



# CHEQUERS

FINANCIAL MANAGEMENT

Item 1 – COVER PAGE

## FORM ADV PART 2A\*

### Brochure

March 2024

434 Jackson Street, Suite A  
San Francisco, CA 94111

18881 Von Karman Avenue, Suite 920  
Irvine, CA 92612

Telephone: 415-964-5001

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

\*This brochure provides information about the qualifications and business practices of Chequers Financial Management LLC. If you have any questions about the contents of this brochure, please contact the Firm's Managing Member and Chief Compliance Officer, Megan Gorman, at telephone 415-964-5001. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority.

This Brochure provides information upon which a prospective client may determine whether or not to hire our Firm. You are encouraged to review this Brochure and Supplements regarding the Firm's associates for information on the qualifications of the Firm and its employees. The use of the term "registered investment adviser" and description of Chequers Financial Management LLC and/or our personnel as "registered" does not imply a certain level of skill or training.

Additional information about Chequers Financial Management LLC is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 - MATERIAL CHANGES FROM PRIOR FORM ADV 2A**

This updated Form ADV Part 2A contains the following changes from the prior version:

- Updated description of the Firm's assets under management at Part 2A, Item 4.
- 

## **Item 3 - TABLE OF CONTENTS**

ITEM 1 – COVER PAGE .....	1
ITEM 2 - MATERIAL CHANGES FROM PRIOR FORM ADV 2A .....	2
ITEM 3 - TABLE OF CONTENTS .....	2
ITEM 4 - ADVISORY BUSINESS .....	3
ITEM 5 - FEES AND COMPENSATION .....	6
ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	8
ITEM 7 - TYPES OF CLIENTS .....	8
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS.....	8
ITEM 9 - DISCIPLINARY INFORMATION .....	14
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	14
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	14
ITEM 12 - BROKERAGE PRACTICES .....	15
ITEM 13 - REVIEW OF ACCOUNTS .....	18
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION .....	18
ITEM 15 - CUSTODY .....	19
ITEM 16 - INVESTMENT DISCRETION .....	20
ITEM 17 - VOTING CLIENT SECURITIES.....	20
ITEM 18 - FINANCIAL INFORMATION .....	20

#### **Item 4 - ADVISORY BUSINESS**

Registration Status –	Registered with the SEC as of January 19, 2016 <sup>1</sup>
Firm Ownership –	Megan E. Gorman Edward J. Kearney Nicole A. Tanenbaum
Assets Under Management –	Discretionary Assets – \$ 721,944,853
(as of December 31, 2023) –	Non-discretionary Assets – \$ 90,040,555
	Total AUM – \$ 811,985,408

#### **OVERVIEW OF CORE FINANCIAL MANAGEMENT SERVICES**

Chequers Financial Management LLC ("Chequers Financial" or sometimes the "Firm" or "Advisor") provides bespoke advisory services to ultra-high-net-worth individuals and complex, multi-generational families, as well as to their trusts, estates, charitable foundations, and business entities. Our management services include the design of intricate wealth transfer strategies grounded in complex tax and estate techniques that reflect the particular parameters of extended family structures. Our advisory practice offers two, highly-tailored, comprehensive wealth management services: a Personal CFO/Corporate Executive Service offered to clients with a net worth of between \$5 million to \$75 million and a Multi-Family Office Service that supports clients with equally significant wealth that is associated with multi-generation financial requirements.

As each client's circumstances are by their nature personal and unique, we design our services to address client-specific needs as identified through a tailored evaluation process. Through detailed client interviews and a review of selected client financial records, we develop an in-depth understanding of each client's "financial house" and business(es). We help clients determine and/or refine individual financial goals that will meet or move them toward their long-term objectives. It is a comprehensive approach that allows the client to set priorities and parameters. With the client, we set a financial agenda and recommend specific action items for implementation all of which is subject to ongoing monitoring, periodic review and revision and routine reporting. Clients retain absolute discretion over all financial planning and consultation recommendations and their implementation.

The core of our services provided under the CFO/Corporate Executive service involves the preparation of a financial plan or provision of client-directed financial consultations that are based on an in-depth consideration of the clients' current financial condition, current portfolio holdings and the client's financial goals and objectives. Overall, such financial planning or financial consultation encompasses one or more of the following areas: investment planning, retirement planning, estate planning, charitable planning, education planning, personal tax planning and preparation, compensation and benefits analysis, cost segregation study, real estate analysis, mortgage/debt analysis, insurance analysis, lines of credit evaluation, and personal financial planning.

In addition to the above CFO/Corporate Executive level services, we offer our Multi-Family Office clients additional services including budgeting, back-office administration, insurance

---

<sup>1</sup>"Registration" means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply a certain level of skill or training or that the SEC or other regulator guarantees the quality of our services or recommends them.

and risk management analysis, generational financial education programs, charitable and philanthropic planning, tax planning and wealth transfer analysis. Such services may either be offered in-house by Chequers Financial staff or through independent third-party service providers that collaborate with our clients and whose services we may monitor.

Chequers Financial's consultations to clients usually include general recommendations for a course of activity or specific actions to be taken by clients. For example, Chequers Financial may recommend that clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that Chequers Financial may refer clients to accountants, attorneys, or other specialists as necessary for non-advisory services. Chequers Financial does not accept compensation from such specialists for such referrals. Implementation of all such recommendations and referrals remains at the discretion of the client.

The Firm has established a minimum account size requirement of \$2 million. Multiple accounts for the same client may be aggregated to reach this threshold. At the Firm's sole discretion, it may accept clients with smaller portfolios where it determines that the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Other factors considered in a decision to waive the minimum account size are the anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc. of the account.

Most clients retain Chequers Financial for both financial management and investment management services under a single, integrated fee arrangement. To the extent a client retains the Firm to provide financial consulting services only, the client will be required to enter into a separate written agreement with Chequers Financial setting forth the terms and conditions of the engagement and describing the scope of the services to be provided. Stand-alone financial management planning or consultation services are billed either on a fixed fee or hourly basis. Financial consultation clients are not required to be investment management clients of the Firm.

## **OVERVIEW OF CORE INVESTMENT MANAGEMENT SERVICES**

Our investment management services are tailored to each client's specific risk tolerance, time horizon, liquidity requirements, and investment restrictions. While we strive to create sustainable long term investment strategies, we review and adjust asset allocations and risk exposure as required by changes in market and client circumstances. The Firm's portfolio managers gather information about each client's individual financial condition and investment goals through personal consultations and document review. On the basis of this information, the Firm designs an individualized investment plan based on a client's earning capacity, savings, investment history, tax issues, retirement horizon, education and legacy planning, and any other matters that a client deems important.

Depending upon the client's particular investment objectives and personal preferences, we offer the following investment management services: creation of an asset allocation strategy; recommendation of specific securities for investment; execution of securities transactions on behalf of clients through designated custodians and executing broker-dealers; monitoring and rebalancing client account holdings; and/or routine performance reporting.

A client may make additions to and withdrawals from the client's custodial account at any time, subject to the Firm's right to terminate an account if the amount of assets drops below our account size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design client portfolios as long-term investments and caution our clients that asset withdrawals may impair the achievement of the client's investment objectives.

Additions to an account may be in cash or securities provided that our portfolio managers may decline to accept particular securities into a client's account or may recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that 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.

As a result of employee benefit perquisites arising from their position as an owner or executive of a company, some clients may own, be granted or may consider purchasing options, warrants, restricted stock in the shares of their company or similar equity enhancements to their compensation. The Firm offers advice about such investment decisions, as well as about the sale or liquidation thereof, as part of its services.

### **General Notices**

In performing its services, Chequers Financial 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 authorized to rely on such information as provided. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or financial plan.

The Firm may recommend its own investment management or financial planning services or those of other professionals to implement investment recommendations. Clients are advised that a conflict of interest exists if the Firm recommends its own services. Financial planning/consultation clients and clients requesting investment management services on a non-discretionary basis are not obligated to act upon the recommendations made by Chequers. Such clients retain absolute discretion over all such investment implementation decisions and are free to accept or reject any of the Firm's recommendations.

### **Fiduciary Status**

When Chequers Financial provides investment advice to you regarding your investment accounts, including your retirement plan account or individual retirement account, we are fiduciaries within the meaning of certain state and federal laws such as the Employee Retirement Income Security Act and/or the Internal Revenue Code and the regulations of the U.S. Securities and Exchange Commission, as applicable. These regulations require us to act in your best interest and not put our interests ahead of yours.

### **TERMINATION OF AGREEMENT**

Clients or the Firm may terminate the relationship at any time upon written notice to other party. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. Any earned investment management fees owed to the Firm will be billed to the client, or where authorized, deducted from the client's account, on a pro rata basis determined on the amount of time expired in the billing period. Any unearned prepaid management fees will be refunded to the client. Any unearned prepaid financial planning or financial consultation fees will be

refunded to the client. Any unpaid financial planning or consultation fees will be billed to the client for immediate payment or deducted from the client's retainer.

For new clients of the Firm, if a copy of this Form ADV Part 2A disclosure statement was not delivered to the client 48 hours or more before the client enters into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. A contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded however, any transaction costs imposed by an executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

## **Item 5 - FEES AND COMPENSATION**

### **Financial Planning and Consulting Fees**

Chequers Financial charges fees on either a fixed fee or hourly basis for financial planning and consulting services. Fixed and hourly fees are based on the scope and complexity of the engagement. Our hourly rates range between \$750 to \$1,250 depending upon the nature of the requested services and the extent to which the project falls outside our normal scope of services. The fee to be charged and each client's billing cycle are outlined in a separate agreement. Chequers Financial does not require pre-payment of fees exceeding \$1,200 more than six months in advance of the completion of the work.

### **Investment Management Fees**

Chequers Financial offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee generally varies but will not exceed 150 basis points (1.50%) per year.

The management fee is billed quarterly in arrears based on the time weighted daily average balance of a client's account on the last day of the quarter. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding portion of the fee is charged to the client, as appropriate.

Chequers Financial may, in its sole discretion, negotiate to charge a lesser fee based upon, among other things, certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationships, account retention, and pro bono activities.

Services provided for the above fees are for investment advice and quarterly reporting of asset holdings, valuations and performance reviews. The client's investment management fee to the Firm is determined in accordance with the above standard fee structure, with exceptions negotiated on a case-by-case basis at our discretion. Any deviations from the fee structure are based on a number of factors including the nature and length of the client relationship, the services requested, account composition, the amount of work involved, the amount of assets placed under management and the attention needed to manage the account.

If assets are deposited into or withdrawn from a client's account after the inception of a billing period and depending upon the timing or size of such withdrawal or deposit, the fee payable with respect to such assets may not necessarily be adjusted or prorated based on

the number of days remaining in the billing period. Accounts initiated or terminated during a calendar month will be charged a prorated fee.

Clients customarily authorize Chequers Financial to deduct its quarterly investment advisory fee directly from their custodial account. This authorization is granted under the terms of the client's signed investment management agreement and the client's instructions to the custodian. Chequers Financial sends quarterly statements to the client showing the fee amount, the value of the assets upon which the fee is based, and the specific manner in which the fee is calculated. The account custodian sends a statement to the client, at least quarterly, showing all account disbursements, including advisory fees. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated.

Advisor's investment strategy generally does not encourage clients to use margin account trading. Therefore, the decision as to whether to employ margin is left to the sole discretion of each client. To the extent that a client authorizes the use of margin, and margin is thereafter employed, the market value of the client's account and corresponding management fee payable to Advisor may be increased as any margin balance will not be offset against the value of assets purchased on margin when Advisor calculates its advisory fee.

In certain cases clients may request that Chequers Financial purchase, maintain, or consolidate preexisting or other securities positions in custodial accounts maintained with the Firm, that are not consistent with the Firm's investment strategy. In such cases, Chequers Financial will not charge a management fee on such assets, with the specific understanding that these are non-managed assets for which client is responsible for determining the suitability of maintaining such a position. The Firm will neither increase nor liquidate such positions without specific direction from the client to do so.

#### **GENERAL FEE DISCLOSURE**

Our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay Area for comparable services. For smaller accounts, other investment advisors may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

Chequers Financial receives no sales commissions on investment products purchased or sold for client accounts.

#### **CUSTODIAN AND BROKERAGE FEES**

Please see Item 12 below for an explanation of our brokerage practices. Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, 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, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

#### **FUND DISCLOSURES**

Investment vehicles such as mutual funds, closed-end funds, exchange traded funds and alternative investment funds offer a wide range of objectives and strategies; the types of securities held by such funds vary widely depending upon the specific objectives and

strategies of the vehicle. These investment vehicles incur brokerage and other expenses and their sponsors typically compensate themselves through fees charged directly to the fund. Clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested in addition to the advisory fee charged by Chequers.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by Chequers. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

#### **BOND DISCLOSURE**

Clients whose assets are invested in bonds purchased directly from an underwriter or on the secondary market may pay a sales credit or sales concession on the trade (in lieu of a sales commission). The client's custodian may also impose a fee on the transaction.

#### **Item 6 - PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT**

Chequers Financial does not charge performance-related fees. No part of the investment management fee is calculated as a share of the capital gain or capital appreciation of assets.

#### **Item 7 - TYPES OF CLIENTS**

Chequers Financial offers services to individuals, families, trusts, estates, charitable organizations, corporations, and other business entities. As a result of its minimum account size requirement, Chequers Financial's services may not be appropriate for everyone.

#### **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

##### **METHODS OF ANALYSIS**

Chequers Financial portfolio managers formulate investment advice relying in part on strategic and tactical asset allocation models. We rely both on research conducted internally and research conducted by several leading financial industry analysts and leading academic economists. We focus on investment characteristics that are sensible, persistent over time, pervasive across markets, and cost-effective to capture. Our investment philosophy is based on this collective investment research combined with strict rebalancing policies and a rigorous investment selection process. These strategies represent a broad array of equity, bond and when appropriate, alternatives investment categories.

Chequers Financial does not make single stock or bond recommendations. Chequers Financial may, for discretionary accounts, engage in tax loss realization trades when appropriate.



## **INVESTMENT STRATEGY**

Chequers Financial typically recommends portfolios primarily consisting of passively-managed asset class and index mutual funds focused on equity and fixed income securities. We typically look for fund groups that follow a passive asset class investment philosophy with low holdings turnover and that charge generally lower fees and expenses than those charged by other types of funds. In addition to funds, and where appropriate to the specific needs of the client, Chequers Financial may also invest in other types of securities, including but not limited to: exchange traded funds ("ETFs") and other publicly traded and private securities investments. Chequers Financial typically does not execute single stock or bond transactions on behalf of clients however it may engage in such individual trades for tax loss harvesting when appropriate.

## **Alternative Investments**

In addition to the above types of investments, the Firm also includes what are known as "alternative investments" in the portfolios of its qualified clients for whom such investments are deemed suitable. These alternative investments may include, but are not limited to, venture capital limited partnerships, private equity, managed future funds, hedge funds and third party funds of funds.

## **INVESTMENT RISKS**

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, inflation risk, interest rate risk, reinvestment rate risk, liquidity risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

Here are some of the general risks associated with parts of our investment strategy:

### **Domestic and International Equities**

**Investment Style Risk.** The Advisor's judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security in which a client invests may prove to be incorrect and there is a no guarantee that the Advisor's judgment will always produce the intended results.

**Market Risk.** Securities traded on securities exchanges are subject to demand and supply conditions. Investors could receive less than the original investment amount when they sell a security if the demand for that security has fallen. Prices generally reflect investors' confidence in the economy, interest rates, and many other factors. Investors must be able to tolerate such price movements.

**Inflation.** Inflation is the loss of purchasing power that results from a general rise in prices. Portfolios may respond either positively or negatively to inflation, but the likelihood is that investors will experience a change in purchasing power that is less advantageous than suggested by nominal measures of return. For example, with inflation, a portfolio designed to distribute a 4% return as current income will experience a decline in purchasing power unless the portfolio strategy is adjusted to take inflation into account.

**Price Fluctuation.** Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

**Interest-rate Fluctuation.** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Currency Fluctuation.** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment of Dividends.** We will reinvest interest, dividends and capital gains as appropriate to accumulate wealth based on factors such as ongoing cash needs and tax loss harvesting opportunities. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate of return than was initially projected.

**Sector Risks.** A client's portfolio may be over-weighted in certain market sectors; therefore any negative development affecting those sectors will have a greater impact on the client's investments.

**Income Risk.** Dividends may not be paid if a securities issuer reports an operating loss.

**Liquidity Risk.** Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

**Financial Risk.** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value for the securities issued by such companies.

**Mid-Cap and Small-Cap Risk.** Stocks of mid-cap and small-cap companies can exhibit greater risk than stocks of larger companies. Many of these companies are young and have a limited track record. Their securities may trade less frequently and in more limited volume than those of more mature companies. Mid-cap and small-cap companies also may lack the managerial, financial, or other resources necessary to implement their business plans or succeed in the face of competition or economic turmoil.

**Foreign Investing Risk.** Foreign investing involves risks not typically associated with U.S. investments. These risks include, among others, adverse fluctuations in foreign currency values as well as adverse political, social, and economic developments affecting a foreign country. In addition, foreign investing involves less publicly-available information, and more volatile or less-liquid securities markets. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws, and potential difficulties in enforcing contractual obligations. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulations may be inadequate or irregular. Owning foreign securities could cause the Fund's performance to fluctuate more than if it held only U.S. securities.

**Emerging Markets Risk.** Countries with emerging markets may have relatively unstable governments, social and legal systems that do not protect shareholders, economies based on only a few industries, and securities markets that trade a small number of issues. In addition, emerging securities markets may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions.

**Net Asset Value and Market Price Risk.** The market value of ETF shares may differ from their net asset value. This difference in price may be due to the fact that the supply and demand in the market for the ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF share trades at a premium or discount to its net asset value.

**Tracking Risk.** ETFs in which a client invests will not be able to replicate exactly the performance of the indices they track because the total return generated by the securities will be reduced by transaction costs incurred in adjusting the actual balance of the securities. In addition, the ETFs will incur expenses not incurred by their applicable indices. Certain securities comprising the indices tracked by the ETFs may, from time to time, temporarily be unavailable, which may further impede the ETF's ability to track their applicable indices.

**Short-term purchases** – While we generally purchase securities with the intent to hold them for more than a year, we may on occasion determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

**Mutual Funds with Foreign Asset Holdings** – Any investments in mutual funds that make foreign investments and are not hedged back to the U.S. Dollar are subject to the uncertainty with changes in the foreign currency value. The client may bear more risk and may earn a substantially higher return or a substantially lower return than projected.

**Margin Trading.** In some cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client's custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by their custodian. Consequently, all margin decisions are left to the client.

**Option Trading.** Certain clients engage in option trading. An option is a contract that gives the investor the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss. Options are very time sensitive investments and the buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur before the option expires.

**REITS** – Publicly Traded Real Estate Investment Trusts ("REITs") are companies that own and operate income-producing real estate or related assets. Because REITS are traded publicly, on national securities exchanges, they are subject to the same general risks as those of stock

trading such as market risk and income risk. In addition, investments in REITS may involve: Concentration risk - the value of a REIT is derived from one or only a few properties; Liquidity risk - a REIT may be relatively less liquid compared to funds investing in financial securities such as stocks and bonds; Leverage risk - if a REIT uses debt to finance the acquisition of underlying properties, the assets of the REIT will be used to pay off debtors first; and Refinancing risk - higher refinancing cost or stricter underwriting standards when loans are due for renewal.

**Fixed Income** - Potential risks with fixed income (i.e. bond) investments:

**Interest Rate Risk.** Security price and total return will vary in response to changes in interest rates. If rates increase, the market value of bonds generally will decline, as will the value of your investment. Securities with longer maturities tend to produce higher yields but are more sensitive to changes in interest rates and are subject to greater fluctuations in value.

**Credit Risk.** A bond issuer's credit rating may change, which can cause price volatility, and in the case of a credit rating downgrade, lower prices.

**Inflation Risk.** Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices. Inflation-indexed securities such as Treasury Protection Securities (TIPS) are structured to limit inflation risks.

**Bond Market Risk.** The risk that the bond market as a whole would decline, bringing the value of individual securities down with it regardless of their fundamental characteristics.

**Liquidity Risk.** The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit ratings downgraded or bonds that sold by an infrequent issuer. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume.

**Default Risk.** The possibility that a bond issuer will be unable to make interest or principal payments when they are due. If these payments are not made according to the agreements in the bond documentation, the issuer can default.

**Reinvestment Risk.** When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

**Call Risk.** Some corporate, municipal and agency bonds have a "call provision" entitling their issuers to redeem them at a specified price on a date prior to maturity. Declining interest rates may accelerate the redemption of a callable bond, causing an investor's principal to be returned sooner than expected. In that scenario, investors have to reinvest the principal at the lower interest rates. (See also Reinvestment risk.) If the bond is called at or close to a par value, as is usually the case, investors who paid a premium for their bond also risk a loss of principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

**Prepayment Risk.** For mortgage-backed securities, the risk that declining interest rates or a strong housing market will cause mortgage holders to refinance or otherwise repay their loans sooner than expected and thereby create an early return of principal to holders of the loans.

**Government Risk.** The U.S. government's guarantee of ultimate payment of principal and timely payment of interest on certain U.S. government securities does not imply that shares are guaranteed or that the price of the shares will not fluctuate. In addition, securities issued by Freddie Mac, Fannie Mae and Federal Home Loan Banks are not obligations of, or insured by, the U.S. government. If a U.S. government agency or instrumentality in which a client invests defaults and the U.S. government does not stand behind the obligation, the share price could fall.

**Legislative Risk.** The risk that a change in the tax code could affect the value of the taxable or tax-exempt interest income.

**Mello Roos Land-Secured Bonds.** Generally the risks of Mello Roos bonds include: **Development Risk.** Until fully built-out, all land-secured bonds bear some degree of development risk subject to downturns in the real estate market. **Higher Leverage.** If a portion of the property securing the bonds remains undeveloped, the value of the undeveloped property may fall below the amount of the land-secured debt allocated to that property in which case, either the property owner or mortgage holder may not remain economically motivated to pay special tax obligations. A **Higher Value-To-Lien Ratio** could potentially provide a stronger incentive for a property owner or mortgage holder to pay taxes and or assessments due on that property. **Taxpayer Concentration.** A land-secured municipal bond deal can mean investors have long-term exposure to a single developer or group of developers, a characteristic that would be lengthened if project development slows.

**Alternative Investments** - Potential risks with alternative investments:

**Alternative Assets.** Many alternative investments are illiquid, having "lock-up" periods or only set intervals in which client redemptions may be made which render the investments sometimes more difficult to trade. Consequently, such holdings may limit a client's ability to dispose of such investments in a timely manner and at an advantageous price. Furthermore, depending upon the asset itself and its holdings, there may be no readily available market value for the asset potentially affecting the valuation at redemption.

**IPOs.** Are generally investments in companies with limited operational histories and non-existent or weak earnings and are highly subject to market sentiment. Shares purchased through an IPO can often trade down immediately from their offer price or can be subject to wild fluctuations in performance at certain time periods after their entry to the public markets and, as such, carry increased risks of investment loss.

**Private Equities.** We may purchase or recommend the inclusion of shares in non-publicly traded equities in the accounts of accredited clients. These companies will generally have little available information on their financial status, capital structure or revenues, resulting in increased risk of loss, including total loss. In addition, these securities may be highly illiquid or may experience losses of liquidity – resulting in an inability to sell said equities or sales prices that are substantially below the purchase or market price. Unless otherwise expressly agreed, we will value these positions at their purchase price for any accounting purposes, which may not reflect losses that would be realized if the position was sold. Of particular risk

is that the Firm may base its account values for billing purposes on these positions' purchase price (unless another methodology is agreed upon with the client), leading to a potential overvaluation of said equities. Finally, we may have clients who are executives of said firms or have other financial relationships that may create conflicts of interest. Where such conflicts exist, the Firm will disclose these conflicts in written format to the clients who hold such securities or whom we intend to purchase such securities under our discretion prior to any transactions.

#### **Item 9 - DISCIPLINARY INFORMATION**

Chequers Financial has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

#### **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Chequers Financial is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. We recommend that our clients custody their assets with Charles Schwab & Co., Inc., ("Schwab") an SEC registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). Although we recommend that our clients custody their investment accounts at Schwab, we have no affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

The Firm and its principal member, Megan Gorman, are identified in a national advertising campaign paid for and sponsored by Schwab as a registered investment adviser whose clients use Schwab's custodian services. The purpose of the Schwab campaign was to promote Schwab and its custodial services and not to promote the Firm or Ms. Gorman as a registered investment adviser. Neither Ms. Gorman nor the Firm received any direct or indirect compensation for agreeing to participate in the advertising campaign and are not required to refer clients to Schwab or commit to any level of securities transactions through Schwab's brokerage.

Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm. The Firm does not accept any form of compensation for such referrals.

#### **Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Chequers, its employees and their immediate families (sometimes collectively "employees") are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. Employees with access to the Firm's investment decision-making and trading activities are required to report all personal securities transactions on a regular basis. All personnel are required to abide by the Firm's personal trading practices and code of ethics which governs employee trading practices and specifically prohibits employee trading on the basis of inside information and trading ahead of customer orders (front-running). Chequers Financial's employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

Employees may trade in the same securities traded for clients. However, it is Firm policy not to give preference to orders for personnel associated with the Firm regarding such trading. Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. The Firm maintains a "Do Not Trade" list of restricted securities issued by public companies at which a Firm client or other affiliated person may work or serve as a member of the Board of Directors.

If a security is purchased or sold for client accounts and employees on the same day, either employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that employees' personal transactions might be executed at more favorable prices than were obtained or clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

## **Item 12 - BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER**

Chequers Financial recommends that clients establish brokerage accounts with Schwab, a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. (Please see related disclosures at Item 10, above.) Schwab is independently owned and operated and not affiliated with Chequers Financial and does not supervise or otherwise monitor Chequers Financial's investment management services to its clients. Schwab provides Chequers Financial with access to its institutional trading and custody services, which typically are not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a set minimum of the advisor's clients' assets is maintained in accounts at Schwab but are not otherwise contingent upon Chequers Financial committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab also makes available to Chequers Financial other products and services that benefit Chequers Financial but may not benefit its clients. Some of these other products and services assist Chequers Financial in managing and administering clients' accounts. These include software and other technology that provide access to client account data

(such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Chequers Financial's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Chequers Financial's accounts, including accounts not maintained at Schwab. Schwab also makes available to Chequers Financial other services intended to help Chequers Financial manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to Chequers Financial by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to Chequers.

Chequers Financial's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Chequers Financial of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### **BEST EXECUTION**

Chequers Financial is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, Chequers Financial's primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealer's willingness to commit capital, the broker-dealer's reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, Chequers Financial may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. Chequers Financial may select broker-dealers whose fees may be greater than those charged for similar investments if Chequers Financial determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

Chequers Financial reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom Chequers Financial executes transactions on behalf of clients.

#### **SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS**

Chequers Financial is not a party to formal agreements whereby, in exchange for directing commissionable trades to a broker-dealer, it receives research or brokerage services, known as "soft dollar" services and research. "Soft dollars" refers to the use of brokerage



commissions on client trades to pay for the soft dollar research or brokerage services received. Soft dollar research and services may include among others, economic and market information, portfolio strategy advice, proxy voting services, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire charges, quotation services, computer hardware and software.

Although Chequers Financial does not formally participate in soft dollar arrangements, it may receive certain services and research from Schwab by virtue of having its clients custody their assets with Schwab. In such cases, it is the Firm's policy is to limit its use of soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. Only *bona fide* research and brokerage products and services that provide assistance to Chequers Financial in the performance of its investment decision-making responsibilities are permitted.

Chequers Financial may, on occasion, be the recipient of unsolicited discounts on software and other services. The discounts are generally offered to all firms who fit a common profile and Chequers Financial is not offered such discounts because of a particular event or request. Such discounts are accepted with the intent to benefit all clients and the value of these discounts is not considered in the process of selecting securities to purchase for client accounts. Chequers Financial routinely reviews the amount and nature of the research products and services provided by brokers.

#### **AGGREGATION OF TRADES AND POTENTIAL CONFLICTS**

Chequers Financial may aggregate client orders into a single trade if aggregation appears to be in the best interests of all the clients involved. Trade aggregation results in a more favorable transaction price than would result with separate execution of each client order. The Firm does not aggregate securities transactions for client accounts unless it believes that aggregation is consistent with its duty to seek best execution and is consistent with the investment objectives and guidelines for the client accounts participating in the trade.

Chequers Financial believes that combining trade orders should be advantageous to all clients over the long term. However, it is possible that the average price obtained through aggregation could be less advantageous for a client than if the client had executed the transaction separately and/or had executed the transaction before the other parties to the aggregated trade. The Firm tries to be conscious of this possibility before deciding to aggregate.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades are not allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship in consideration of "trade away" charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

Generally, Chequers Financial and/or its associated persons may participate in such aggregated orders. There may be circumstances in which transactions on behalf of Chequers Financial or its associated persons may not, under certain laws and regulations, be combined with those of some of Chequers Financial's clients and in those cases, employees will not effect transactions in that security on the same day as clients until after the clients' transactions have been executed.

## **ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS**

Because we manage more than one client account, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. We attempt to resolve all such conflicts in a manner that is generally fair to all of clients over time. We may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is our policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

## **Item 13 - REVIEW OF ACCOUNTS**

All accounts under management are monitored on a continuous basis by portfolio managers Megan Gorman and Ed Kearney. Reviews determine consistency with the Firm's investment strategy and with client investment objectives. Client Investment Policy Statements ("IPS") are reviewed at least annually. Ms. Gorman and Mr. Kearney review asset class allocations, cash allocations and other account factors. Portfolio adjustments may be required due to client investment guideline changes, client deposits and withdrawals and client liquidity needs. Additionally, client accounts are reviewed in response to changes in the financial markets and/or changes in the Firm's investment strategy.

Typically, we meet with all clients that have retained the Firm for its CFO/Corporate Executive services and/or its Multi-Family Office services 3 - 4 times per year during which all aspects of the engagement are discussed as well as, specifically, investment performance, changes in financial condition and /or changes in investment objectives. Additionally, a comprehensive evaluation of financial plans is recommended at least annually and more often if requested by the client. Reports related to financial planning, such as long-term financial projections and cash flow, are normally provided during annual review meetings if requested by the client.

The Firm sends client account reports to its investment management clients on a quarterly basis with information about securities held in their account, current valuations and asset allocation.

Brokerage account statements list all positions and detail investment transactions and are sent directly from the custodian of the client's account on at least a quarterly basis. Clients are advised to review these statements routinely and to compare them to the client account reports prepared by the Firm.

## **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

Chequers Financial does not pay referral fees to any third-party firms or individuals for recommending the Firm to prospective clients, nor is the Firm or its employees paid referral fees by any third party for referring clients to their businesses. We do not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals.

Chequers Financial employees are not paid "sales awards" or other prizes for referring clients to the Firm.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## **Item 15 - CUSTODY**

Chequers Financial does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer, bank or trust company. Chequers Financial is unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary. The Firm is given the authority to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or to transfer money out of the account to a third party without specific client approval.

Although Chequers Financial does not maintain physical custody of client investment accounts, it is deemed to have custody of client assets on the basis of the Firm's authority to: 1. direct client-approved transfers of assets between a client's own accounts and if authorized, to client-designated third-party accounts; and 2. to receive payment of its management fees directly from a client's account.

### **Disclosures Related to Custodians**

Schwab acts as custodian and executing broker-dealer for Chequers Financial clients. Schwab is independently owned and operated and not affiliated with Chequers Financial and does not supervise or otherwise monitor our investment management services to our clients.

Schwab does not charge separately for maintaining the custody of client investment accounts. However, Schwab is compensated by account holders who pay commissions and other transaction-related costs for securities trades and settlements that are executed by Schwab on behalf of the client. In most cases, trade executions for client accounts custodied at Schwab will be entered through Schwab to avoid "trade away" charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through Schwab, and in light of the Firm's best execution evaluations, the purchase or sale may be made at a different broker-dealer. The Firm generally tries to avoid "trade away" transactions as they typically incur additional fees imposed by Schwab, acting as custodian. Such trade away fees are set by Schwab and typically are \$8.95 per trade execution.

Schwab sends account statements directly to the client (or to an independent third-party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client's account, including the payment to Chequers Financial of its investment management fees. Clients are advised to review these statements routinely and to compare them to the client account reports prepared by the Firm.

## **Item 16 - INVESTMENT DISCRETION**

Clients appoint Chequers Financial as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm's investment strategy and the client's investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;
- Which securities to sell;
- The timing of any buys or sells;
- The amount of securities to buy or sell; and
- The broker-dealer to be used in the transaction

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining the most favorable price and market execution for each transaction.

On occasion the Firm may accept client assets or investment portfolios on a non-discretionary basis. In these instances, our portfolio manager will make recommendations to the client regarding types of investments to buy and sell, the timing and amount of such transactions and where applicable, the executing broker-dealer to effect the transactions. The decision to implement or reject the portfolio manager's recommendations remains with the client and transactions will be entered only after specific client authorization.

## **Item 17 - VOTING CLIENT SECURITIES**

It is Chequers Financial's policy not to vote proxy solicitations or other corporate actions received on behalf of clients from the issuers of securities held in client's account. All such solicitations are forwarded to client for voting. Any client wishing to review our proxy voting policies in full may request a copy from the Firm at his or her convenience.

## **Item 18 - FINANCIAL INFORMATION**

Chequers Financial does not require or solicit prepayment of its management fees from clients six or more months in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.