

# **FIRM BROCHURE**

## **Part 2A of Form ADV**

**March 29, 2024**

### **Bayntree Wealth Advisors, LLC**

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**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Bayntree Wealth Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at 480-494-2750 and/or [compliance@bayntree.com](mailto:compliance@bayntree.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Bayntree Wealth Advisors, LLC is an SEC-registered investment adviser. Registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about Bayntree Wealth Advisors, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2: MATERIAL CHANGES

This version of our Brochure, dated March 29, 2024, is an annual updating amendment. The following are the material changes to our Brochure since our last annual updating amendment dated March 31, 2023:

1. We revised Item 4 (Advisory Business) to update our relationship with Third-Party Advisors. This revision includes a conflict of interest that arises due to the Firm's limited relationship with third-party managers and policy to only review the performance of third-party managers with whom we have a relationship. Please see Item 4 for more information.
2. We revised Item 5 (Fees and Compensation) to update our billing details and how Third-Party Advisor fees are accessed and paid. Advisory Fees are now typically billed monthly, in arrears. Additionally, for some clients, fees for services provided by third-party managers will be paid by Bayntree from the Advisory Fee. This creates a conflict of interest due to Bayntree's financial incentive to manage client's accounts ourselves rather than third-party managers due to the higher net compensation received by Bayntree. We address this conflict of interest by evaluating which of several platforms, sub-advisers, models, programs, or strategies would serve the client's best interest, and by seeking to set advisory fees designed to deliver a reasonable profit to Bayntree, considering both external and internal costs of providing investment advice to each specific client. Please see Item 5 for more information.
3. We revised Item 12 (Brokerage Practices) to include details regarding the introduction of Fidelity as a custodian. Please see Item 12 for more information.

We may, at any time, update this Brochure and send a copy to you with a summary of material changes, or send you only a summary of material changes that includes an offer to send you a copy of the full Brochure either by electronic means (email) or in hard copy form.

For more information about the Firm, please call 480 494-2750. Additional information about Bayntree Wealth Advisors, LLC and its investment adviser representatives is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### ITEM 4: ADVISORY BUSINESS

##### A. Description of Firm

**Bayntree Wealth Advisors, LLC** (“Bayntree”, the “Firm”, “Us” or “We”) is a Scottsdale, Arizona based investment management firm founded in 2015. Bayntree provides discretionary and non-discretionary investment management to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, and corporations. The Firm focuses on income planning, risk management and comprehensive financial planning.

Bayntree is an SEC-registered investment adviser and is notice filed with the states of Arizona, California, New Mexico, Texas, and Virginia. Bayntree is owned by AJW, LLC. Andrew S. Rafal is the majority owner of AJW, LLC.

##### B. Types of Advisory Services Offered

###### Investment Management and Third-Party Managed Programs

Bayntree offers clients investment management services on a discretionary and non-discretionary basis. Under discretionary management, Bayntree will determine the securities to be bought or sold in accounts and will make changes to the asset allocation or specific securities selected, without prior consultation with the client. The investment advice provided is variable depending on the individual goals, objectives, time horizon, and risk tolerance of each client and in accordance with a written Investment Management Agreement entered into between the Firm and the client.

Discretionary authority may be subject to conditions imposed by a client. This may occur when a client restricts or prohibits transactions in a security for a specific company or for an industry sector. While the Firm generally allows clients to impose reasonable restrictions on the types of securities, each client assumes responsibility for informing the Firm in writing of any restriction or changes to these restrictions or to their overall investment objectives. Risk tolerance levels are documented in the suitability documentation maintained by the Firm. Prior to entering into an Investment Management Agreement with the Firm, a client should carefully consider:

- That over time the client’s assets may fluctuate and at any time be worth more or less than the amount invested; and
- Bayntree’s strategies are designed for investors who practice patience with a time horizon of 3-5 years.

Based on Bayntree’s research as well as the client's individual circumstances and needs, the Firm will perform searches of various third-party managers, mutual funds and exchange-traded funds (“ETFs”) to identify which portfolio management style, and the percentage allocation, is appropriate for the client. Factors considered in making this determination include account size, risk tolerance, and the investment philosophy of the selected third-party manager and/or fund. Under the Investment Management Agreement, Bayntree has the authority to delegate the active discretionary management of all or part of the client’s assets to one or more third-party managers based on the client’s stated investment objectives without prior consultation with client. Clients should refer to the selected third-party manager's Firm Brochure, fund prospectus or other disclosure document for a full description of the services offered. Bayntree will continue to remain knowledgeable about the clients account so that the client can consult with Bayntree when necessary.

Although Bayntree reviews the performance of additional third-party managers, Bayntree enters into only a select number of relationships with third-party managers. Therefore, Bayntree has a conflict of interest in that it will only recommend third-party managers that have a sub-advisory relationship with Bayntree. We address this conflict of interest by selecting third-party managers that will allow us to serve our clients' best interests, and by advising clients in this brochure that there may be other third-party managed programs not recommended by Bayntree that are suitable for the client and that may be more or less costly than arrangements recommended by Bayntree. Bayntree also has a conflict of interest in that it will only use or recommend platform providers, sub-advisers, or other third-party managers that have a relationship with Bayntree and have met the conditions of our due diligence review. There may be other third-party managers that may be suitable that we do not have a relationship with or that may be more or less costly. To address this conflict, we consider the best interests of clients in selecting third-party managers. You are under no obligation to utilize the services of the third-party advisers or platform providers we recommend. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered.

Historically, Bayntree has utilized Envestnet Asset Management, Inc. ("Envestnet" or "Overlay Manager") as a third-party manager. For such legacy clients, accounts are managed through the Unified Managed Accounts Exchange platform (known as "UMAX") at Charles Schwab & Co., Inc. ("Schwab"), Member FINRA/SIPC.

Schwab will provide custodial services for these legacy accounts. Typically, clients open a Unified Managed Account ("UMA") by signing a Unified Managed Account Exchange Application and Agreement ("UMA Agreement") in order to access UMAX. UMAs are a form of fee-based investment solutions that allow advisers to combine multiple professionally managed investment products into a single account with automated services such as rebalancing, performance reporting, billing and advanced functionality such as managing securities restrictions. The third-party managed investment products are managed by advisers to model portfolios ("Model Portfolio Advisors") selected for the client by Bayntree.

By signing the UMA Agreement, the client also appoints Envestnet Asset Management, Inc. ("Envestnet" or "Overlay Manager"), a third-party registered investment adviser, to provide overlay management services to Bayntree clients. Envestnet is responsible for: ongoing management and supervision of accounts; implementation and coordination of model portfolios and related recommendations received from Model Portfolio Advisors; periodic rebalancing of accounts; cash management; loss harvesting for taxable accounts (but without tax management); initial investment of accounts and transition of legacy assets; incorporating client-requested restrictions for specific securities and social and industry categories; and providing tax overlay management on accounts for which the Advisor has selected tax management on behalf of clients. The Overlay Manager will have authority and discretion to select brokers and dealers to execute portfolio transactions initiated by Overlay Manager and to select the markets in which the transactions will be executed. Bayntree will not recommend Envestnet as a third-party manager for new client relationships.

Bayntree will monitor the performance of the selected third-party manager, mutual fund or ETF. If it is determined that the manager or fund is not managing the client's portfolio in a manner consistent with the client's Profile, the Firm will suggest the client contract with a different third-party manager or program sponsor. Under this scenario, the Firm will select a new third-party manager or a program in conjunction with the client.

Bayntree also offers advisory services for managing variable annuity insurance products. Bayntree will either directly manage these annuity insurance products or may recommend a third-party manager to manage the sub-accounts in accordance with your financial profile. These services would be subject to a separate written agreement covering the annuity products. Variable annuity insurance products contain sub-accounts, which are portfolios of investment assets. Based upon your financial profile, Bayntree will recommend an advisory service designed to assist in selecting which sub-accounts best help you meet your financial goals. Annuity products serviced by Bayntree are charged an asset-based management fee rather than commissions.

### **Financial Planning**

Bayntree provides comprehensive financial planning services to assist clients in reaching their financial and retirement goals. The Firm develops financial plans and provides consultations by evaluating data relating to a client's personal financial profile, investment objectives and goals, risk tolerance, and tax status in accordance with a written Financial Planning Agreement entered into between the Firm and the client. These financial planning services may be provided on an ongoing or as-needed basis, depending on the client's needs, and may be paid through hourly fees, fixed fees, or monthly subscription billing, as further described below in Item 5. Bayntree's financial planning services may include information regarding retirement planning, advanced education planning, college planning, long-term care needs, and estate planning issues. Our comprehensive financial planning services may also include information or analyses with respect to tax liabilities or risks. Please be advised that Bayntree does not provide legal, tax, or accounting advice, and clients should consult with qualified professionals prior to making any decisions with tax implications.

In most cases, the client will supply to Bayntree information including income, investments, savings, insurance, age and many other items that are helpful to the Firm in assessing your financial goals. The information is typically provided during personal interviews and supplemented with written information. Once the information is received, Bayntree will discuss your financial needs and goals with you and compare your current financial situation with your stated goals and objectives. Bayntree may further create a financial and/or investment plan to help you meet your goals, depending on the services selected by the client.

The plan, which we refer to as the Bayntree Blueprint, is intended to be a blueprint of how to meet your goals. Not every plan will be the same for every client. Each one is specific to the client who requested it. Because the plan is based on information supplied by you, it is important that you accurately and completely communicate to us the information the Firm needs. Also, your circumstances and needs may change as your engagement with us progresses. It is very important that you continually update Bayntree with any changes so that if the updates require changes to your plan, the Firm can make those changes.

### **General Education Workshops and Seminars.**

Bayntree engages in the delivery of Educational Workshops and Seminars. These services focus on general education only and do not provide for individualized advice or recommendations. Most of these workshops and seminars will be free to those in attendance. If a fee is charged, it will range from \$25 to \$50 and is solely to recover costs associated with the workshop or seminar.

### **Conflicts of Interest**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's or former employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our Firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than based solely on your needs. We manage this conflict of interest by always acting in the client's best interest and keeping documentation of our determination that the rollover recommendation is in the client's best interest. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our Firm.

Many employers permit former employees to keep their retirement assets in their company plan. Current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits.

An employee will typically have four options: 1) Leaving the funds in your employer's (former employer's) plan; 2) Moving the funds to a new employer's retirement plan; 3) Cashing out and taking a taxable distribution from the plan; 4) Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney. We will speak with your CPA and/or attorney if you authorize us to do so in connection with any rollover recommendation we make. Similarly, we may rely on information you obtain from your CPA or tax attorney and communicate to us prior to making any such recommendation.

Please note that Bayntree's representatives are licensed to sell insurance and related products with various unaffiliated insurance companies. Bayntree's representatives in such cases will earn typical and customary commission for the sale of insurance products purchased for a client's account. This represents a conflict of interest in that Bayntree's representatives may recommend purchasing insurance products based on compensation received rather than on the needs of the client. Please see Item 10 for more information.

Bayntree directs clients to third-party managers. If a client is introduced to a third-party manager by Bayntree, Bayntree may receive a solicitor fee in accordance with the requirements of state and/or federal securities law, as applicable. Please see Items 10 and 14 for more information.

For more information regarding Bayntree's brokerage relationships and practices, please see Items 10 and 12.

As a client you are not obligated to act on any of the recommendations of our representatives, nor are you obligated to effect the transaction through our representatives if you elect to act on the recommendation.

### **C. Advisory Agreements**

Prior to engaging Bayntree to provide advisory services, the client is required to enter into a written Investment Management Agreement and/or Financial Planning Agreement ("Advisory Agreement") with the Firm which describes the advisory fees charged and the terms and conditions under which the Firm will render its services. The Firm will provide a Brochure and one or more

Brochure Supplements to each client or prospective client prior to or at the same time a client executes the Advisory Agreement. The advisory relationship will continue until terminated by either party.

Neither Bayntree nor the client may assign the Advisory Agreement without the prior consent of the other party. Transactions that do not result in a change of actual control or management of the Firm shall not be considered an assignment.

The Advisory Agreement may be cancelled at any time, by either party, for any reason, upon written notice of either party. Upon receipt of notice of termination, Bayntree will commence the process of liquidating or transfer of such account. Upon completion, any prepaid, unearned fees will be promptly refunded, less any actual costs the Firm incurs upon termination, and any earned, unpaid fees will be due and payable upon termination. Additionally, if client requests the account to be transferred in-kind to another custodian, client will be responsible for any additional custodial transfer fee.

#### **D. Retirement Plan Rollovers**

When we provide investment advice to clients regarding their 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 our client's interests, so we operate under a special rule that requires us to act in our client's best interest and not put our interest ahead of our clients.

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If we are asked by a client or prospective client to make a recommendation from among these choices, we have a conflict of interest in that we have an incentive to recommend that a client roll over their retirement plan assets into an account to be managed by Aspire in order to earn a new (or increase our current) advisory fee as a result of the rollover. We address this conflict of interest by reviewing any such recommendation to ensure it is in the best interest of the client. No client is under any obligation to roll over retirement plan assets to an account managed by us.

#### **E. Wrap Fee Programs**

Bayntree does not participate in wrap fee programs.

#### **F. Assets Under Management**

As of March 8, 2024, the following represents the amount of client assets under management by Bayntree on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$ 174,025,929



Non-Discretionary	\$7,286,908
<b>Total:</b>	<b>\$181,312,837</b>

In addition, Bayntree advises assets of approximately \$107,887,464. As of March 8, 2024, Bayntree either advises or manages \$289,200,301 in assets.

## ITEM 5: FEES AND COMPENSATION

### A. Advisory Fees

Bayntree charges fees to investment management clients based on a percentage of assets under management. The specific fees charged by the Firm for its advisory services will be outlined in each client's Investment Management Agreement. For discretionary investment management clients, Advisory Fees shall typically be billed monthly, in arrears, based upon the agreed annual percentage rate. For Lincoln Financial Group accounts, Advisory Fees shall be billed quarterly, in arrears, based upon the agreed annual percentage rate. The maximum annual advisory fee Bayntree charges its clients is 1.50%.

When applying asset-based fees, the more assets a client has in an advisory account, the more the client will typically pay in fees, and we therefore have an incentive to encourage clients to increase the assets in their account. This incentive creates a conflict of interest. We mitigate this conflict of interest by ensuring that our recommendations are made in a client's best interests. Although Bayntree believes its advisory fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources. The fees may be negotiated by the Firm under certain circumstances, and at the sole discretion of the Firm, and will never be greater than those listed above. There is an account minimum of \$100,000, which the Firm may waive at its sole discretion.

For some clients, fees for services provided by third party managers ("Third Party Fees") will be paid by Bayntree from the Advisory Fee. Fees and compensation paid to third party managers are described in more detail in the Advisory Agreement, the third party managers Disclosure Brochure, or, if applicable, in a separate disclosure Bayntree delivers to you describing customized pricing.

Bayntree has a financial incentive to manage clients' accounts ourselves rather than through third-party managers. This is because we pay third-party managers out of our annual advisory fee. Therefore, if two clients are charged the same advisory fee but one client's account is managed by a third-party manager to whom we pay a fee while another is not, we receive higher "Net Compensation" for the account that does not involve the use of a third-party manager. Similarly, as between two accounts with the same advisory fee, an account that is managed by a third-party manager who charges a 0.3% sub-adviser fee yields a higher Net Compensation to Bayntree than an account whose sub-adviser charges a fee of 0.4%. In these examples, the term "Net Compensation" means the total advisory fee less any sub-adviser or third-party manager fee. For accounts managed without use of a third-party manager, the Net Compensation is equal to the advisory fee. However, even in accounts managed directly by Bayntree, our advisory fee and thus Net Compensation can vary depending on the strategy used and other factors as further explained below.

In setting Advisory Fees, We consider the additional costs of managing the two different types of accounts – sub-advised or non-sub-advised; these costs vary over time and are rarely equal. These

costs include the costs of personnel, some of which may be allocated to one type of management versus the other. Some costs to us are attributable only to sub-advised accounts and not to directly managed accounts, while other costs are attributable only to directly managed accounts and not to sub-advised accounts. In setting advisory fees we also consider client specific factors, such as the client's age, investment experience, accessibility and similar factors that might make it more or less costly to us to service the particular client. We refer to all these program-specific and client-specific costs discussed in this paragraph as "Additional Costs." Assuming the Additional Costs applicable to two portfolios are equal, the one that yields a higher Net Compensation to Us is also more profitable to Us.

The fact that our Net Compensation varies depending on the type of account we recommend represents a conflict of interest. However, we address the conflict of interest by evaluating which of several platforms, sub-advisers, models, programs or strategies would serve the client's best interests, and by seeking to set advisory fees designed to deliver a reasonable profit to Us, considering both external and internal costs of providing investment advice to each specific client. Usually, we seek to charge advisory fees for accounts we manage without the use of a sub-adviser at lower rates than the rates we would seek to charge for a similar account managed through a sub-adviser. Because we do this, we actually receive higher Net Compensation from some sub-advised accounts than we do from some directly managed accounts. If the total Additional Costs are the same as between the two accounts, then the account managed through the sub-adviser is also more profitable to us.

Because Additional Costs vary among accounts, the profitability to Us of managing accounts in one way versus another cannot be determined solely by calculating the Net Compensation We receive. Considering all the above factors, some of our sub-advised clients are more profitable than some of our directly advised clients, and some of our directly advised clients are more profitable than some of our sub-advised clients. It all depends on the client, the negotiated fee, the unique costs of supporting that client, and the total mixture of Additional Costs and all other costs that go into providing those services.

Advisory Fees do not include additional fees that are the responsibility of client. Additionally, some clients whose accounts are held at Schwab are responsible for third-party manager fees or overlay fees. Third-party manager fees and overlay fees generally range from .10% to .50% in total. Variable annuities also carry internal fees. All clients will also pay transaction fees, which are billed to the client by the custodian. Bayntree only receives its annual management fee and does not take any part of the manager fees, custodial fees, annuity fees, or overlay fees. Generally, Bayntree will use a third-party manager (portfolio will not always use a third-party manager). For accounts on the UMAX platform at Schwab, the manager's fee will be detailed in the Schwab UMA Agreement. The independent third-party manager's fee is disclosed in its Firm Brochure or other disclosure document. The total fees collected by Bayntree and the third-party manager will not exceed 3% of total assets under management per year.

## **B. Payment of Fees**

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Bayntree generally charges an asset management fee based on the value of the account's assets under management (AUM) as of the close of business on the last business day of the preceding calendar period, typically billed in arrears. For accounts at Lincoln Financial Group, Bayntree's asset management fee is based on the value of the accounts AUM as of the close of business on

the last day of each calendar quarter and is billed in arrears. For accounts managed on a nondiscretionary basis, clients will receive an invoice at the beginning of each quarter and must submit payment within seven days. Third-party manager fees are paid quarterly in advance depending on the manager. For partial periods, clients will be assessed a pro-rata fee based on the number of the days in the period that the client's account was open. Client assets may be liquidated to pay advisory fees where there's not enough cash to pay for advisory fees. This practice will be disclosed in the Bayntree Investment Management Agreement the client signs.

The custodian will deliver a quarterly (at least quarterly for Schwab and Fidelity clients, quarterly for Nationwide Advisory Solutions and Lincoln Financial Group clients) account statement directly to the client, which will include all transactions in the account during the period covered and will reflect any fees deducted. Clients should review their custodial statement and the fees charged to their account to fully understand the total fees charged. Clients are encouraged to review their account statements for accuracy and to contact Bayntree with any questions.

Unless otherwise directed by the client, Bayntree requires that client accounts be maintained at Schwab or Fidelity. Investors are in no way obligated to utilize the services of Bayntree, Schwab, or Fidelity and may receive the same brokerage services from another broker-dealer through another advisory firm.

**Note About Fee Calculation Based on Quarter-End or Month-End Account Values:**

Clients who elect to be charged a fee based on the percentage of assets under management should note that there may be variations in the account values used to calculate Bayntree's fee and the account values on the last day of the previous period as shown on the account statement received from the custodian. These variations are due to differences in methodologies between the account custodian and the third-party vendor with whom Bayntree contracts to calculate fees due for each account. The variations include, but are not limited to, variations resulting from: (1) unsettled trades; (2) accrued income; (3) pricing of securities; and (4) dividends earned but not yet received. Usually, any differences in account values due to these variations will be relatively small. Any client who has a question about any such difference or any other issue relating to the calculation of fees is encouraged to contact Bayntree for an explanation.

**Refund Policy**

Either party may terminate the Investment Management Agreement any time upon written notice, said notice to be effective upon receipt. Upon termination, Advisory fees will be calculated through the date of termination and assessed in accordance with the agreed upon rate. Unearned portions of prepaid fees will be refunded and any earned but unpaid fees will be assessed prior to the final disbursement of refunds, if any. Refund disbursements or fee invoices will be mailed to Client within fourteen (14) business days of termination.

**Payment of Advisory Fees for Variable Annuity Products**

Bayntree has entered into agreements with Nationwide Advisory Solutions and Lincoln Financial Group to provide fee-based variable annuity products for Bayntree clients. Bayntree does not receive a commission on these products. For these products, Bayntree will be paid an asset-based management fee according to Bayntree's advisory fee (detailed above) and/or the client's written agreement with the product sponsor. Advisory fees are withdrawn directly from the client's account(s) with the client's written authorization. With regard to variable annuity products,

individual accounts will be maintained at the insurance company that issued the variable annuity product.

### **C. Financial Planning Fees**

For Bayntree's advisory clients that choose financial planning services, the Firm creates a financial plan or provides consultation services pursuant to the Financial Planning Agreement, the basic terms of which are as described below. For solely financial planning clients who select a financial plan, a comprehensive financial plan is created and provided pursuant to the Financial Planning Agreement. For solely financial planning clients who select consultation services, consultation services are provided on an as needed or ongoing basis pursuant to the Financial Planning Agreement. Typically, the Firm charges either \$250 per hour, a fixed fee up to \$10,000, or a fixed monthly fee (up to \$500 with a minimum one year commitment) for financial planning services. These rates may be negotiated.

Fees for financial planning services are paid upon completion and delivery of the financial plan or consultation services. Financial plans typically are delivered within two (2) months of commencing services, unless otherwise agreed to by both the client and Bayntree. Upon delivery, the Firm will provide a final fee invoice that identifies the total planning hours expended and the amount owing for our services. Invoices will be transmitted to clients, either in person, electronically or by mail and are due upon receipt.

For monthly subscription billing, clients will be billed in advance on the first day of every month for a minimum period of one year. Please note that financial planning clients who elect monthly subscription billing as their method of payment are provided ongoing services in the form of continuous monitoring of their financial plans. No client enrolled in monthly subscription billing will be billed more than \$1,200 in fees in any six month period without the receipt of ongoing financial planning services.

### **Refund Policy**

Either party may terminate the Financial Planning Agreement any time upon written notice, said notice to be effective upon receipt. If services are terminated within five calendar days of signing the Agreement, services are terminated without penalty (no fees due or a complete refund of fees paid in advance). After the initial five calendar days, the client will be responsible for the time expended and costs incurred by Bayntree prior to receiving the notice of termination.

If the client has paid a retainer and a refund is due to client, fees will be refunded on a prorated basis. If the prorated fees are in excess of the retainer paid, Bayntree will provide the client with a billing statement noting the time and costs incurred, the retainer previously paid and the amount remaining due. If the client has elected monthly subscription billing and services are terminated before the end of a one-month period, the client will receive a pro rata refund of any unearned portions of prepaid fees. Refund disbursements or fee invoices will be mailed to Client within fourteen (14) business days of termination.

### **D. Other Fees and Expenses**

Client will be responsible for all fees imposed by the custodian for trading and other related costs. For a full discussion of our brokerage practices, please see Item 12. All fees paid to Bayntree for investment management services are separate and distinct from the fees and expenses charged by mutual funds, annuities, and/or ETFs. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a

possible distribution fee. A client could invest in a mutual fund or ETF directly, without the services of the Firm for a lower cost. In that case, the client would not receive the services provided by Bayntree which are designed to assist the client in determining which fund or funds are most appropriate to each client's financial objectives.

For mutual funds and ETFs, a client may be charged internal management fees, distribution fees, redemption fees and other expenses, which are fully described in the applicable fund's prospectus. Bayntree will not receive any portion of these other fees and expenses. Clients should review the fees charged to their account to fully understand all fees charged. Clients should understand that lower fees for comparable services may be available from other investment advisory firms.

The Firm's representatives are licensed to sell insurance and related products with various unaffiliated insurance companies. The Firm's representatives in such cases will earn typical and customary commission for the sale of insurance products purchased for a client's account. This represents a conflict of interest in that Bayntree's representatives may recommend purchasing insurance products based on compensation received rather than on the needs of the client. To mitigate this conflict of interest, Bayntree's practice is to fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees and to ensure that its representatives only recommend insurance products that are in the best interest of a particular client. Insurance products may be available through other channels and you are not obligated to purchase products recommended by our representatives.

Neither Bayntree nor any of its investment adviser representatives receive compensation for the sale of securities.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Bayntree does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client). Additionally, Bayntree does not engage in side-by-side management of accounts.

#### **ITEM 7: TYPES OF CLIENTS**

Bayntree provides investment management and financial planning services to individuals, high net-worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations. Bayntree generally requires a minimum of \$500,000 of assets under management for an individual account. We may waive this minimum at our sole discretion.

There may be times when certain restrictions are requested by a client which would prevent Bayntree from accepting or continuing to manage the client account. Bayntree reserves the right to not accept and/or terminate management of a client's account if it believes that the client imposed restrictions would unnecessarily limit or prevent it from meeting and/or maintaining the account's overall investment strategy.

#### **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

##### **A. Methods of Analysis and Investment Strategies**

To help develop its strategies and recommendations, Bayntree uses commercially available services, financial publications, SEC filings, and information services providing investment research. Such information may be obtainable in print, computer media, the Internet or other electronic means. Public company prepared materials (particularly prospectuses) and research releases prepared by others are also utilized. Bayntree also uses research materials prepared by

various investment product vendors or broker-dealers as well as in-house analysts. Bayntree may also obtain information by attending industry conferences and consulting with experts in the appropriate field.

Bayntree's strategy seeks to provide long-term total return and to limit downside risk for each client account. When Bayntree is considering a specific third-party manager, it considers various factors including:

1. The third-party manager's role in the portfolio based on the return/risk of the strategy;
2. The third-party manager's risk-adjusted track record with an emphasis on downside risk (volatility and drawdown) and consistency; and
3. The third-party manager's strategy fees and liquidity.

## **B. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Prior to entering into an Investment Management Agreement with Bayntree, a client should carefully consider: 1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long term basis; 2) that volatility from investing in the stock market can occur; and 3) that over time the client's assets may fluctuate and at any time be worth more or less than the amount invested. It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason, and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** 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.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading.** Clients should note that Bayntree may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. Bayntree endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.
- **Risks Related to Investment Term.** If you require us to liquidate your portfolio during a period in which the price of the security is low, you will not realize as much value as

you would have had the investment had the opportunity to regain its value, as investments frequently do, or had we been able to reinvest in another security.

- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. For example, Treasury Bills are highly liquid, while real estate properties are not. Some securities are highly liquid while others are highly illiquid. Illiquid investments carry more risk because it can be difficult to sell them.
- **Financial Risk.** Excessive borrowing to finance a business' operations decreases 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.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Risks Specific to Sub-Advisors and Other Managers.** If we invest some of your assets with another adviser, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your portfolio, or that their risk management guidelines are more liberal than we would normally employ.

In addition, there is no assurance that a mutual fund, an ETF, or any security will achieve its investment objective. The principal risks of investing in any mutual fund or ETF are market risk, diversification risk and style risk (growth investing risk and mid-cap company risk). To the extent that a mutual fund or ETF invests in foreign securities or debt securities, a fund would be subject to foreign exposure risk, interest rate risk and credit risk. A fund may invest in derivative instruments that carry derivative instruments risk. A principal risk is the risk that the value of equity securities may decline. Although a mutual fund or ETF may be a diversified fund, it may invest in securities of a limited number of issuers to achieve a potentially greater investment return than a fund that invests in a larger number of issuers. As a result, price movements of a single issuer's securities will have a greater impact on this fund's net asset value causing it to fluctuate more than that of a more widely diversified fund. These and other risk considerations are discussed in a fund's prospectus. Past performance of investments is no guarantee of future results.

Mutual fund investing involves risk including the possible loss of principal. Non-diversified funds are more susceptible to financial, market and economic events affecting the particular issuers and

industry sectors in which they invest and therefore may be more volatile or risky than less concentrated investments. There can be no assurance that any fund will be able to achieve its investment objective. For more information on a particular fund's associated risks, please refer to that fund's prospectus or equivalent disclosure document.

Due to the volatile nature and risks involved when investing in certain types of strategies and/or securities, clients should be aware that the actual return and value of their account(s) may fluctuate and at any point in time be worth more or less than the amount originally invested. Bayntree does not represent, guarantee or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

#### **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as Bayntree are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Bayntree or the integrity of its management. Bayntree does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Bayntree is not registered as, and does not have applications pending to register as, a broker-dealer, nor are our management or supervised persons registered or have applications pending to register as a registered representative thereof. Furthermore, Bayntree is not registered as, and does not have applications pending to register as, a futures commission merchant, commodity pool operator, or commodity trading adviser, nor are our management or supervised persons registered or have applications pending to register as associated persons thereof.

Bayntree participates in Schwab's Institutional's customer program and may recommend that clients use Schwab for custody and brokerage services. There is no direct link between Bayntree's participation in the program and the investment advice it gives to its clients. Please refer to Item 12 for further information.

Bayntree participates in Fidelity's institutional customer program and may recommend that clients use Fidelity for custody and brokerage services. There is no direct link between Bayntree's participation in the program and the investment advice it gives to its clients. Please refer to Item 12 for further information.

#### **Licensed Insurance Agents**

The representatives of Bayntree are licensed insurance agents in their individual capacities. Clients should be aware that as insurance agents they will earn typical and customary commissions for the sale of insurance products and that this presents a conflict of interest.

The owner of Bayntree, Andrew S. Rafal, owns a state-licensed affiliated insurance agency, Bayntree Planning Group, LLC. Bayntree Planning Group, LLC is licensed to offer and sell insurance products for asset and income protection in the state of Arizona. The insurance products that Bayntree Planning Group, LLC will provide include life insurance, health insurance, Medicare Supplemental Insurance, disability insurance, long-term care, group life, and fixed annuities. Many of these insurance products are sold through separate and distinct vendors.

As an insurance agency, Bayntree Planning Group, LLC will receive separate, yet customary compensation for insurance product sales. Acting in dual capacities (insurance agency and



financial advisor) and receiving compensation as such creates a conflict of interest in that representatives of Bayntree may recommend purchasing insurance products based on compensation received rather than on the needs of the client. We manage this conflict of interest by ensuring our representatives review suitability profiles and that insurance recommendations are in the best interest of advisory clients prior to making such recommendations. We also fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees. Insurance products may be available through other channels and as a client you are not obligated to purchase products recommended by our representatives.

Bayntree receives discounted and free marketing materials from Advisors Excel, LLC, an insurance marketing organization focused on helping independent advisers increase their life insurance and annuity business. While much of this material benefits the business of Bayntree Planning Group, LLC (see above), Bayntree also utilizes the marketing material in connection with its advisory business. Advisors Excel receives marketing compensation in connection with some of the insurance products purchased by our clients based on the recommendations of our representatives. Although the receipt of such marketing material is not conditioned upon any particular level of insurance business conducted by Bayntree Planning Group, LLC with Advisors Excel, the receipt of such material is implicitly based upon a continuation of the relationship between the two firms.

The recommendation by Bayntree adviser representatives for a client to purchase an insurance product presents a conflict of interest based upon (1) the incentive of the representative to receive a commission on the insurance product or (2) the incentive of Bayntree to continue to receive marketing materials from Advisors Excel. Bayntree manages this conflict of interest by ensuring that insurance recommendations are in the client's best interest. Advisory clients are not required to purchase insurance products or services recommended by the representative, nor are they required to purchase them through Bayntree Planning Group, LLC.

### **Third-Party Managers**

Bayntree directs clients to third-party managers. If a client is introduced to a third-party manager by Bayntree, Bayntree may receive a solicitor fee in accordance with the requirements of state and/or federal securities law, as applicable. This creates a conflict of interest in that Bayntree may recommend a third-party manager based on compensation received rather than on the needs of the client. Bayntree will always act in the best interests of the client, including when recommending a third-party manager. See Item 4 for more information.

In addition, Bayntree may select third-party managers, or sub-advisers, for clients pursuant to authority granted to it by the client in the Investment Management Agreement. Under this arrangement, the sub-adviser will have discretion to manage the assets to the same extent that Bayntree has discretion. Bayntree will not recommend the use of a third-party manager unless the investment adviser is registered/notice filed or exempt from registration/notification in the client's home state.

One such sub-adviser, Mulholland Wealth Advisors ("Mulholland"), provides us with quarterly marketing support. We provide invoices for the amounts we spend on marketing and Mulholland reimburses us up to 1/3 of the amounts Mulholland receives from Bayntree clients. Our actual marketing expenses typically exceed the amount of the reimbursement. This reimbursement benefits only Bayntree, not our clients, though the reimbursement arises in connection with fees our clients pay Mulholland. This creates a conflict of interest because we have a financial incentive

to continue to work with Mulholland based on our receipt of the marketing support rather than the needs of our clients. We mitigate the conflict by disclosing it and by regularly reviewing both the quality and overall value of Mulholland's services to clients to ensure that we serve our clients' best interests.

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

### **A. Code of Ethics Summary**

As a registered investment adviser, Bayntree is under a fiduciary duty to act in the best interest of its clients when providing investment advice. Bayntree's clients therefore entrust the Firm to use the highest standards of integrity when dealing with their assets and making investments that impact their financial future. Bayntree's employees act with integrity. Because the Firm's investment professionals may transact in the same securities for their personal accounts as they may buy or sell for client accounts, it is important to mitigate potential conflicts of interest. To that end, Bayntree has adopted personal securities transaction policies in the form of a Code of Ethics ("Code"). All Bayntree associated persons must follow Bayntree's Code which sets the standard of business conduct. Bayntree requires all of its employees to comply with applicable federal securities laws, and sets forth provisions regarding personal securities transactions to employees in its Code. Additionally, the Code sets forth Bayntree's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that Bayntree and each of its employees has to each client. The Code is circulated at least annually to all employees, and each employee annually certifies in writing that they have received and understand the Code. Bayntree will provide a copy of the Code to current or prospective clients upon reasonable request.

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

Bayntree recognizes that the personal securities transactions of its members and employees demand the application of practices designed to eliminate conflicts of interest, and Bayntree requires that all such transactions be carried out in a way that does not endanger the interest of the client. At the same time, Bayntree believes that if investment goals are similar for clients and for members or employees of Bayntree, it is logical and even desirable that there be common ownership of some securities. Therefore, in order to address conflicts of interest, Bayntree has adopted a set of procedures, included in the Code, with respect to transactions effected by its officers, managers, members, and employees for their personal accounts. If the possibility of a conflict of interest occurs, the client's interest prevails. It is Bayntree's policy that priority will always be given to the client's order over the order of their employees. To help mitigate potential conflicts of interest associated with these practices, the senior management of the Firm reviews employee trades quarterly.

Bayntree does not affect any principal or agency cross securities transactions for client accounts, nor does it affect cross-trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

## ITEM 12: BROKERAGE PRACTICES

### A. Selection Criteria

Bayntree requires that clients establish accounts with Schwab or Fidelity which will maintain custody of client assets and effect transactions for their accounts. Bayntree periodically evaluates the commissions charged and the other service provided by the custodian and compares those with other third-party independent custodians to evaluate whether overall best qualitative execution could be achieved by using alternative custodians. Other factors the Firm may consider when evaluating its choice of custodian include:

- Ability to trade securities and other investments that Bayntree determines suitable for a client's portfolio;
- Any existing custodial relationship between the client and the broker-dealer;
- Excellent customer service and interaction simplicity;
- Discount transaction rates;
- Research and other services available to both the client and Bayntree; and
- Reliability and financial stability.

Additional factors that Bayntree considers in recommending custodian (or any other broker-dealer/custodian to clients) including historical relationship with Bayntree, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fee paid by Bayntree clients shall comply with Bayntree's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Bayntree determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Bayntree will seek competitive rates, it may not necessarily obtain the lowest possible commission rates or the most favorable execution for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Bayntree's Advisory Fee. Bayntree's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

#### 1. Research and Other Soft Dollar Benefits

Bayntree participates in Schwab's and Fidelity's institutional customer programs. There is no direct link between Bayntree's participation in these programs and the investment advice it gives to clients, although Bayntree receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits are paid for with client's commissions/transactions fees or assets known as "soft dollars". The use of soft dollar arrangements, which is governed by Section 28(e) of the Exchange Act of 1934, presents a conflict of interest because the Firm could select a particular broker-dealer custodian that charges higher commission/transaction fees than what may be available elsewhere. Section 28(e) permits soft

dollar arrangements so long as certain conditions and requirements are met. The Firm rectifies this conflict by carefully reviewing the suitability of each investment product for each particular client and conducting a best execution review of the custodian's services.

Brokerage and research services may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing research information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation; political developments, legal developments, technical market action, pricing and appraisal services, credit analysis; risk measurement analysis and performance analysis. Such research information can be received in the form of written reports, telephone conversations, personal meetings with security analysts and/or individual company management and attending conferences. The research services provided by a broker may be proprietary (*i.e.*, provided by the broker providing the execution services) and/or provided by a third party (*i.e.*, originates from a party independent from the broker providing the execution services).

While there is no direct link between the investment advice given to a client and Bayntree requiring clients to use Schwab or Fidelity as their custodian, certain indirect economic benefits are received by Bayntree due to this arrangement. These benefits include: a dedicated trading desk, an account services manager dedicated to Bayntree accounts, access to a real time order matching system, ability to "block" client trades, electronic download of trades, balances and positions in the custodian's portfolio management software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts, and availability of their proprietary research. These products and services provide lawful and appropriate assistance to Bayntree in the performance of its investment decision-making responsibilities.

While Bayntree and its associated persons endeavor at all times to put the interest of the client first, clients should be aware that receipt of additional compensation itself creates a potential conflict of interest. To help ensure that clients are receiving best execution and to address the conflict of interest surrounding this arrangement, Bayntree performs periodic reviews of the quality of execution and services provided by all third-party independent custodians.

Under Section 28(e), advisers may cause clients to pay brokerage commissions that are in excess of commissions that another broker might have charged for effecting the same transaction, so long as such adviser makes a good faith determination that the amount of commissions paid are reasonable in relation to the value of the brokerage and research services received. This must be viewed in terms of either the specific transactions or an adviser's overall responsibility to the accounts for which it exercises investment discretion. Section 28(e) also permits advisers to use the research services provided by brokers to service any or all of the adviser's clients, and the services also may be used in connection with clients other than those making the payment of commissions. Bayntree uses soft dollar benefits to service all of its clients' accounts. Clients should understand that the use of soft dollars by Bayntree is deemed to be an indirect economic benefit to Bayntree, which creates a conflict of interest between Bayntree and its clients. Bayntree manages this conflict by reviewing the suitability of recommendations for clients and through administration of its policies and procedures.

Bayntree receives marketing materials from Advisors Excel in connection with insurance sales. Bayntree also receives reimbursement for marketing expenses from Mulholland Wealth Advisors.

Please see Item 10 for more details regarding these arrangements, the benefits received, and the conflicts associated therewith.

## **2. Brokerage for Client Referrals**

Bayntree does not receive client referrals from any custodian or brokerage firm.

## **3. Directed Brokerage**

The Schwab and Fidelity custodial arrangements are a type of directed brokerage arrangement since Bayntree generally requires that client transactions be placed with Schwab or Fidelity for execution. Clients should understand that not all advisers require their clients to use only one custodian, and that by directing brokerage Bayntree may be unable to achieve most favorable execution of client transactions, potentially costing clients more money. Bayntree has selected Fidelity to provide its clients with brokerage and custodial services because it believes Fidelity can provide overall best execution. In deciding what constitutes best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution. In seeking best execution, Bayntree believes an investment adviser should consider the full range of a broker's services including the value of research provided and execution capability, commission rate, financial responsibility and responsiveness. To help ensure that clients are receiving best execution and to address the conflict of interest surrounding this arrangement, Bayntree performs periodic reviews of the quality of execution and services provided by Fidelity. Bayntree is not compensated directly, or indirectly, by insurance companies in this instance. If a client were to purchase a no-load variable annuity, the assets would be custodied with the insurance company. Investors are in no way obligated to utilize the services of Bayntree or Bayntree's required custodian, Fidelity, and may receive the same brokerage services from another broker-dealer through another advisory firm.

Legacy accounts held at Schwab may be transitioned to Fidelity. Bayntree does not recommend that any new clients open custodial accounts with Schwab.

## **B. Order Aggregation**

Bayntree may occasionally perform block trading in select scenarios. Generally, accounts are traded on an individual basis. However, Bayntree may block trading when rebalancing accounts for operational efficiency and to optimize equitable execution prices fairly across client accounts.

More commonly, Bayntree trades individual accounts or households on an individual basis. Customized management on an individual account basis ensures that we accurately buy/sell securities in proper amounts with regards to the client's total portfolio. When trading accounts on an individual basis, sequential transactions we execute for different clients in the same security may lead to materially different prices paid for the security or received on the sale of the security. This may have the effect, either on a per-transaction basis or over the long term, of favoring some clients over others. We mitigate this potential outcome by ensuring that all decisions made on behalf of clients are made in their best interest.

Envestnet or other third-party managers may aggregate orders in client accounts. For more information about the block trading policies of Envestnet, please consult their ADV Part 2A Brochure.

### **C. Trade Errors**

Any and all trading errors will be the responsibility of Bayntree. Errors created in an investment management account must be corrected promptly so as not to harm the client. The goal of error correction is to make the client “whole”, regardless of the cost to Bayntree. The Firm cannot correct a trade error by allocating the trade to a different account, unless that account was meant to receive the trade in the first place.

### **ITEM 13: REVIEW OF ACCOUNTS**

All accounts are generally reviewed not less than annually, and upon request of the client. Accounts are reviewed by the Firm’s Chief Compliance Officer, or designee thereof, for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made.

In addition to the periodic reviews described above, reviews may be triggered by changes in an account holder’s personal, tax or financial status. Other events that may trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify Bayntree and its advisory representatives of any changes in their personal financial situation that might affect their investment needs, objectives, or time horizon.

The custodian will provide a written confirmation to each client of each transaction, typically within five (5) business days. Each client can opt to receive trade confirmations and/or monthly statements by email instead of U.S. mail. The custodian also provides a monthly (Schwab and Fidelity) /quarterly (Nationwide Advisory Solutions) statement to each client, showing all current holdings and recent transactions. Additionally, each client can view its account online. Variable annuity and mutual fund families provide similar monthly/quarterly statements showing activity in the account. Clients should review the fees charged to their account to fully understand all fees charged. Clients are encouraged to review their account statements received from the account custodian for accuracy and compare to any reports received from Bayntree.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

#### **A. Compensation for Client Referrals**

Bayntree will, from time to time, enter into agreements with individuals and organizations where Bayntree refers clients to third-party managers. All such agreements will be in writing. If a client is introduced to a third-party manager by Bayntree, Bayntree may receive a solicitor fee in accordance with the requirements of state and/or federal securities law, as applicable. The specific terms of each agreement may differ but will be disclosed in writing to each referred client. Any such fee shall be paid solely from the third-party manager’s management fees, and shall not result in any additional charge to the client.

This arrangement creates a conflict of interest in that Bayntree may recommend a third-party manager based on compensation received rather than on the needs of the client. Bayntree addresses this conflict of interest by always acting in the best interests of the client, including when recommending a third-party manager.

Each prospective client who is referred by Bayntree under such an arrangement will receive a copy of the third-party manager’s Form ADV Part 2 and a separate written disclosure disclosing the nature of the relationship between Bayntree and the third-party manager, as well as the amount of

compensation that will be paid to Bayntree by the third-party manager. Bayntree is required to obtain the client's signature acknowledging receipt of third-party manager's Form ADV Part and Bayntree's written disclosure statement.

From time-to-time, we may enter into one or more relationships with third-party companies that provide electronic referral and listing services through various websites. As a result, we compensate these companies with a one-time referral fee per potential client lead for connecting us with consumers who have indicated that they are interested in investment advisory services. This referral fee is paid by us and will not be passed on to you. This one-time compensation is owed regardless of whether we enter into an advisory relationship with a lead and regardless of the amount we earn from any such relationship, if any. We never charge a client more as a result of such referrals, and always act in a manner we deem is in the best interest of our clients pursuant to our fiduciary duties. If you were referred to us by one of these third-party companies, you will receive specific disclosures regarding the compensation arrangement between Bayntree and the third-party.

We have a reciprocal referral arrangement with Horne Law Firm, an unaffiliated law firm which offers standard estate planning and other legal services. As a result of this arrangement, Bayntree clients receive services from Horne Law Firm at a discount. Bayntree receives compensation from Horne Law Firm in the form of reciprocal referrals, and may receive other discounted services such as notarization, witnessing, and delivery of the legal documents prepared by the attorney. The receipt of this compensation presents a conflict of interest in that Bayntree has an incentive to refer clients to Horne Law Firm so that Bayntree can receive such compensation. We manage this conflict by disclosing this arrangement to all clients prior to making any such referrals or recommendations.

## **B. Other Compensation**

Other than as described above, Bayntree or a related person of Bayntree does not compensate any person who is not a Bayntree supervised person for client referrals.

## **ITEM 15: CUSTODY**

Bayntree is deemed to have custody of client funds because the Firm has the authority and ability to debit its fees directly from clients' accounts. To mitigate any potential conflicts of interests, all Bayntree client account assets will be maintained with an independent qualified custodian. Generally, Bayntree requires Schwab or Fidelity for custodial services, but from time to time, other custodians may be used by Bayntree to custody assets at the client's request.

Notably, in most cases a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should be aware, however, of the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Bayntree may only implement its investment management recommendations after the client has arranged for and furnished Bayntree with all information and authorization regarding its accounts held at the designated qualified custodian.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements

and compare the statements to any reports received by Bayntree. Should there be a conflict between custodial statements and reports by Bayntree, the client should contact Bayntree for clarification.

Bayntree has custody of client funds or securities due to our standing authority to make third-party transfers on behalf of our clients who have granted us this authority. This authority is granted to us by the client through the use of a standing letter of authorization (“LOA”) established by the client with his or her qualified custodian. The standing LOA authorizes our Firm to disburse funds to one or more third parties specifically designated by the client pursuant to the terms of the LOA and can be changed or revoked by the client at any time. We have implemented procedures to comply with the requirements outlined by the SEC in its February 21, 2017 No-Action Letter to the Investment Adviser Association. Further, we require that a qualified custodian hold client assets. Information about the custodian that we recommend is fully described in the Brokerage Practices section (Item 12).

#### **ITEM 16: INVESTMENT DISCRETION**

##### **A. Discretionary Authority; Limitations**

All investment management services performed by Bayntree are done on a discretionary or non-discretionary basis. For non-discretionary accounts, Client must approve all securities transactions prior to their implementation. Discretionary authority is granted by the written Investment Management Agreement which allows the Firm to make the following determinations without obtaining the consent of the client before the transactions are effected:

- the selection and termination of third-party managers on the UMAX platform;
- the type/amount of the securities to be bought or sold; and
- the broker-dealer/custodian to be used and commission paid: Bayntree has selected the custodian based on reasonable commission charges and advanced technology.

Such discretion is to be exercised in a manner consistent with Bayntree’s strategies and client’s financial objectives, including investment objective, time horizon, and risk appetite. In addition, Bayntree’s authority to trade securities may be limited in certain circumstances by applicable legal and regulatory requirements. Clients are permitted to impose reasonable limitations on Bayntree’s discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to Bayntree in writing.

##### **B. Limited Power of Attorney**

By selecting discretionary authority and signing Bayntree’s Investment Management Agreement, clients authorize Bayntree to exercise limited discretionary authority with respect to all investment transactions involving the client’s account. Pursuant to such Agreement, Bayntree is designated as the client’s attorney-in-fact with discretionary authority to only effect investment transactions in the client’s account.

#### **ITEM 17: VOTING CLIENT SECURITIES**

Bayntree does not vote proxies on behalf of clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client’s account. Custodians are directed to forward all shareholder related materials to the owner of the account. Proxy voting for plans governed by



ERISA must conform to the plan document in effect. In a case where the investment manager is listed as the fiduciary responsible for voting proxies, the responsibility will be designated to another fiduciary and reflected in the plan document.

Bayntree shall not be deemed to have proxy-voting authority solely as a result of providing advice or information about a particular proxy vote to a client, but clients may contact Bayntree with any questions concerning a proxy solicitation. Bayntree typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts.

**ITEM 18: FINANCIAL INFORMATION**

Bayntree does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Bayntree does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.