

**Item 1 – Cover Page**

# GATES PASS ADVISORS, LLC

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March 27, 2024

This brochure provides information about the qualifications and business practices of Gates Pass Advisors, LLC. If you have any questions about the contents of this brochure, you may contact us at (650) 797-0280 or [info@gatespassadvisors.com](mailto:info@gatespassadvisors.com) to obtain answers and additional information. Registration of an investment adviser does not imply any level of skill or training. 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.

Additional information about Gates Pass Advisors, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Gates Pass Advisors, LLC is 269983.

## **Item 2 – Material Changes**

The date of our previous annual amendment to our brochure was March 22, 2023. Since that date, we have made the following material changes to this brochure:

- Item 1 has been amended to disclose the address of our branch office located in Bainbridge Island, Washington.
- Item 4 has been amended to clarify that we offer only broad-based, rather than topic-specific, stand-alone financial planning services.
- Item 15 has been amended to disclose that we maintain standing letters of authorization (“SLOA”) for certain clients. These arrangements result in our firm being deemed to have custody of client assets. Please see Item 15 for a description of the additional safeguarding procedures we follow with respect to client accounts that are subject to SLOAs.

We have made other changes throughout this brochure for purposes of clarifying the nature of our services and to enhance the overall readability and transparency of the disclosures contained herein. These changes are not material.

We will update this brochure and disclose in this Item 2 the occurrence of any material changes with respect to our business in accordance with applicable law. All current clients will receive a Summary of Material Changes to this and subsequent brochures within 120 days of the close of our fiscal year and certain additional updates regarding changes with respect to our firm and our business practices as they may occur. Updated information concerning these changes will be provided to you free of charge. A Summary of Material Changes is also included within our brochure found on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can obtain additional information about our firm by searching for us on the foregoing website by our firm name or by our unique IARD/CRD number (269983).

A copy of this brochure will be provided to you free of charge by contacting us at (650) 797-0280 or by e-mail to [info@gatespassadvisors.com](mailto:info@gatespassadvisors.com).

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#### Item 4 – Advisory Business

- A**     *Our Firm.* Gates Pass Advisors, LLC is a California limited liability company and independent registered investment advisory firm located in Los Altos, California. We were granted registration as an investment advisor with the SEC effective April 11, 2022. Previously, our firm had been registered as an investment advisor with the State of California since its founding in 2015. Our principal owner is K. Esther Szabo, CFP®.

The information contained in this brochure describes our investment advisory services, practices, and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our services to the needs of our clients. As used throughout this brochure, the words “Gates Pass,” “firm,” “we,” “our,” and “us” refer to Gates Pass Advisors, LLC and its associated financial professionals, and the words “you,” “your,” and “client” refer to you as either a client or prospective client of our firm.

Prior to forming an investment advisor-client relationship with you, we may offer a complimentary general consultation to discuss the nature of our service offerings and to determine the possibility of a potential advisory relationship. Investment advisory services begin only after the client and Gates Pass formalize their relationship by the execution of a written investment advisory agreement.

- B-C**     *Our Services.* Gates Pass offers broad-based, comprehensive financial planning and ongoing wealth management services to clients. Our investment advice is always tailored to the stated investment objectives and needs of our clients. A description of each of our service offerings is as follows:

*Financial Planning Services:* Most clients relationships begin with the client engaging us for broad-based financial planning services before moving into an ongoing wealth management relationship where we implement our financial planning recommendations and monitor the client’s designated investment accounts on an ongoing basis. However, we also offer financial planning as a stand-alone service.

When we are engaged for financial planning services we will provide you with advice covering some or all of the following financial topics, depending on your specific financial circumstances, needs, goals, and concerns:

- |                                      |  |
|--------------------------------------|--|
| ➤ budgeting, and cash flow planning; | ➤ disability planning and income protection                |
| ➤ goal funding;                      | ➤ debt management;   |
| ➤ income tax planning;               | ➤ estate planning;   |
| ➤ education planning;                | ➤ retirement planning; and                                 |
| ➤ transition consulting/planning;    | ➤ investment planning/specific investment recommendations. |

We will provide you with a series of periodic consultations, as agreed, to discuss your unique financial circumstances, investment objectives and needs, tolerance for risk, time horizon for investments, and/or any particular issues of financial concern. We will review pertinent financial documents and information provided by you and then provide you with our investment and financial recommendations in the form of a written financial plan.

Our written financial plans typically include a summary of the client's financial situation, our general observations regarding the same, and a series of recommendations for a course of activity to be undertaken by the client to achieve their financial objectives and goals. For example, recommendations may be made that the client begin or revise certain investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education savings or charitable giving programs. We will also recommend third-party providers to you who can assist with implementation of specific aspects of the written plan as necessary, including attorneys, certified public accountants, insurance professionals, and others. Unless you engage us for ongoing wealth management services following the completion and delivery of your written financial plan, we will not provide you with any subsequent review or updates of the financial plan and the engagement is considered concluded upon delivery.

You always maintain the sole and absolute discretion to accept or reject any of our financial planning recommendations, in whole or in part, and shall be responsible for the selection of service providers for investment implementation and monitoring. While you are not obligated to do so, if you decide to engage us for ongoing wealth management services following the preparation and delivery of your written financial plan, we will implement our investment recommendations in your designated investment accounts and monitor such investments on an ongoing basis. Where you elect to engage us for these combined services, we may elect to reduce or offset all or a portion of the agreed upon financial planning fees against the advisory fees charged for ongoing wealth management services. Please see the description of our wealth management services below.

*Wealth Management Services:* When you engage us for these services, we will provide ongoing management and monitoring of your designated investment account(s) in accordance with your unique financial circumstances, goals, and needs, and your written financial plan. You will deposit your assets to an account (or accounts) held in your name at an independent qualified custodian ("Custodian") and be required to execute a limited power of attorney granting our firm the authority to direct the execution investment transactions within your account. Typically, you will be required to grant us discretionary authority to directly implement investments within your account(s) without having to obtain your prior approval of each specific transaction. In limited circumstances, we may agree to a non-discretionary arrangement, under which we will recommend investments to you and only implement them within your account(s) after receiving your approval. You may impose reasonable restrictions on our management of your account(s), including instructing us not to purchase certain specific securities, industry sectors, and/or asset classes. Please see Item 16 of this brochure for more information on our investment discretion policy.

We will consult with you at the inception of our relationship and thereafter, as necessary, to gain a thorough understanding of your financial circumstances, investment objectives and limitations, tolerance for investment risk, and time horizon for investments. Based on this information, we will implement the desired portfolio of investments within your account(s), monitor your investments on an ongoing basis, and adjust your holdings as needed or appropriate, acting as your trusted fiduciary.

Client portfolios are typically constructed using a diversified mix of some or all of the following investments: individual stocks, corporate and government issued bonds, mutual funds, exchange traded funds ("ETFs"), cash and cash equivalents. As part of these services, we may also recommend the use of certain third-party money managers ("Independent Managers") to manage all or a portion of your account(s). The Independent Managers we select to assist in the management of your account may require you to execute a separate written trading authorization, advisory agreement, platform agreement, and/or other account opening documentation. You will be provided

with the Form ADV Part 2A (or equivalent disclosures) for any recommended Independent Manager(s) at or prior to the time they begin to manage your account. We will monitor the performance of your assets managed by Independent Managers on an ongoing basis, reallocate assets among Independent Managers, and engage or terminate Independent Manager relationships as necessary, and in your best interests. We will also be responsible as your primary fiduciary advisor to ensure that the investment programs and performance of the selected Independent Managers remains suitable and well aligned with your investment goals and needs.

At your specific request or as outlined in your written financial plan, we may also provide you with advice and recommendations with respect to the investment of certain “held-away” investment accounts (e.g., employer sponsored retirement accounts, qualified tuition plans, variable annuity sub-accounts). For these accounts, we are limited to advising you as to the allocation of your holdings among the various investment options made available by the product sponsor, issuer, or custodian. You will make all final investment decisions and be responsible for the implementation and monitoring of all investments contained in your held-away accounts.

If a written financial plan has not been provided already, wealth management clients may elect to have Gates Pass provide a customized wealth management plan – additional fees may apply. When you engage us for these additional services, we will provide you with a suite of financial planning advice, including, without limitation, recommendations regarding cash flow and budgeting, review of insurance and employee benefits, financial goal setting services, advice and planning regarding specific life events (career decisions, purchase of a new home, college funding, and retirement), estate plan review, and a review of potential tax minimization strategies, as applicable. As part of our rendering of ongoing wealth management services, we will update your written financial plan periodically, as agreed with the client.

While we do not provide legal, tax, or insurance related services of any kind, we advise clients to discuss such matters with their independent trusted, legal, tax, and insurance professionals. Where possible, we will attempt to coordinate our services with these outside providers.

- D**     Wrap Fee Programs. Gates Pass does not participate in or sponsor any wrap fee programs.
- E**     Assets Under Management. As of December 31, 2023, we managed approximately \$149,294,838 of client assets on a discretionary basis and \$1,990,269 of client assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

- A**     Our Fees. A description of the fees we charge for our advisory services is set forth in this Item 5. As a general matter, all fees payable to Gates Pass are set forth in a written investment advisory agreement to be entered with the client prior to the commencement of our services. The fees we charge clients may be amended from time-to-time in our discretion, but only upon thirty (30) days’ prior written notice to you.

In consideration of our services, you will pay Gates Pass a fee quarterly in advance in accordance with one of the options discussed below. In certain instances, the agreement may be structured so that the fees are paid for an initial period (e.g., 2-3 months), then on a regular monthly basis thereafter. Payments of our fees are generally due within 10 days of invoicing.

Fees which are calculated based on the level of your assets under management fee (an “asset-based fee”) shall be calculated quarterly, based on the market value of the account at the beginning of

each quarter. The market value equals the sum of the values of all assets in your account, including cash balances. Fees will be adjusted on a pro-rata basis for partial billing periods (based on the number of days that services are provided) and for mid-period additions and withdrawals of assets to or from your account (based on the transaction date).

For purposes of determining value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on such date, then at the mean between the closing bid and asked prices on such date). Other readily marketable securities shall be priced using a pricing service or through quotations from one or more dealers. All other assets shall be valued at fair value by Gates Pass, whose determination shall be conclusive.

*Combined Financial Planning with Wealth Management Fees:* Gates Pass charges fees for these services under one of the following three fee structures. These fees are negotiable.

1. Annual Fixed Fee – For ongoing financial planning, consulting, and portfolio management services, you will pay a fixed annual fee, the dollar amount of which shall vary depending upon various subjective and objective factors, including the anticipated scope of the portfolio management, financial planning, and consulting services to be provided and the amount of assets under management. The annual fixed fee is adjusted annually on January 1 by a percentage equal to the greater of (1) the increase in the Consumer Price Index for All Urban Customers (“CPI-U”) over the previous 12 months, or (2) +2.00%. The CPI-U is a measure that examines the changes in the price of a basket of goods and services purchased by urban consumers as measured by the United States Bureau of Labor Statistics.
2. Annual Fixed Fee Plus a Percentage (%) of Assets Under Management – For ongoing financial planning, consulting, and portfolio management services, you will pay an annual fee comprised of the following two components: (1) a fixed fee, and (2) a fee based on a percentage of your assets under management (“AUM”). The dollar amount of the fixed fee shall vary depending upon various subjective and objective factors, including the anticipated scope of the portfolio management, financial planning, and consulting services to be provided and the amount of your AUM. In subsequent years, the client’s fixed fee will be adjusted annually on January 1 by a percentage equal to the greater of (1) the increase in the CPI-U over the previous 12 months, or (2) +2.00%. The percentage AUM fee will not exceed the amounts listed in the “Percentage of Assets Under Management” section below. The total fee charged to a client under this Annual Fixed Fee Plus a Percentage of Assets Under Management structure will not exceed 3.00% of your AUM.
3. Percentage (%) of Assets Under Management – The annual percentage (%) fee shall depend upon the dollar amount of AUM, ranging between .25% and 1.00%.

*Stand-Alone Financial Planning Fees:* Fees for initial financial planning services are generally set at a fixed fee of not less than \$5,000. Fees for updates to financial plans are generally set at a fixed fee of not less than \$2,000. The specific amount of the fixed fee to be charged is determined by Gates Pass based on the anticipated scope of the financial planning services to be provided and will be set forth in written financial planning agreement to be executed with the client prior to the commencement of our services. Services performed on a fixed fee basis typically require a retainer equal to one-half the fixed fee, payable upon execution of the agreement. The remaining balance will be billed and due upon completion of the engagement. Financial planning services can also be

set at a fixed fee for an initial period, such as the first 2-3 months, then charged on a monthly basis thereafter for a period of months. The estimated time frame to completion is reviewed with the client in advance of proceeding with the plan. Notwithstanding the above, financial planning fees are generally negotiable.

- B** Direct Fee Deduction. Fees for our services (including services provided by any Independent Managers) may be paid by direct deduction from the client's account held at the Custodian upon your written consent for such arrangement and the submission of an invoice to the Custodian reflecting the amount of advisory fees to be paid. The payment of fees may result in the liquidation of the client's securities if there is insufficient cash in the account. Please note that unexpected or premature liquidation of investments to pay our fees may impair the performance of your account.

Your custodian will independently send you an account statement to you typically monthly, but no less than quarterly, identifying the amount of funds and each security in your account at the end of the period and setting forth all transactions in your account during the period, including the amount of any fees paid to us. *We encourage you to review the Custodian's account statements carefully and promptly upon receipt.* If you believe our fees have been miscalculated or if there is any other issue with your account, you should contact us immediately at the phone number listed on the cover page of this brochure.

- C** Additional Fees and Expenses. Separate and in addition to our advisory fees, you will also pay your proportionate share of all management fees and other internal costs and expenses associated with any mutual funds, ETFs, and other pooled investment vehicles held in your account. You will also pay all usual and customary transaction-based fees (brokerage fees and commissions), custodial charges, platform and administrative fees, wire transfer fees, and other fees and taxes associated with activity and holdings in your account as agreed to within the account opening agreement of your Custodian. Fees charged by any Independent Managers are also typically charged separate and in addition to the advisory fees paid to Gates Pass.

We do not share in any portion of the foregoing additional fees and expenses. To fully understand the total cost you will incur when engaging our services, you should review the disclosure brochure or prospectus of each mutual fund, ETF, pooled investment vehicle, and/or Independent Manager(s) of your assets and the contractual arrangement entered with your Custodian.

- D** Our Termination Policy. In the event we fail to provide you with a copy of this brochure at least forty-eight (48) hours in advance of your entering into an advisory agreement with our firm, you may terminate our services within five (5) business days of the date of contract entry without incurring any fees or costs to Gates Pass.

Thereafter, either party may terminate our services by providing written notice of termination to the non-terminating party. You will bear the costs of all custodial termination and transfer fees, if any, assessed by your Custodian(s) upon termination of our services and will become solely and immediately responsible for the management and monitoring of your account(s) upon termination.

Asset-based fees for the final billing period of services will pro-rated based upon the number of days services were provided in such period. Fixed fees for the final billing period of services will be pro-rated based upon Gates Pass's binding good faith estimate of the total percentage of work completed at the time of termination. In all cases, any earned but unpaid fees shall be invoiced and shall be due immediately upon termination and any unearned fees paid in advance shall be promptly refunded to you. For financial planning engagements, clients are advised that we consider



substantially all of our services to be complete upon our delivery of the written financial plan to the client. Additionally, because Gates Pass performs a substantial and disproportionate amount of account services during the first quarter of an engagement, at Gates Pass sole discretion, if a client is terminated subsequent to the first thirty (30) days of the engagement, but prior to the second quarter of service, Gates Pass reserves the right to retain the entire advanced fee billed for that quarter.

- E** *No Outside Compensation.* Gates Pass is compensated solely by the advisory fees paid by our clients. Our firm and our associated persons do not receive compensation or commissions from any other parties for the sale of securities or insurance products. We act as your fiduciary investment advisor and will only recommend investments to you when we believe them to be in your best interests.

*Rollover Recommendations.* As part of our investment advisory services to you, we may recommend that you roll assets from your employer’s retirement plan, such as a 401(k), 457, or ERISA 403(b) account (collectively, a “Plan Account”), to an individual retirement account, such as a SIMPLE IRA, SEP IRA, Traditional IRA, or Roth IRA (collectively, and “IRA Account”) that we will manage on your behalf. We may also recommend rollovers from IRA Accounts to Plan Accounts, from Plan Accounts to Plan Accounts, and from IRA Accounts to IRA Accounts. When we provide any of the foregoing rollover recommendations we are acting as fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act (“ERISA”) and/or the Internal Revenue Code (“IRC”), as applicable, which are laws governing retirement accounts.

If you elect to roll the assets to an IRA that is subject to our management, we will charge you a fee as set forth in the advisory agreement you executed with our firm. This creates a conflict of interest because it creates a financial incentive for our firm to recommend the rollover to you (*i.e.*, receipt of additional fee-based compensation). 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. Due to the foregoing conflict of interest, when we make rollover recommendations, we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule’s provisions, we must:

- meet a professional standard of care when making investment recommendations (give prudent advice);
- never put our financial interests ahead of yours when making recommendations (give loyal advice);
- avoid misleading statements about conflicts of interest, fees, and investments;
- follow policies and procedures designed to ensure that we give advice that is in your best interest;
- charge no more than a reasonable fee for our services; and
- give you basic information about conflicts of interest.

Many employers permit former employees to keep their retirement assets in their company plan. Also, 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 of a rollover.

Note that an employee will typically have four options in this situation:

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; or
4. rolling the funds into an IRA rollover account.

Each of these options has positives and negatives. Because of that, along with the importance of understanding the differences between these types of accounts, we will provide you with written explanation of the advantages and disadvantages of both account types and the basis for our belief that the recommended rollover transaction is in your best interests.

As an alternative to providing you with a rollover recommendation, we may instead to take an entirely educational approach in accordance with the U.S. Department of Labor's Interpretive Bulletin 96-1. Under this approach, our role will be limited only to providing you with general educational materials regarding the pros and cons of rollover transactions. We will make no recommendation to you regarding the prospective rollover of your assets and you are advised to speak with your trusted tax and legal advisors with respect to rollover decisions. As part of this educational approach, we will provide you with materials discussing some or all of the following topics: the general pros and cons of rollover transactions; the benefits of retirement plan participation; the impact of pre-retirement withdrawals on retirement income; the investment options available inside your Plan Account; and high level discussion of general investment concepts (*e.g.*, risk versus return, the benefits of diversification and asset allocation, historical returns of certain asset classes, etc.). We may also provide you with questionnaires and/or interactive investment materials that may provide a means for you to independently determine your future retirement income needs and to assess the impact of different asset allocations on your retirement income. You will make the final rollover decision.

#### **Item 6 – Performance-Based Fees**

Gates Pass does not charge any performance-based fees for our services or engage in side-by-side management of client accounts.

Gates Pass and/or individuals associated with our firm may manage accounts which belong either to themselves, individually, or to their family or their affiliates (collectively, "Proprietary Accounts") while simultaneously managing client accounts. It is possible that orders for Proprietary Accounts may be entered opposite to orders for client accounts, pursuant to, for instance, a neutral allocation system, a different trading strategy, or trading at a different risk level. However, any such orders shall only be entered after orders for client accounts in the same securities have been executed on any given trading day or as part of an aggregated trade placed simultaneously with orders in the same securities for client accounts. The management of any Proprietary Account is subject to our Code of Ethics and the duty of our firm and its personnel to exercise good faith and fairness in all matters affecting client accounts. Please see Item 11 for more information.

#### **Item 7 – Types of Clients**

Gates Pass typically provides services to individuals and high net-worth individuals. New accounts accepted by Gates Pass will be subject to a minimum liquid net worth requirement of \$2,000,000 and a minimum annual fee of \$10,000 for ongoing wealth management services. As described in Item 5, fees for initial financial planning services are generally set at a fixed fee of not less than \$5,000. Fees for updates

to financial plans are generally set at a fixed fee of not less than \$2,000. We may waive any of the foregoing minimum requirements in our sole discretion on a per client basis.

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

**A**     *Methods of Analysis.* Our investment philosophy and strategies are underpinned by the following principles:

- financial planning is key to creating and maintaining the appropriate investment strategy;
- asset allocation and diversification protect portfolios;
- minimizing taxes is a critical component of portfolio planning and management;
- compensation is derived solely from the advisory fees paid by our clients, and not from the investments recommended; and
- the personal side of money is critical to making good technical decisions with regards to one's assets and personal financial plan.

We may use some or all of the following *methods of analysis* in providing investment advice to you:

*Asset Allocation:* Asset allocation is an investment strategy that attempts to balance risk versus return by adjusting the percentage of each asset class within an investment portfolio according to the investor's risk tolerance, goals, and investment time frame. Asset allocation is based on the principle that different asset classes perform differently in different market and economic conditions. A fundamental justification for asset allocation is the notion that different asset classes offer returns that are not perfectly correlated, hence diversification reduces the overall risk in terms of the variability of returns for a given level of expected return. Although risk is reduced as long as correlations are not perfect, it is typically forecasted (wholly or in part) based on statistical relationships (like correlation and variance) that existed over some past period. Expectations for return are often derived in the same way. The primary goal of an asset allocation strategy is to create an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon.

A risk of asset allocation is that you may not participate in sharp increases in a particular security, industry, or market sector. Another risk is that the ratio of securities, fixed income, and cash in your portfolio will change over time due to stock and market movements and, if not corrected, will no longer be appropriate to meet with your investment goals.

*Mutual Fund and ETF Selection and Analysis:* We evaluate and select mutual funds and ETFs for your account based on several factors which may include, without limitation, (1) the experience and track record of the underlying portfolio manager(s), (2) the performance of the fund over time and through various market conditions; (3) expected market conditions that might impact the underlying holdings of the fund or applicable market sector; and (4) whether and to what extent the underlying holdings of the fund overlap with other assets held in your account. We also monitor the fund in an attempt to determine if the fund is continuing to follow its stated investment strategy.

A risk of this form of analysis is that, as in all securities investments, past performance does not guarantee future results. A fund manager's past track record of success cannot be relied upon as a predictor of success in the future. In addition, the underlying holdings of the fund are determined by independent portfolio managers and may change overtime without advance warning, creating the potential for overlap with other investments held in your account. This increase in the

correlation of your holdings will increase the risk of loss where the value of any overlapping holdings should decrease. There is also a risk that a portfolio manager may deviate from the stated investment mandate or strategy of the fund, which could make the holding(s) less suitable for the client's portfolio.

*Selection of Independent Managers:* We identify Independent Managers for specific asset classes and portfolio objectives. This process incorporates both passive and active styles of investing. Our analysis considers the Independent Manager's investment philosophy, strategy transparency, consistency, expertise, research capabilities, track record, and overall expenses. We monitor and evaluate the Independent Manager we recommend to clients using these criteria periodically in light of the economic environment.

The main sources of information that we rely on when researching and analyzing Independent Managers, mutual fund, and ETF managers include traditional research materials such as financial periodicals and journals, prospectuses, and research materials prepared by others.

Methods of analysis such as charting, fundamental, technical, or cyclical analysis may be used by the Independent Managers we recommend to clients. Clients should refer to the disclosure brochure of each Independent Manager selected to manage their account for more information.

We typically use the following *investment strategies* in managing client accounts:

*Long-term Purchases:* We may recommend a long term "buy and hold" approach to investing client assets. In this type of investment strategy, we suggest the purchase of securities with the idea of holding them in a portfolio for a year or longer. Typically, we employ this strategy when (1) we believe the securities to be currently undervalued, and/or (2) we want the portfolio to have exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the recommendation to sell.

*Short-term purchases:* When utilizing this strategy, we may suggest the purchase of securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we recommend for purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy and may result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**B** *Investment Risks Associated with Our Strategies.* We use our best judgment and good faith efforts in rendering investment advice to our clients. We cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. **Not every investment recommendation or decision we make will be profitable.** Investing in securities involves risk of loss that clients should be prepared to bear. You assume all market risk involved in the investment of your account assets. Investments are subject to various market, currency, economic, political,

and business risks.

Except as may otherwise be provided by law, we are not liable to you for:

- any loss that you may suffer by reason of any investment recommendation we made with that degree of care, skill, and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; or
- any independent act or failure to act by any Custodian of your account(s).

**C** *Investment Risks Associated with the Securities We Recommend.* While all investing involves risks and losses can and will occur, Gates Pass generally recommends a broad and diversified allocation of securities and other investments intended to reduce the specific risks associated with a concentrated or undiversified portfolio. Nonetheless, you should consider the following high-level summary of investment risks. **This list is not intended to be an exhaustive description of all risks you may encounter in engaging our firm for advisory services. We encourage you to inquire with us frequently about the risks related to any investments in your account.**

*Risk of Loss:* Securities investments are not guaranteed, and you may lose money on your investments. As with any investment manager that invests in common stocks and other equity securities, our investment recommendations are subject to market risk—the possibility that securities prices will decline over short or extended periods of time. As a result, the value of your account(s) will fluctuate with the market, and you could lose money over short or long periods of time. You should recognize whenever you determine to invest in the securities markets your entire investment is at risk. Clients should not invest money if they are unable to bear the risk of total loss of their investments.

*Economic Risk:* The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

*Financial Risk:* Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the “dot com” companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

*Market Risk:* The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company’s intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security’s price due to company specific events (e.g., earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g., such as a “bear” market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the

value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

**Interest Rate Risk:** Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Independent Manager Risk:** An Independent Manager's past track record of success cannot be relied upon as a predictor of success in the future. In addition, the underlying holdings of your Independent Manager sub-account(s) (if any) will be determined solely and directly by the Independent Manager and may change over time without advance warning to us. This dynamic creates the potential for overlap with other investments held in your account. This increase in the correlation of your holdings will increase the risk of loss where the value of any overlapping holdings should decrease. There is also a risk that an Independent Manager may deviate from the stated investment mandate or strategy of the sub-account which could make the holding(s) less suitable for the client's portfolio. Our firm does not control any Independent Manager's daily business and compliance operations, and thus our firm may be unaware of any lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks Related to Analysis Methods:** Our analysis of securities relies in part on the assumption that the issuers whose securities we recommend for purchase and sale, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

**Securities Transactions at the Direction of Clients:** All assets are held at the Custodian in your name, and you will always maintain the concurrent ability to direct transactions within your account. We are not responsible for the consequences of your self-directed investment decisions or the costs and fees they generate within your account.

**Interim Changes in Client Risk Tolerance and Financial Outlook:** The particular investments recommended by our firm are based solely upon the investment objectives and financial circumstances disclosed to us by the client. While we strive to meet with clients at regular intervals (at least annually, unless otherwise agreed, either in person, telephonically, or by electronic means) to discuss any changes in the client's financial circumstances, the lack of constant and continuous communication presents a risk insofar as your liquidity, net worth, risk tolerance and/or investment goals could change abruptly, with no advance notice to our firm, resulting in a mis-aligned investment portfolio and the potential for losses or other negative financial consequences.

It is your continuing and exclusive responsibility to give us complete information and to notify us of any changes in your financial circumstances, income level, investment goals or employment status. We encourage you to contact us regularly and promptly to discuss your investment and any changes to your financial circumstances.

## Item 9 – Disciplinary Information

Gates Pass is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm or the integrity of our management. No principal or associated person of our firm has any information to disclose which is applicable to this Item 9.

## Item 10 – Other Financial Industry Activities and Affiliations

- A** Broker-Dealer Registration. Neither Gates Pass, nor any of its associated persons, are registered or intend to become registered as a broker-dealer or registered representative of a broker-dealer.
- B** Futures or Commodities Registration. Neither Gates Pass, nor any of its associated persons, are registered or intend to become registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing.
- C** Material Relationships. Gates Pass does not have any relationships, industry activities, affiliations or arrangements and does not collect any additional compensation, directly or indirectly, that create a material conflict of interest with its clients.
- D** Recommendation of Third Parties. Except for certain benefits we receive from the broker-dealers we recommend to clients as outlined in Item 12 of this brochure, we do not receive any additional compensation or benefits, either directly or indirectly, in connection with referrals of our clients to any Independent Managers, broker-dealers, custodians, attorneys, tax advisors, accountants, or any other third-parties. We will only recommend and refer third-parties providers to you when we believe such recommendations to be in your best interests. You are never obligated to engage any third party we recommend and do so at your sole discretion and risk.

## Item 11 – Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

- A** Our Code of Ethics. Gates Pass has adopted a Code of Ethics (“Code”) for all associated persons of the firm which describes our high standard of business conduct and fiduciary duty to clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition on rumor mongering, and personal securities trading procedures, among other things. Our associated persons agree to abide by our Code at the time of initial hire and must acknowledge compliance with the Code on an annual basis.

A copy of this our Code will be provided to you free of charge by contacting us by phone at (650) 797-0280 or by e-mail at [info@gatespassadvisors.com](mailto:info@gatespassadvisors.com).

- B-D** Material/Proprietary Interests in Securities Recommended to Clients. Our firm and our associated persons do not have any proprietary or material interests in or any role in the management of any companies or investments that we recommend to our clients.

Personal Trading; Participation or Interest in Client Transactions. As described in Item 6 of this brochure, Gates Pass and/or its associated persons may manage Proprietary Accounts. Proprietary Accounts may buy and sell some the same securities as we buy or sell for client accounts. This practice creates an actual conflict of interest with our clients insofar as our firm and/or our associated persons may have a financial incentive to trade in securities for Proprietary Accounts in advance of or opposite to transactions in the same securities for client accounts. To address this conflict, our policy is that, assuming the purchase or sale is otherwise appropriate for the subject

client accounts, we will purchase or sell securities for our clients' accounts, as the case may be, before purchasing or selling any of the same securities for any Proprietary Accounts. The only exception to this general policy is where our Proprietary Accounts participate in an aggregated trade simultaneously with client accounts. In some cases, we may buy or sell securities for our own account(s) for reasons not related to the strategies adopted by our clients.

In summary, our practice of buying and selling for Proprietary Accounts the same securities that we buy or sell for client accounts is restricted by the following controls:

- We are required to uphold our fiduciary duty to our clients;
- We are prohibited from misusing information about our clients' securities holdings or transactions to gain any undue advantage for ourselves or others;
- We are prohibited from buying or selling any security that we are currently recommending for client accounts, unless we participate in an aggregated trade with clients or place our orders after client orders have been executed; and
- We are required to periodically report our securities holdings and transactions to the firm's Chief Compliance Officer, who must review those reports for improper trades.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interests of all the accounts we advise.

We will disclose to advisory clients any material conflict of interest relating to us, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

## **Item 12 – Brokerage Practices**

**A**     *Recommendation of Broker-Dealers.* Although clients may request us to execute transactions for their account through any broker-dealer of their choosing, we generally recommend that clients engage the custodial and brokerage services of SEI Investments Distribution Co. ("SEI") and/or Charles Schwab & Co, Inc. ("Schwab," and collectively with SEI, the "Recommended Brokers"), both licensed broker-dealers and Members of the Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC"). We are not affiliated with the Recommended Brokers and they do not monitor or control the activities of our firm or its personnel. We may recommend other broker-dealer firms to clients in the future. We do not have the discretion to determine the broker to be used for the execution of client transactions or the commission rates at which such transactions are to be effected for our clients. Clients have the sole discretion to select the Custodian to be used for custody and execution of transactions for their accounts. The client engages the Custodian by executing the appropriate account opening documentation and authorizes our firm to direct the execution of transactions for the account through the services of the selected Custodian.

*Best Execution.* In recommending broker-dealers to you, we have an obligation to seek the "best execution" of transactions in your account. This duty requires that we seek to execute securities transactions for clients such that the total costs or proceeds in each transaction are the most favorable under the circumstances. The determinative factor in the analysis of best execution is not the lowest possible commission cost, but whether the transaction represents the best qualitative



execution, taking into consideration the full range of the recommended broker-dealer's services. Some of the factors we may consider when evaluating a broker-dealer for best execution include, without limitation, the broker-dealer's:

- |  |  |
|--|--|
| ➤ execution capability;                | ➤ custodian capabilities;                                      |
| ➤ commission rates;                    | ➤ research services/ancillary brokerage services provided; and |
| ➤ financial responsibility;            | ➤ any other factors we consider to be relevant.                |
| ➤ responsiveness and customer service; |  |

Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for specific account transactions. With this in consideration, our firm will continue to recommend that clients engage the Recommended Brokers until their services do not result, in our opinion, in best execution of client transactions.

*Directed Brokerage.* If the client selects a Custodian other than the Recommended Brokers (*i.e.*, directed brokerage), you are advised that we may be unable to seek best execution of your transactions and your commission costs may be higher than those of the Recommended Brokers. For example, in a directed brokerage account, you may pay higher brokerage commissions and/or receive less favorable prices on the underlying securities purchased or sold for your account because we may not be able to aggregate your order with the orders of other clients. In addition, where you direct brokerage, we will typically place orders for your transactions after we place transactions for clients using our Recommended Brokers. We reserve the right to reject your request to use a particular broker or Custodian if such selection would frustrate our management of your account or for any other reason.

*Soft Dollars.* The broker-dealers we recommend to clients may provide us with certain brokerage and research products and services that qualify as “brokerage or research services” under Section 28(e) of the Securities Exchange Act of 1934 (“Exchange Act”). This is commonly referred to as a “soft dollar” arrangement. These research products and/or services will assist us in our investment decision making process. Such research generally will be used to service all of our client accounts, but brokerage charges paid by the client may be used to pay for research that is not used in managing that specific client's account. Your account may pay a Recommended Broker a charge greater than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the charge is reasonable in relation to the value of the brokerage and research services received.

*Benefits Received from SEI.* SEI, one the Custodians that we recommend to clients, provides Gates Pass with certain services and benefits which are not available to retail clients. These services and benefits may include research, brokerage, custody, and access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. SEI also makes available to Gates Pass other products and services that benefit us but may not directly benefit client accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that provide access to client account data, provide research, facilitate payment of our fees from client accounts and assist with back-office support, recordkeeping, and client reporting. Many of these services generally may be used to service all or a substantial number of Gates Pass' client accounts.

SEI may also provide Gates Pass with other services intended to help us manage and further develop our business enterprise. These services may include consulting, publications, and presentations on practice management, information technology, business succession, regulatory compliance, and marketing services. In addition, SEI may make available, arrange, and/or offer at a discount certain services to Gates Pass to be provided by independent third-parties. SEI may discount or waive fees that it would otherwise charge for some of these services or pay all or a part of the fees charged by a third-party for providing these services to Gates Pass. The availability of the foregoing products and services may be contingent on Gates Pass committing to SEI an amount of business (assets in custody or trading).

We do not pay a fee for these products and services and all client accounts may not be the direct or exclusive beneficiary of such products and services. It is further important to note that our receipt of such products and services creates an incentive for Gates Pass to continue to recommend that clients engage SEI based upon our desire to continue to receive these items, rather than receiving best execution or purely the lowest price for client transactions. We mitigate this conflict of interest by periodically monitoring and reviewing the services provided to our clients by SEI for best execution.

*Benefits Received from Schwab.* Schwab, one the Custodians that we recommend to clients, provides Gates Pass with certain services and benefits which are not available to retail clients. These services and benefits include software and other technology that (i) provides us with access to client account data (such as trade confirmations and account statements); (ii) facilitates execution of client trades; (iii) provides us with research, pricing and other market data; (iv) facilitates payment of fees from client accounts; and (v) assists us with back-office functions, recordkeeping, and client reporting.

Other services may include, but are not limited to, performance reporting, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, and access to consultants and other third party service providers who provide a wide array of business related services and technology with whom we may contract directly. Other brokers or custodians may provide us with similar benefits in the future in exchange for recommending their services to our advisory clients.

We do not pay a fee for these products and services and all client accounts may not be the direct or exclusive beneficiary of such products and services. It is further important to note that our receipt of such products and services creates an incentive for Gates Pass to continue to recommend that clients engage Schwab based upon our desire to continue to receive these items, rather than receiving best execution or purely the lowest price for client transactions. We mitigate this conflict of interest by periodically monitoring and reviewing the services provided to our clients by Schwab for best execution.

Except as described above in this Item 12 and in Item 14 below, we do not receive any compensation or incentive for referring you to the Recommended Brokers for brokerage trades and custodial services. We do not receive client referrals in exchange for directing client transactions to the Recommended Brokers.

- B** *Order Aggregation.* We are authorized in our discretion to aggregate purchases and sales and other transactions made for client account with purchases and sales and other transactions in the same or similar securities or instruments for other clients' accounts. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the account will be

deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price so obtained.

The trade aggregation and allocation practices of mutual funds, ETFs, and Independent Managers that we may recommend to you are disclosed in their respective prospectuses and disclosure brochures. We encourage you to review those documents carefully to understand the trade aggregation and allocation practices of these third parties.

### Item 13 – Review of Accounts

- A**     Account Review Policy. Client accounts are generally reviewed by the investment advisor representative(s) who are primarily responsible for managing the client's assets. However, the specific individuals conducting account reviews may vary from time-to-time, depending on the availability of our personnel. Portfolios for wealth management services clients are generally reviewed quarterly, but in any event, no less than annually. Unless otherwise agree, stand-alone financial planning clients do not receive review or updates to their written financial plans following delivery of the same by Gates Pass.
- B**     More Frequent Reviews. More frequent account reviews may be triggered by client requests, changes in the client's investment guidelines, objectives, or needs; tax considerations; the occurrence of large deposits or withdrawals or large sales or purchases; loss of confidence in corporate management objectives, and changes in the macro-economic climate.
- C**     Reporting to Clients. Clients will receive standard account statements and trade confirmations from their Custodian at least quarterly. We will separately provide you with independently prepared written reports as you may reasonably request from time to time. The reports we provide to you will contain relevant account and/or market-related information such as an inventory of account holdings and account performance, as examples.

### Item 14 – Client Referrals and Other Compensation

- A**     Receipt of Certain Benefits. As referenced in Item 12 above, the Recommended Brokers provide services and products to us without cost or at a discount that we may use to service some or all of our client accounts. We may enter into similar arrangements with other Custodians in the future.

As part of its fiduciary duties to clients, Gates Pass endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by our firm and/or our associated persons in and of itself creates a potential conflict of interest and may indirectly influence our choice to recommend SEI and Schwab to clients for custody and brokerage services.

- B**     Other Compensation. Except with respect to the benefits we may receive from the Recommended Brokers described in Items 12 and 14 of this brochure, we have no other arrangements, written or oral, in which we compensate others or are compensated by others for client referrals. We will only refer you to third-party service providers (attorneys, certified public accountants, insurance professionals, and others) where we believe such recommendations to be in your best interests.

### **Item 15 – Custody**

All client funds and securities on which we advise are held in accounts titled in the client's name maintained by an independent qualified custodian (typically, Schwab or SEI). For wealth management clients, the Custodian will be authorized to execute trades within the client's account upon our instructions, acting within the scope of the authority granted to us in our written advisory agreement with the client and the Custodian's account opening documentation.

Where we directly debit our advisory fees from your account held at the Custodian, the Custodian will independently send you an account statement at least quarterly identifying the amount of funds and each security in your account at the end of the period and setting forth all transactions in your account during the period, including the amount of any fees paid to us. Your Custodian is not responsible for verifying the accuracy of our fee calculations. *Therefore, we encourage you to review the Custodian's account statements carefully upon receipt.* If you believe our fees have been miscalculated or if you have any other questions related to your account, you should contact us immediately at the phone number listed on the cover page of this brochure.

As a matter of administrative convenience and at the firm's discretion, advisory clients may be offered to option to execute standing letters of authorization ("SLOAs") which authorize Gates Pass to disburse client funds to a specific third-party payees designated in writing by the client. In these circumstances, our protocol to assure the proper handling of client funds is to require that:

1. The client provides a written, signed instruction to the qualified custodian that includes the third-party payee's name and address or account number at a custodian;
2. The client authorizes Gates Pass in writing to direct transfers to the named third-party payee or payees either on a specified schedule or from time-to-time;
3. The client's qualified custodian verifies the client's authorization and provides a transfer of funds notice to the client promptly after each transfer;
4. The client can terminate or change the instruction at any time on notice to the custodian;
5. Gates Pass has no authority or ability to designate or change the identity, address, or other information of the designates third-party payee or payees in the instruction;
6. Gates Pass maintains records showing that the designated third-party payee or payees is/are not a related party of the firm or located at the same address as the firm; and
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

### **Item 16 – Investment Discretion**

Wealth management clients are typically required to grant our firm ongoing and continuous discretionary authority to execute our investment recommendations within their account(s) held at the Custodian without obtaining the client's prior approval for each specific transaction. In a discretionary arrangement, you authorize us to purchase and sell securities and instruments in your account(s), arrange for delivery and payment in connection with the foregoing, and act on your behalf in all matters necessary or incidental to the handling of the account, including monitoring of your assets and the engagement and hiring and termination of Independent Managers. Our discretionary management of your account will be conducted in strict accordance with your stated investment objectives and limitations. On occasion, we may agree to a non-discretionary account management arrangement which requires us to obtain your consent prior to directing any transactions in your account held at the Custodian. The scope of our discretionary authority over your account will be set forth in a written wealth management agreement executed with the client prior to the commencement of any services.

Financial planning services are non-discretionary in nature. The client makes all final investment decisions and is responsible for implementation and ongoing monitoring of all investments.

**Item 17 – Voting Client Securities**

- A** We do not vote proxies on behalf of our clients; however, upon request, we may provide you with advice regarding the voting of proxies. The client makes the final voting decision and is responsible to vote all proxies.
- B** We do not accept authority to vote client securities. Most clients will receive proxies and other solicitations directly from the custodian. If any proxy materials are received on behalf of a client, they will be sent directly to the client or a designated representative of the client, who is responsible to vote the proxy.

**Item 18 – Financial Information**

- A** Gates Pass does not require advance payments greater than \$1,200, more than six months in advance of rendering any services to a client.
- B** Advisors who have discretionary authority over client accounts, custody of client assets, or who require or solicit pre-payment of more than \$1,200 in fee per client, six months or more in advance, are required to disclose any financial condition that is reasonably likely to impair their ability to meet contractual commitments to clients. Gates Pass maintains discretionary authority over client funds and securities. We have no financial commitments that would impair our ability to meet contractual and fiduciary commitments to our clients.
- C** Neither Gates Pass, nor any of the principals, have been the subject of a bankruptcy petition at any time in the past.