non-discretionary accounts typically do not purchase the same securities, at the same time, as discretionary accounts.

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

If you participate in our Investment Management Services, the investment adviser representative assigned to your account will monitor your account on an ongoing basis and conduct a review of the account at least annually. You should contact your representative if there have been any changes to your financial situation or investment objectives(s) and if you are interested in setting up a consultation. Our office will be reasonably available to you, during normal business hours, for a consultation regarding the management of your account. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

You should discuss your needs, goals, and objectives with our firm and keep us informed of any changes to your financial circumstances, needs, goals, or objectives.

Unless otherwise agreed upon, you will receive trade confirmations and monthly or quarterly statements directly from your account custodian(s). If you participate in our Investment Management Services, we may also provide you with a report that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance. You should compare the account statements you receive from your custodian with those you receive from our firm.

If you have engaged our firm for financial planning and/or consulting services, we may provide you with reports summarizing our analysis and conclusions as you have requested or otherwise agreed to in writing by our firm.

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

As disclosed under the *Fees and Compensation* section in this brochure, some persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives with PKS. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the *Fees and Compensation* section. In addition, for more information regarding the economic benefits we receive through our participation in certain Schwab programs, please refer to the *Brokerage Practices* section above.

We have a paid referral arrangement with Greylock Peak Investments ("GPI"), a registered investment adviser, whereby we compensate GPI for client referrals. In order to receive a cash referral fee from our firm, GPI must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by GPI, you should have received a copy of GPI's disclosure statement at the time you receive account opening paperwork. If you become a client, GPI will receive up to 35% of the advisory fee you pay our firm. You will not pay additional fees because of this referral arrangement. GPI has a financial incentive to recommend our firm to you for advisory services.

We also have a referral arrangement with Thoughtful Money. If you become a client through the Thoughtful Money website, we will pay Thoughtful Money a fee based upon the amount of assets invested by you through them. The amount of the asset-based service fee to be paid to Thoughtful Money will be 35% of the total annual advisory fee you pay our firm. You will not pay additional fees because of this referral arrangement. We had to meet certain standards to participate in the Thoughtful Money arrangement.

As a result of our past participation in TD Ameritrade's Advisor Direct program, now Charles Schwab Advisor Direct Program (the "referral program"); we received client referrals. The referral program was established as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. Schwab does not supervise our firm and has no responsibility for our management of client portfolios or our other advice or services. We are no longer participating in the referral program for purposes of receiving client referrals but we are obligated to pay Schwab an on-going fee for each successful client relationship established as a result of past referrals. This fee is usually a percentage (not to exceed 30%) of the advisory fee that the client pays to our firm ("Solicitation Fee"). We will also pay Schwab the Solicitation Fee on any advisory fees received by our firm from any of a referred client's family members who hired our firm on the recommendation of such referred client. We will not charge clients referred to us through AdvisorDirect any fees or costs higher than our standard fee schedule offered to our other clients.

Schwab has assisted our firm with a partial fee waiver for one attendee to participate in the IMPACT 2023 conference conducted by Schwab.

## **Item 15 Custody**

As paying agent for our firm, 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 independent, qualified custodian. You will receive account statements from the independent,

qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

### **Standing Letter of Authorization**

Our firm may effect wire transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers or to sign checks on a client's behalf has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

However, we do not have to obtain a surprise annual audit, as we otherwise would be required to by reason of having custody, as long as we meet the following criteria:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

We hereby confirm that we meet the above criteria.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf without first having to seek your consent, you must sign our discretionary management agreement, which includes a limited power-of-attorney. You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) and when transactions are made without obtaining your consent or approval prior to each transaction.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

### **Proxy Voting**

We may vote client securities (proxies) on behalf of our clients. Where we have accepted proxy voting responsibility, it is our policy to vote such proxies in the best interest of our clients and ensure that the vote is not the product of an actual or potential conflict of interest.

In the event you wish to direct our firm on voting a particular proxy, you should contact our firm at the number on the cover page of this brochure with your instruction.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance nor have we filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.

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

Our firm is a federally-registered investment adviser; therefore, this Item does not apply.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

**Trade Errors**

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

**Class Action Lawsuits**

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