



**Part 2A of Form ADV: *Firm Brochure***

**ERn FINANCIAL, LLC  
d/b/a CANOPY WEALTH MANAGEMENT**

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This brochure provides information about the qualifications and business practices of ERn Financial, LLC, d/b/a Canopy Wealth Management. If you have any questions about the contents of this brochure, please contact us at (602) 808-1414 or [compliance@canopy-wealth.com](mailto:compliance@canopy-wealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about ERn Financial, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration does not imply any level of skill or training.

## Item 2: Material Changes

This Firm Brochure is the disclosure document ERn Financial, LLC, d/b/a Canopy Wealth Management ("Canopy") "we" and/or the "firm") prepared according to regulatory requirements and rules.

ERn is required to amend this Brochure when information becomes materially inaccurate. In the future, this Item 2 will be used to provide you with a summary of new and/or updated information since the previous Brochure. We will inform you of the revisions based on the nature of the updated information.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We will also provide you with other interim disclosures about material changes to the information provided in this Brochure as necessary or required.

Whenever you would like to receive a complete copy of the current Brochure, please contact us at (602) 808-1414 or [compliance@canopy-wealth.com](mailto:compliance@canopy-wealth.com). We will be happy to provide you with a complete copy.

### Summary of Material Changes

The material changes in this brochure from the last annual updating amendment of ERn Financial, LLC, d/b/a Canopy Wealth Management on March 9, 2023, are described below. Material changes relate to ERn Financial, LLC, d/b/a Canopy Wealth Management's policies, practices or conflicts of interests:

- Mark Gregory Buchanan is now Chief Compliance Officer and Chief Operating Officer of ERn Financial, LLC dba Canopy Wealth Management.
- We updated Item 4 to reflect that Dustin Brutton no longer has an ownership interest in the firm.
- We have removed TD Ameritrade due to its acquisition by Charles Schwab & Co., Inc. (Items 12 and 14)
- We updated Item 14 to reflect that we may now use promoters, that Eric Raether is no longer on Schwab's Advisor Services Advisory Board, and that we may receive economic benefits from certain investment product providers.

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## **Item 4: Advisory Business**

### **Description of the Firm**

Canopy Financial, LLC, d/b/a Canopy Wealth Management ("Canopy"), is a Michigan limited liability company founded in 2018 with its principal place of business in Wisconsin. Canopy has been registered with the Securities and Exchange Commission since August 2018. As of December 31, 2023, Canopy managed approximately \$1,280,096,449 in client assets under management, of which \$1,094,638,810 was managed on a discretionary basis and \$185,457,639 was managed on a non-discretionary basis. Additionally, Canopy has approximately \$83,809,196 of assets under advisement. Canopy is deemed to have custody of \$7,325,767 of client assets.

Canopy is owned by (1) ERN-CD Arizona, LLC, a company of which one hundred percent (100%) equity interest is owned by Chad Wing, (2) ERn Michigan, Inc., a corporation of which one hundred percent (100%) equity interest is owned by Ernest Moosherr, and (3) ERn Wisconsin, Inc., a corporation, of which a ninety percent (90%) equity interest is owned by Eric Raether and a ten percent (10%) equity interest is owned by David Muehl.

### **Description of Services Offered**

The following paragraphs describe the services offered by Canopy. Please refer to the following paragraphs for more detail about the specific service, and how we tailor our services to your individual needs. As used in this Brochure, the words "our" and "us" also refer to Canopy. The words "you," "your" or "client" refer to our clients and prospective clients. Other terms may be defined later in this Brochure as well.

### **Investment Advisory Services**

Canopy offers continuous and ongoing investment advice and portfolio management services. Investment planning is designed to provide a retirement roadmap of income and expenses over the client's life. Our advice and services are tailored to meet our client's individual needs, life circumstances and investment goals. We have discussions with the client to determine the client's investment objectives, risk tolerance, time horizons and liquidity needs. Generally, we use the information we gather to prepare an individualized investment policy statement ("Investment Policy or "IPS") for the client.

Clients may impose reasonable restrictions and guidelines on investing in certain securities, types of securities or industry sectors. We expect all such restrictions to be timely communicated to us. Client restrictions and guidelines may negatively affect investment performance.

Clients must inform us of any changes to their financial circumstances, investment objectives or risk tolerance, or of any modifications or restrictions that are imposed on the management of the client's account. In this manner, Canopy can better serve our clients' needs.

Account management and supervision is guided by the client's IPS and market conditions. We manage clients' investment accounts on a discretionary and non-discretionary basis. Once we construct an Investment Policy for a client, we will monitor the portfolio's performance on an ongoing and continuous basis, unless otherwise agreed, and will make adjustments and reallocations as necessary due to changes in market conditions and the client's circumstances, as communicated to us.

For our discretionary asset management services, Canopy will receive a limited power of attorney to effect securities transactions on behalf of a client. The client may limit our discretionary authority by providing us with a written communication that details restrictions and other guidelines. Unless otherwise agreed to by the client and Canopy, if we manage a client's account on a non-discretionary basis, we will have the

ongoing responsibility to make investment recommendations based on the client's individualized investment strategy or we will develop and implement an asset allocation strategy, which we will continuously monitor and supervise.

We would first obtain a client's approval before executing transactions in a non-discretionary account. Requests for approval will be communicated via electronic mail to an authorized account or via a telephone call to an authorized phone number. The client will be responsible for responding in a timely manner.

We explore different types of investment options and strategies in the design of a client's customized IPS. Our investment recommendations are not limited by any specific product or service offered by a broker-dealer or custodian. These recommendations will generally include, but not necessarily be limited to, security types from the following list:

- Money market funds and other cash instruments
- Exchange listed securities, and securities traded over-the-counter
- Mutual fund shares, SMAs and exchange traded fund shares – passive and actively managed, including mutual funds held at the fund company
- Closed end fund shares
- Certificates of deposit
- Corporate debt securities
- Municipal securities
- U.S. governmental securities
- Options
- Variable (No-Load) annuity products (not held by our custodian)

Each type of security has its own unique set of risks associated with it, and it would not be possible to list all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Because some types of investments involve certain additional degrees of risk, they will only be recommended and implemented when consistent with the client's IPS.

### **Financial Planning Services (Non-Subscription)**

Canopy also provides financial planning services. Such services include a comprehensive evaluation of a client's financial situation by using currently known facts and variables. We create a financial plan for the client, which is designed to assist the client to achieve financial goals and objectives. We may also prepare reports at the client's request.

A financial plan may address one or more of the following areas:

- **Financial Position:** Understanding of a client's current financial situation. Sources of evaluation include income, expenses, assets, liabilities, etc.
- **Investment Planning:** Determining the most suitable way to structure investments to meet financial goals, and determine the appropriate account type (*e.g.*, joint tenants, IRA, Roth IRA, etc.)
- **Income Tax Planning:** Evaluating the current tax situation to help minimize a client's taxes and find more profitable ways to use the extra income generated. Canopy also may prepare income tax returns for clients for a separate fee.
- **Retirement Planning:** Assessing retirement needs to help a client determine how much to accumulate, as well as distribution strategies designed to create a source of income during retirement years.

- **Credit Planning:** Evaluating a client's credit needs.
- **Insurance Planning and Risk Management:** Evaluating the client's insurance needs and reviewing insurance policies and the like.
- **Estate Planning:** Reviewing the client's cash needs at death, income needs of surviving dependents and estate planning goals. Canopy offers clients the ability to obtain estate planning documents such as a will, trust, financial power of attorney, and medical/healthcare power of attorney. Canopy offers this service through a third-party provider. The provider only prepares documentation but does not provide legal advice and is not the client's attorney. Canopy also does not provide legal advice to the client, and the client should consult with his/her attorney for estate planning legal advice.
- **Education Planning:** Reviewing the educational needs for the client and his/her family, along with planning for educational expenses.

We gather information through interviews and review of documents provided by the client, including questionnaires. Information gathered includes the client's current financial status, future goals, investment objectives, risk tolerance and family circumstances.

Typical financial planning services include one or more of each of the aforementioned service components. A financial plan may require the services of a specialist such as an insurance specialist, attorney or tax accountant. We may recommend third-party service providers, but the client is under no obligation to use any service provider recommended by us. Likewise, the client is under no obligation to act on our financial planning recommendations. Canopy does not receive referral or other fees from third-party service providers.

Financial plans are based on the client's financial situation at the time we present the financial plan to the client, and on the information provided to us. The client must promptly notify us if his/her financial situation, goals, objectives or needs change. Certain assumptions may be made with respect to interest rates, inflation rates, and use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. We cannot offer any guarantees or promises that a client's financial goals will be met.

### **Ongoing Financial Planning** (Subscription)

Canopy offers ongoing financial planning ("Ongoing Financial Planning") as a standalone, monthly subscription service. This allows the client to meet with a financial planner over an extended period of time. The planner will work with the client to not only design the client's financial plan, but also monitor the plan and recommend any changes on an ongoing basis to ensure the plan remains updated.

To start the Ongoing Financial Planning program, a financial planner will guide the client through a process to establish the client's financial goals and values. The client may be asked to provide information to help complete the areas of analysis, including net worth, cash flow, credit, employee benefits, retirement planning, insurance, investments, college planning, and estate planning.

Ongoing Financial Planning provides a framework to organize a client's finances, prioritize the client's goals, and design an action plan to create and grow wealth. The plan will be regularly monitored and follow-up communications via in-person meeting, or phone, email, or video meeting will be made to the client to confirm that any agreed upon action steps have been implemented. The plan will be reviewed periodically to ensure accuracy and to make any changes, updates, or adjustments as necessary.

Canopy's Ongoing Financial Planning is designed to offer clients 4 meetings in the first year and 2 meetings per year in each following years. This meeting schedule is available to clients but not required, and some clients may choose to meet less often.

## **Retirement Plan ERISA 3(21) Advisory Services**

For the purposes of ERISA 3(21) Plans, Canopy does not exercise any discretionary authority or control respecting management of the plan or management or disposition of its assets or have any discretionary authority or discretionary responsibility in the administration of the plan. Therefore, Canopy is not a “fiduciary” pursuant to ERISA except to the extent it renders “investment advice” to the plan within the meaning of section 3(21) of ERISA and Department of Labor regulations there under. The participants are responsible for any individual investment selections made under the plan. Under ERISA 3(21), Canopy acts as the advisor making investment recommendations, but it is ultimately up to the plan sponsor to decide whether and how to implement these recommendations. Furthermore, under ERISA 3(21), the participants are responsible for any individual investment selections made under the plan.

## **Held Away Assets**

We can use a third-party platform such as, but not limited to, Pontera (formerly named FeeX), to facilitate management of held away assets such as, but not limited to, defined contribution plan participant accounts with discretion. The third party platform allows Canopy to review the current account allocations without having custody of these held-away client accounts or access to client log-in credentials. Canopy is not affiliated with Pontera in any way and receives no compensation from it for using its platform.

If a client requests us to manage their held away assets, a link will be provided to connect an account(s) to the third party platform. Once said account(s) is connected to the platform, we will review the current account allocations from within the third party platform. When deemed necessary, based on our review from time-to-time (but at least annually), we will rebalance the account considering the client’s investment goals and risk tolerance, and any change in allocations will consider current economic and market trends.

## **Publication of Periodicals**

Canopy may publish newsletters providing general information on various financial topics including, but not limited to, estate and retirement planning, market trends, etc. No specific investment recommendations are being provided in any newsletter, and the information provided is not intended and does not purport to meet the objectives, needs or targets of any client or individual. Absent specific advice or services provided by Canopy, clients should not rely upon the information contained in any newsletter. This newsletter would be distributed to our advisory clients, prospects and other professionals.

## **Educational Seminars**

Canopy may periodically offer educational seminars and/or workshops for clients, prospective clients, accountants and others. Although these seminars may address financial planning, Social Security strategies, money management and investment and retirement planning, the content of these seminars will vary depending upon the needs of the attendees. These seminars are purely educational in nature and do not involve the sale of any investment products. Information presented will not be based on any individual's personal needs, nor do we provide individualized investment advice to attendees during these seminars.

## **Wrap Fee Programs**

Canopy does not participate in wrap fee programs.

## **Information Regarding Conflicts of Interest**

Canopy has conflicts of interest arising from our advisory services. These include, but are not limited to:

- Conflicts related to Canopy’s investment advisors get paid for clients to invest with Canopy (Please refer

to Item 5 below)

- Conflicts related to allocating time and resources between client accounts, allocation of advisory fees and investment opportunities generally. For further information on our brokerage and allocation policies, and related conflicts of interest, please refer to Item 12 below.
- Conflicts related to investing in securities recommended to clients and contemporaneous trading of securities (*i.e.*, personal trading) by Canopy or its related persons. Please refer to Item 11 for further information.

Canopy's policies and procedures attempt to mitigate conflicts of interest, however conflicts of interest discussed here and in other Items of this brochure still exist and cannot be removed or eliminated.

### **Non-Advisory Assets**

Canopy may provide opportunities to purchase, place, or keep certain assets (including but not limited to cryptocurrency assets) in a non-advisory account as an accommodation to its clients. Non-advisory accounts are operated by third parties, and Canopy provides no investment advisory services or monitoring of such accounts or their assets. Although clients may be able to access non-advisory accounts through Canopy, they will be held-away and Canopy will not have custody or control of these accounts. These assets will not be included in the calculation of clients' assets under management, and Canopy will not charge its advisory fee on these accounts. Any fees or costs associated with maintaining these non-advisory accounts will be owed to the third-party services that offer these accounts and will be governed by the terms and conditions of third parties. Canopy has no role in negotiating or formulating the provisions of such third-party terms and conditions and does not receive any remuneration from these third parties. The success of investments conducted through third parties may vary.

## **Item 5: Fees and Compensation**

### **Investment Advisory Services**

Canopy's fee for our investment advisory/portfolio management services will be charged as a percentage of assets under management with us, according to the following schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee Rate Range</u></b>
<b>\$0 to \$500,000</b>	<b>1.20 %</b>
<b>\$500,001 to \$1,500,000</b>	<b>0.80%</b>
<b>\$1,500,001 to \$3,000,000</b>	<b>0.60%</b>
<b>\$3,000,001 to \$5,000,000</b>	<b>0.50%</b>
<b>More than \$5,000,000</b>	<b>0.40%</b>

For clarity, the first \$500,000 in AUM in an account will be charged 1.20%, and the AUM in an account greater than \$500,000 up to \$1,500,000 will be charged .80%. Thus, an account with AUM of \$1,200,000 will be charged 1.20% on \$500,000 and .80% on the remaining \$700,000 in the account.

The specific annual fee being charged to the client will be set forth and identified in an agreement between Canopy and that client.

Generally, a minimum of \$250,000.00 of assets under management with us is required for this service. This account size may be negotiable under certain circumstances. At our discretion, we may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Although Canopy has established the above fee schedule, we may negotiate other fee schedules depending



on the size of the account, type of account, the level of client service required and other factors we consider relevant, including timing of client relationship.

Fees will be charged quarterly in advance based on the average daily market value of the client's account(s), as determined by the custodian, during the last quarter. Cash and assets which are invested in shares of mutual funds, exchange-traded funds, annuities we manage, individual securities, collective trusts, unit investment trusts and/or closed-end funds shall be included in the calculation of the value of the client's assets under management with us for purposes of computing our fee. A client's margin balance is typically included when calculating assets under management with Canopy. This will be in addition to any margin interest being paid by the client.

For partial quarters, fees are pro-rated. All unearned fees will be refunded to the client in the event the client terminates our services. Unless other arrangements are made, fees are directly debited from a client's account(s), and each client is required to provide the qualified custodian of the client's account(s) written authorization to deduct the fees described.

The custodian sends the client a statement, at least quarterly, indicating the amount of our fees and all amounts disbursed from the account to Canopy for our fees. The client is responsible for verifying the accuracy of the fee calculation, as the custodian will not verify the calculation. Payment of fees may result in the liquidation of client's securities if there is insufficient cash in the client's account(s).

Clients will not receive from Canopy an account statement or a fee invoice. Only the custodians' account statement will be sent to clients; or where assets are not held by the custodian, Orion Financial Services will notify client of the fee for those assets. Asset based fees are always subject to the management agreement between the client and Canopy, and we generally retain the right to amend our fee schedule with 30 days prior written notice to the client.

### **Financial Planning Services (Non-Subscription)**

Canopy may charge a fee for financial planning services. For clients who retain Canopy for its investment advisory services, there may be a separate fee for Canopy's financial planning services. Others may retain Canopy for only financial planning, and for those persons our financial planning fees are based on the nature of the services being provided, who is providing the services and the complexity of the client's circumstances. Financial planning fees are generally calculated and charged on a flat fee basis ranging from a minimum of \$1,000 to \$25,000 per engagement.

If you terminate our financial planning services after we have begun the work but before completion, we will charge you a termination fee equal to one-half of the agreed upon planning fee. Financial planning fees and the termination fee are negotiable. Canopy may reduce or waive the financial planning fees and/or termination fee in certain circumstances.

We provide you with an exact fee quote before you authorize us to begin our work. The specific financial planning fee being charged to the client will be set forth and identified in an agreement between Canopy and that client. Canopy, with the consent of client, will cause financial planning fees to be withdrawn from client's bank account.

Although the length of time it will take to provide a financial plan depends on each client's personal situation, we will provide a timing estimate at the start of the planning relationship. For those who will be charged for financial planning, we will invoice the client for the financial planning services, and the fees will generally be due and payable upon delivery of the completed financial plan to the client.

Canopy may recommend an update to a financial plan as needed and when objectives or financial situation change. In that situation, the fee will be dependent on the nature of the update. Again, this fee will be set

forth and identified in an agreement between us and the client.

In some circumstances, the financial plan may require the services of a specialist such as an insurance specialist, attorney or tax accountant. (Canopy does not provide any legal, or accounting advice.) Canopy may recommend third-party service providers, but the client is under no obligation to use any service provider recommended by Canopy. Fees for specialists will be negotiated between the client and specialist directly.

In connection with estate planning services described in Item 4, when a third-party provider is used by a client to provide estate planning documents, the fee for said services are negotiable, and the third-party provider may be paid by the client or by Canopy, depending on the circumstances.

### **Ongoing Financial Planning Monthly Plan (Subscription)**

Ongoing Financial Planning services are billed as an ongoing fee that is paid monthly, in advance, at the starting minimum rate of \$200 per month. This service may be terminated with 30 days' notice by either client or Canopy. Since this fee is paid in advance, a refund may be paid to the client upon termination for any unearned fee.

### **Retirement Plan 3(21) Investment Advisory Services**

Canopy's fee for Retirement Plan 3(21) advisory services will be set forth and identified specifically in an agreement between Canopy and that client for the agreed upon services.

### **Educational Seminars**

We do not charge a fee for attendance at educational seminars we may conduct.

### **General Information**

An investment management agreement may generally be terminated at any time, by Canopy or the client, for any reason upon prior written notice. The timing is specified in the client management agreement between Canopy and the client. In addition, if a client receives this Brochure at the time the client enters into the investment management agreement, the client has the right to terminate the agreement within 5 business days after entering into it by giving written notice of such termination to Canopy.

Canopy can have custody or take possession of client funds or securities in various circumstances. Canopy has "deemed" custody under applicable law when (1) we deduct fees directly from the client's account(s), and (2) clients have a third party standing letter of authorization (SLOA) with Canopy directing us to make payments or transfers to authorized third parties. Canopy has custody of client funds or securities when Canopy retains login credentials for accounts (1) Canopy, with written authorization from certain of its clients, has login and password information for some clients' ERISA accounts, and this enables Canopy to make investment decisions within the accounts, and (2) Canopy links view only access to accounts to determine the value of the assets in these accounts for the purpose of including these values in the Company's financial planning software to provide comprehensive financial planning for our clients. Canopy also has custody when the firm receives checks and security certificates on behalf of certain clients, and with authority from the clients, Canopy deposits the checks and certificates into the clients' accounts. As a result of any of these circumstances, Canopy has "custody" of the assets in these accounts under applicable law. Canopy adheres to the SEC's rules and guidance regarding custody. See Item 15: Custody.

All fees paid to Canopy are separate and distinct from fees and expenses charged by any mutual fund, exchange-traded funds and closed-end funds. Fund fees are described in the respective fund's prospectus. These fees will generally include management fees, various expenses and a possible distribution fee. The client should review all fees being charged on its investments and those charged by Canopy to fully understand the total amount of fees to be paid by the client and to evaluate the advisory services being provided.

In addition, the client is also responsible for paying the fees and expenses charged by an independent, qualified custodian(s). Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Please refer to Item 12 (Brokerage Practices) in this Brochure for additional information.

Canopy has a fiduciary duty to all its clients. Canopy is also a fiduciary to advisory clients that are employee benefit plans (such as profit-sharing plans or pension plans) or individual retirement accounts (collectively, our "retirement clients") (IRAs) pursuant to the Employee Retirement Income Security Act ("ERISA") or the Internal Revenue Code ("IRC"). Canopy is subject to specific duties and obligations under ERISA and the IRC that include among other things, restrictions concerning certain forms of conflicted compensation. To avoid engaging in prohibited transactions, Canopy may only charge fees for investment advice (i) about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or (ii) about products for which our firm and/or our related persons receive commissions or 12b-1 fees if such commission and fees are used to offset Canopy advisory fees.

Clients should be aware that similar advisory services may or may not be available from other investment advisors for similar or lower fees.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

#### **Item 6: Performance-Based Fees and Side-by-Side Management**

Canopy does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees which are based on the share of capital gain or capital appreciation of a client's account.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged a performance-based fee. We do not charge performance based fees, nor do we provide side-by-side management.

#### **Item 7: Types of Clients**

Canopy may offer its services to individuals, high net worth individuals, corporations and other business entities, pension and profit sharing plans, endowments, foundations, charitable organizations, investment advisors, estates and trusts.

As previously disclosed in Item 5 (Fees and Compensation), our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

Canopy may use one or more of the following methods of analyses or investment strategies when providing investment advice to clients, subject to the clients' investment objectives, risk tolerance, time horizons and stated guidelines:

- ***Asset Allocation.*** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance, and we seek to create a portfolio using mean variance optimization to maximize potential return relative to portfolio risk. A risk of asset allocation is that the client 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 will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.
- ***Mutual Fund, SMA and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or exchange traded fund (ETF) in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.
- ***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). We look at historical and present financial statements of the company, annual reports, governmental filings and business activities. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Individualized analysis of underlying documentation can vary.
- ***Technical Analysis.*** We may analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not necessarily consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement. Past performance is not a guarantee of future performance.
- ***Quantitative Analysis.*** We may use mathematical models and statistical modeling in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect. Quantitative analysis does not necessarily factor in all variables.
- ***Qualitative Analysis.*** We may subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk is using qualitative analysis is that our subjective judgment may prove incorrect.
- ***Sector Rotation Analysis.*** We may review and assess the current condition and future prospects of a given sector of the economy. To add incremental value to a core portfolio by making small adjustments to the size of industry sectors in client portfolios. Sector analysis serves to provide us with an idea of how well a given group of companies within a sector are expected to perform as a whole. A risk of asset

allocation is that the client may not participate in sharp increases in a particular security, industry or market sector.

Canopy's analysis methods rely on the assumption that the investment vehicles which we recommend for our clients, the companies whose securities we purchase and sell on behalf of our clients, the rating agencies that review these securities, and other publicly or privately available sources of information about these securities, are providing accurate, timely 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, misleading or untimely information. This is an ongoing risk with regard to all the strategies discussed below.

## Investment Strategies

Canopy may use the following strategies in managing client accounts. Investment strategies and advice may vary depending upon each client's specific financial situation. We manage households and accounts on a goal approach so not every account is diversified. Certain accounts may be more heavily weighted in one sector versus another account in order to diversify the household as a whole. As such, we determine investments and allocations based upon the client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. The client's restrictions and guidelines may affect the composition of the client's portfolio.

- **Long-term Purchases.** We purchase securities with the idea of holding them in the client's account for some period of time, often a year or longer. Typically, we employ this strategy when we believe the securities to be currently undervalued, and/or we want 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 advantages 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 decision to sell. However, in certain circumstances, it may be appropriate to sell a security, although held only for a short term, to capture any gain or avoid a loss.
- **Short-term Purchases.** When utilizing this strategy, we purchase securities with the idea of selling them when they reach or pass their price targets. 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 purchase.
- **Margin Transactions.** We do not purchase stocks for your portfolio with money borrowed from your brokerage account. However, we may use margin as a cash flow technique to make funds available.
- **Option Related Strategies.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. We may also utilize structured notes, closed end funds or mutual funds that utilize options strategies. The two types of options are calls and puts. A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires. A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires. We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio. We use "covered calls," in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price. We use a "spreading strategy," in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors. Option writing is not a fundamental part of Canopy's overall investment strategy, but

we may use this strategy occasionally when given authority and we determine that it is suitable given a client's stated investment objectives and tolerance for risk.

## **Risk of Loss**

Investing involves a risk of loss. Clients should be prepared to bear investment loss, including the loss of the original principal. Clients should never presume that future performance of any specific investment or investment strategy will be profitable. Further, there may be varying degrees of risk depending on different types of investments. Clients should know that all investments carry a certain degree of risk ranging from the variability of market values to the possibility of permanent loss of capital. Although portfolios seek principal protection, asset allocation and investment decisions may not achieve this goal in all cases. There is no guarantee a portfolio will meet a target return or an investment objective.

Risks to capital include, but may not be limited to, changes in the economy, market volatility, company results, industry sectors, accounting standards and changes in interest rates. Investments are generally subject to risks inherent in governmental actions, exchange rates, inflation, deflation, and fiscal and monetary policies. Market risks include changes in market sentiment in general and styles of investing. Diversification will not protect an investor from these risks and fluctuations.

Canopy does not engage in high-frequency trading activities or algorithmic trading strategies.

Additional risks may include:

*Market risk:* Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. Stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Common stock (or its equivalent) is generally exposed to greater risk than preferred stocks and debt obligations of an issuer.

*Company risk:* There is always a certain level of company or industry specific risk that is inherent in each investment. Although this risk can be reduced through appropriate diversification, it cannot be eliminated. There is the risk that the issuer will perform poorly or have its value reduced based on factors specific to the issuer or its industry. If the issuer experiences credit issues or defaults on debt, the value of the issuer may be reduced.

*Exchange traded fund and mutual fund risk:* The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will incur additional costs associated with ETFs and mutual funds (see Item 5).

Consumer Discretionary ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Consumer Discretionary ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, the client may pay more or less than NAV when the Consumer Discretionary ETF Shares are purchased on the secondary market, and the client may receive more or less than NAV when you sell those shares. Although Consumer Discretionary ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained and Trading of Consumer Discretionary ETF Shares on NYSE Arca may be halted by the activation of individual or market wide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Consumer Discretionary ETF Shares may also be halted if the shares are delisted from NYSE Arca without first being listed on another exchange or exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

*Management risk:* Investments managed by us vary with the success and failure of our investment

strategies, research, analysis and determination of portfolio securities.

*Foreign investments risks:* Non-U.S. investments, currency and commodity investments may contain additional risks associated with government, economic, political or currency volatility.

*Emerging markets risks:* Emerging markets can experience high volatility and risk in the short term.

*Liquidity risks:* Generally, assets are more liquid if many investors are interested in a standardized product, making the product relatively easy to convert into cash. Specialized investments may have reduced liquidity.

*Bond risks:* Investments in bonds involve interest rate and credit risks. Bond values change according to changes in interest rates, inflation, credit climate and issue credit quality. Interest rate increases will reduce the value of a bond. Longer term bonds are more susceptible to interest rate variations than shorter term, lower yield bonds.

*Sector risks:* Investing in a particular sector is subject to cyclical market conditions and charges.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

We may offer you the opportunity to invest in non-advisory assets through investment accounts accessible through the Canopy platform but operated by third parties. The success of such investments may vary. Non-advisory assets, including but not limited to cryptocurrencies, may be inherently risky due to, among other reasons, their status as an emerging asset and the lack of settled governing regulation. Furthermore, such assets may not be eligible for protection by the Securities Investor Protection Corporation (SIPC).

## **Generally**

Cash balances are typically invested daily in interest-bearing money market accounts.

Our strategies and investments may have unique and significant tax implications. Canopy will manage portfolios with an awareness of tax implications, but long-term wealth compounding is our primary consideration. Specific goals regarding account tax efficiency should be set forth in a writing signed by both us and the client. Regardless of account size or other factors, Canopy strongly recommends that its clients continuously consult with a tax professional prior to and throughout the investing of clients' assets. Each client is responsible for contacting his/her tax advisors to determine which cost basis accounting method is the right choice for the client. Clients should provide Canopy with written notice of a client's selected accounting method, and Canopy will alert the client's custodian of the individually selected accounting method. Clients should be aware that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Item 9: Disciplinary Information**

Canopy is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of us, our business or the integrity of our management or associated persons.

Neither Canopy nor any of our associated persons has any reportable disciplinary events to disclose.

## **Item 10: Other Financial Industry Activities and Affiliations**

Canopy is not a registered broker-dealer, commodity firm, commodity trading advisor, or futures commission merchant, and does not have an application to register for any of the same pending.

Canopy does not recommend investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

Although Canopy's investment advisors may hold an insurance license, advisors are not contracted with any insurance companies and do not act as an Insurance agent or broker in any situation. As part of a Canopy advisor's fiduciary duties, a Canopy advisor may provide advice on insurance products that include, but are not limited to, annuities, life insurance, long term care, disability and/or property and casualty. These products are separate and distinct from investment advisory services offered through Canopy, and Canopy will refer Clients to non-affiliated independent licensed insurance agents for these products; and Canopy will not receive a commission or other benefit if an insurance product is purchased by a Client. In no event is any Client obligated, contractually or otherwise, to use the services of any referred licensed insurance agent acting in such capacity or to purchase products or services through said agent.

Canopy always acts in the best interest of the client, and any person providing investment advice on behalf of Canopy must act in the best interests of the Client and put that Client's interests ahead of the individual's own interests.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

Canopy has adopted a Code of Ethics that sets forth high ethical standards of business and professional conduct which we require our employees to follow. The Code of Ethics outlines proper conduct related to all services provided to clients by Canopy and our associated persons, and includes guidelines for compliance with applicable laws and regulations governing our practice. Our goal is to protect our clients' interests at all times and demonstrate our commitment to our fiduciary duties of honesty, good faith and fair dealing.

### **Personal Securities Transactions and Interests**

Through its professional activities, Canopy and its supervised persons are exposed to conflicts of interest and the Code of Ethics contains provisions designed to mitigate certain of these conflicts by governing the personal securities transactions of certain of its employees, officers and directors. The Code of Ethics can only attempt to mitigate conflicts of interest, the conflict still exists, and the Code of Ethics cannot remove a conflict of interest. In particular, the Code of Ethics governs the conduct of certain "access persons" in circumstances where Canopy or access persons may desire to purchase or sell securities for their personal accounts that are identical to those recommended by Canopy to its clients. For these purposes, the Code of Ethics defines an "access" person as a supervised person of Canopy that (1) has access to nonpublic information regarding any clients' purchase or sale of securities, (2) has access to nonpublic information regarding the portfolio holdings of any fund the adviser or its control affiliates manage or sponsor, or (3) is involved in making securities recommendations (or has access to such recommendations) to clients that are nonpublic.

Access persons' trades must be executed in a manner consistent with the following principles:

- The interests of client accounts will at all times be placed first.
- All personal securities transactions will be conducted in such manner as to avoid any conflict of interest or any abuse of an individual's position of trust and responsibility.
- Access persons must not take inappropriate advantage of their positions.
- Preclearance of access persons' transactions in securities in a limited offering or private placement is required.

Access persons must submit quarterly reports regarding securities transactions and newly opened accounts,



as well as annual reports regarding holdings and existing accounts. Canopy monitors access persons' personal trading activity at least quarterly to ensure compliance with internal control policies and procedures and our Code of Ethics.

The Code of Ethics does not prevent or prohibit access persons from trading in securities that we may recommend or in which we may invest client assets, but rather prescribes the governing principals relative to the same (see above). As such, it is possible that (1) Canopy or its access persons could recommend to clients, or buy or sell for client accounts, securities in which one or more access persons (including Canopy or its affiliates) has a material financial interest, (2) access persons (including Canopy or its affiliates) could invest in the same securities (or related securities) that we recommend to clients, or (3) Canopy (including its affiliates) and its access persons could recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that one or more access persons (including Canopy or its affiliates) buys or sells the same securities for its own account. This presents a conflict in that the access person might seek to benefit himself or herself from this type of trading activity in the same securities, either by trading for personal accounts in advance of client trading activity, or otherwise. All such activity must be in strict adherence with our Code of Ethics and must fundamentally place the clients' interests first. Moreover, it is our policy that neither Canopy nor its associated persons will have priority over a client's account(s) in the purchase or sale of securities.

We may also combine orders to purchase securities for Canopy, its associated persons and/or their families with a client's order to purchase securities ("block trading"). Please refer to Item 12 for more information on block trading. A conflict of interest exists in these events because we have the ability to trade ahead of clients and receive more favorable prices (for Canopy, its associated persons and/or their families) than the client will receive. Canopy will make reasonable attempts to trade securities in client accounts at or prior to trading the securities in Canopy accounts, or accounts of associated persons and/or their families. Trades executed the same day will likely be subject to an average pricing calculation. Moreover, it is our policy that neither Canopy nor its associated persons will have priority over a client's account(s) in the purchase or sale of securities.

Neither Canopy nor its associated persons has any material financial interest in client transactions beyond the provision of investment advisory services or other services as disclosed in this Brochure.

Canopy does not engage in principal trading (*i.e.*, the practice of selling stock to advisory clients from our inventory or buying stocks from advisory clients into our inventory). Nor does Canopy engage in agency cross transactions.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the e-mail or phone number listed on the cover page of this Brochure.

Canopy's policies and procedures attempt to mitigate conflicts of interest, however conflicts of interest discussed here and in other Items of this brochure still exist and cannot be removed or eliminated.

## **Item 12: Brokerage Practices**

Canopy does not allow advisory clients to determine the broker-dealer to use.

In September 2023 Schwab completed its acquisition of TD and all client accounts have been transitioned to Schwab.

Not all advisors require their clients to direct brokerage. By directing brokerage, clients do not have the ability to compare trading costs and execution of client transactions. Clients may be unable to obtain the most favorable pricing and execution available which may cost the client more money. Canopy has engaged in due diligence regarding Schwab's execution and trading costs, and believes that Schwab provides high-

quality trade execution and that Canopy's clients will pay competitive rates for such execution. Although Schwab's commission rates are competitive within the securities industry, lower commissions or better execution may be able to be achieved elsewhere. Canopy has considered the benefits offered to it through its relationship with Schwab in making a determination to use Schwab as the broker-dealers of choice.

Another aspect of using a single broker-dealer is the risk of financial failure of the broker-dealer. However, brokerage firms are required to follow certain rules that are designed to minimize the chances of financial failure and, more importantly, to protect customer assets if they do fail. Various regulatory agencies enforce those rules. In addition, Canopy engages in annual, or more frequent, due diligence regarding the financial health of Schwab.

### **Order Aggregation/Block Trading/Allocations**

Canopy's advice to certain clients and the action of Canopy for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his/her applicable investment objective, guidelines, risk tolerance and circumstances. Thus, any action of Canopy with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice or actions of Canopy to or on behalf of other clients. Canopy acts in accordance with our duty to seek best price and execution and will not continue any arrangements if we determine that such arrangements are no longer in the best interest of our clients.

As Canopy may be managing accounts with similar investment objectives, Canopy may aggregate orders for securities for such accounts. In this event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Canopy in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. Such aggregate orders may include transactions for accounts for employee benefit plans and private investment vehicles, such as limited partnerships or limited liability companies, in which Canopy, its affiliates, principals or employees are among the investors.

Canopy's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account clients' best interests. Canopy will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Canopy will aggregate, *i.e.*, "block," trades where possible and when advantageous to clients. We must reasonably believe that the order aggregation will benefit, and will enable us to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price. Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price.

Canopy will block trades among clients whose accounts can be traded at a given broker-dealer. Blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, as long as transaction costs are shared equally and on a pro-rata basis between all accounts included in the block. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended exposure. All clients participating in each aggregated order will generally receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro-rata portion of commissions, provided, however, that an adjustment may be appropriate in some circumstances.

Prior to entry of an aggregated order, each client account participating is identified in the order and the proposed allocation of the order, upon completion, to those clients. If the order cannot be executed in full

at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts. Our client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account. Funds and securities for aggregated orders are clearly identified in our records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Canopy believes that a larger size block trade would lead to best overall price for the security being transacted.

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Transactions for any client account may not be aggregated for execution if the practice is prohibited by the client or with Canopy's order allocation policy.

## **Broker-Dealer Relationships and Benefits**

### **Charles Schwab & Co.**

Canopy may require that clients establish brokerage accounts with Charles Schwab & Co., Inc (SCHW) a registered broker-dealer, member SIPC as the qualified custodian. Canopy will establish a custodial and clearing relationship with Schwab, a member of the New York Stock Exchange and the Securities Investor Protection Corporation, to act as the clearing agent in the execution of securities transactions placed through Schwab.

Canopy participates in the Schwab Advisor Services. Schwab offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Canopy receives some benefits from Schwab Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

Schwab provides Canopy with access to its institutional trading and operations services, which typically are not available to Schwab's retail customers. These services are generally available, without cost, to financial advisory firms who maintain client assets with Schwab. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through Canopy. Additionally, Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program.

Services provided by Schwab may include research (including mutual fund research, third-party research, and Schwab's proprietary research), brokerage, clearing, custody, and access to mutual funds and other investments that are available only to institutional investors or would require a significantly higher minimum initial investment. In addition, Schwab may make available software and other technologies that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution; provide research, pricing information, quotation services, and other market data; assist with contact management; facilitate payment of fees to Canopy from client accounts; assist with performance

reporting; facilitate trade allocation; and assist with back-office support, record-keeping, and client reporting. Schwab may also provide access to financial planning software, practice management consulting support, best execution assistance, consolidated statements assistance, educational and industry conferences, marketing and educational materials, technological and information technology support, and corporate discounts. Many of these services may be used to service all or a substantial number of Canopy's clients' accounts, including accounts not maintained at Schwab. Canopy may be eligible for a specific schedule of fees based upon our assets under management with Schwab.

As stated below and Item 14, Schwab may also make available to Canopy other products and services that benefit Canopy but may not benefit its clients' accounts.

Schwab may also provide Canopy with other services intended to help Canopy manage and further develop its business enterprise, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. In addition, Schwab may make available or arrange and/or pay for these types of services provided by independent third parties, including regulatory compliance.

Canopy will utilize Schwab for custody of customer assets and execution of customer transactions. Schwab acts as the clearing agent in the execution of securities transactions.

Canopy, subject to its best execution obligations, may trade outside Schwab. In the selection of broker-dealers, Canopy may consider all relevant factors, including the commission rate, the value of research provided, execution capability, speed, efficiency, confidentiality, familiarity with potential purchasers and sellers, financial responsibility, responsiveness, and other relevant factors. Canopy may retain and compensate Schwab to provide various administrative services that include determining the fair market value of assets held in the account at least quarterly and producing a brokerage statement for client detailing account assets, account transactions, receipt and disbursement of funds, interest and dividends received, and account gain or loss by security as well as for the total account.

Canopy and Schwab are not affiliates, and no broker-dealer affiliated with Canopy is involved in the relationship between Canopy and Schwab.

### **Best Execution**

As stated above, Canopy may require that its clients establish broker accounts with Schwab. Such accounts will be eligible so that if and when the need arises to effect securities transactions from those accounts at broker-dealers other than with Schwab the current custodian ("executing brokers"), such custodian will accept delivery or deliver the applicable security from/to the executing brokers. Schwab may charge a "trade away" fee which is charged against the client's account(s) for each "trade away" occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees.

If the client is receiving discretionary advisory services, Canopy, pursuant to the terms of its management agreement with clients, will have discretionary authority to determine which securities are to be bought and sold and the price of such securities to effect such transactions. Canopy recognizes that the analysis of execution quality involves a number of qualitative and quantitative factors. Canopy will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include, but are not limited, to the following:

- The financial strength, reputation and stability of the broker-dealer;
- The efficiency with which the transaction is effected; the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- The availability of the broker-dealer to stand ready to effect transactions of varying degrees of difficulty in the future;
- The efficiency of error resolution, clearance and settlement;

- Block trading and positioning capabilities;
- Performance measurements;
- Online access to computerized data regarding customer accounts;
- Availability, comprehensiveness, and frequency of brokerage and research services;
- Commission rate;
- The economic benefit to the clients; and
- Related matters involved in the receipt of brokerage services.

Consistent with its fiduciary responsibilities, Canopy seeks to ensure that clients receive best execution with respect to the clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Canopy's knowledge and due diligence inquiries, Schwab provides high-quality execution, and Canopy's clients will pay competitive rates for such execution. Based upon its own knowledge of the securities industry, Canopy believes that Schwab's commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **Trade Errors**

Where a trade error occurs in a client account due to Canopy's error, we will correct the error and ensure the client account does not suffer a loss or incur a transaction cost related to that error. Depending on the nature of the error, we will pay the cost of the error or will cause the custodian or broker-dealer to pay the cost of the error. If the error results in a profit, due to market movement, the client will keep the profit.

### **Brokerage for Client Referrals**

Canopy does not receive client referrals from broker-dealers (Schwab) in exchange for cash or other compensation, such as brokerage services or research.

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

Each account receives, at a minimum, an annual review by the advisor managing that account. Accounts may be reviewed more frequently through various means, including telephone calls, in-person meetings, overall strategy reviews, and/or the review of monthly and quarterly statements. Reviews are based on objectives and parameters established by clients, which are generally memorialized through their client management agreements and Investment Policies. More frequent reviews may also be triggered by a change in the client's investment objectives or risk tolerance, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in investment or fund managers, or changes in the economy or financial markets.

Our compliance personnel will also monitor managed and supervised accounts on an ongoing basis to ensure that the advisory services provided to clients are consistent with the clients' stated Investment Policy.

Depending on the nature of the engagement, financial plans may not be reviewed until after the plan is delivered. The frequency of plan review will be dependent on the agreement terms. If deemed necessary it may be reviewed quarterly, yearly or some other determinate amount of time. Those reviews will revisit the initial plan and determine if any adjustments need to be made to the objectives. Financial planning, by its nature, does require periodic review. Canopy may use software and other tools to assist in generating a financial plan. In that circumstance, Canopy will periodically evaluate the software and other tools for effectiveness and accuracy.

With respect to managed accounts, investment advisory clients receive standard account statements from the independent, qualified custodian of their accounts no less frequently than quarterly. The account statements received from the custodian and/or broker-dealer are the official records of the client's account(s). With respect to certain client accounts, Canopy may provide, or cause to be provided, other statements setting forth the client's securities.

No on-going financial planning reports are provided for financial planning clients unless a financial plan update or additional services are requested. Canopy will update a plan as needed and when objectives or financial situation change.

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

##### **Promoter Arrangements**

Canopy may engage solicitors (also referred to as promoters) to provide client referrals to Canopy Wealth Management. If a client is referred to us by a solicitor, this practice is disclosed to the client in writing by the solicitor. Canopy pays the solicitor out of its own funds. Specifically, Canopy pays the solicitor a portion of the advisory fees earned for managing the assets of the client who was referred to Canopy by the solicitor. The use of solicitors is strictly regulated under applicable federal and state law. Canopy's policy is to fully comply with the requirements of Rule 206(4)-3, under the Investment Advisers Act of 1940, as amended, and similar rules applicable in any state in which Canopy conducts investment advisory business. Each client an independent solicitor refers to Canopy is made aware of the relationship between Canopy and the solicitor by means of a separate written "Solicitor's Disclosure Statement" when the client's account is opened. The name of the solicitor and the basis of the compensation to the solicitor are detailed in the Solicitor's Disclosure Statement.

We will never charge any client referred to Canopy by a solicitor any fees or costs higher than our standard fee schedule offered to clients as published in Item 5 – Fees and Compensation.

As of the date of this filing, Canopy has entered into a relationship with Zoe Financial, Inc. (CRD #285158). Canopy receives client referrals from Zoe Financial, Inc. (Zoe) through its participation in the Zoe Advisor Network (ZAN). Zoe is independent of and unaffiliated with Canopy, and there is no employment relationship between us. Zoe established the Zoe Advisor Network to refer individuals and other investors seeking fiduciary personal investment management services or financial planning services to independent investment advisors. Zoe does not supervise Canopy and has no responsibility for Canopy's management of client portfolios or Canopy's other advice or services. We will pay Zoe an ongoing fee for each successful client referral. This fee is usually a percentage of the advisory fee that the client pays to the Advisor ("Solicitation Fee"), typically less than 0.50% of assets under management. Canopy will not charge clients referred through Zoe any fees or costs higher than its standard fee schedule offered to its clients. For information regarding additional or other fees paid directly or indirectly to Zoe Financial Inc, please refer to the Zoe Financial Disclosure and Acknowledgement Form.

##### **Charles Schwab & Co., Inc (Schwab)**

##### **Brokerage and Custody Services**

As disclosed in item 12 (Brokerage Practices) above, Canopy participates in Schwab's Schwab Advisor Services, under which Canopy is provided with access to Schwab's institutional trading and custody services, which are typically not available to retail investors. Such services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab may make available to Canopy other products and services that benefit us, but that may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab. Products and services that may assist us in managing and administering our clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements);

- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide research, pricing and other market data;
- Facilitate payment of our fees from clients' accounts; and assist with back-office functions, record keeping and client reporting;
- Receipt of duplicate client statements and confirmations; and
- The ability to have advisory fees deducted directly from our client's accounts.

Other services may be offered to help us manage and further develop our business enterprise. These services may include, but are not necessarily limited to:

- Compliance, legal and business consulting;
- Publications and conferences on practice management and business succession;
- Access to employee benefits providers, human capital consultants and insurance providers;
- Assistance with back-office functions, record keeping and client reporting; and
- Access to mutual funds with no transaction fees and to certain institutional money managers.

Schwab may make available, arrange and/or pay third party vendors for the types of services rendered to Canopy. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to Canopy. Schwab may also provide other benefits such as educational events or occasional *de minimus* business entertainment of our personnel. All business entertainment will be guided by our Code of Ethics.

Although the above benefits may assist Canopy in managing and administering clients' accounts, some of the products and services made available may benefit Canopy in managing and developing its business but may not directly benefit Canopy's clients. Clients should be aware, however, that the receipt of economic benefits by Canopy and/or its related persons in and of itself creates a conflict of interest and may indirectly influence our choice of a broker-dealer for custody and brokerage services. Canopy's receipt of these benefits does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

## **Insurance**

Canopy Advisors will receive residual payments for insurance previously sold prior to being involved at Canopy.

## **Mutual Funds and ETFs**

Canopy may direct some clients to invest in mutual funds and ETFs offered by fund managers that provide some indirect economic benefit to Canopy in managing and developing its business (but which benefit may not directly benefit Canopy's clients). Clients should be aware, however, that the receipt of economic benefits by Canopy and/or its related persons in and of itself creates a conflict of interest and may indirectly influence our choice of a fund manager and related services. Canopy's receipt of these benefits does not diminish its duty to act in the best interests of its Clients.

Canopy's policies and procedures attempt to mitigate conflicts of interest, however conflicts of interest discussed here and in other Items of this brochure still exist and cannot be removed or eliminated.

## **Item 15: Custody**

We have previously disclosed in Item 5 (Fees and Compensation) that we may directly debit advisory and other fees from client accounts. As part of this billing process, the independent, qualified custodian of the clients' account(s) is advised of the amount of the advisory or other fee to be deducted from the clients' account(s). The clients will receive account statements at least quarterly from the custodian holding the account(s). These statements will show all transactions within the account during that reporting period,

including the amount of advisory or other fees debited from the clients' account(s). Because the custodian does not calculate the amount of the fees to be deducted, it is important for clients to carefully review their account statements to verify the accuracy of the fee calculation, among other things. A client should contact us directly if he/she believes there is an error or has a question regarding an account statement. As a result of the foregoing, we are "deemed" to have "custody" under applicable law when (1) we deduct fees directly from the clients' account(s), and (2) clients have a third party standing letter of authorization (SLOA) with the Company directing us to make payments or transfers to authorized third parties, such as for charitable donations. In the event a client has a SLOA with the Company, we adhere to the SEC's rules and guidance regarding deemed custody.

The Company, with written authorization from certain of its clients, has login and password information for some clients' ERISA accounts, and this enables us to make investment decisions within the accounts. As a result, we have "custody" of the assets in these accounts under applicable law.

In addition, the Company has login and password information for: (a) certain client accounts that hold insurance contracts, (b) certain client accounts at other financial institutions and/or (c) certain client accounts where a non-Company advisor is responsible for the accounts. We do not execute trades or transactions in these accounts without express approval from clients. We have this login and password information to access these accounts to determine the value of the assets in these accounts for the purpose of including these values in the Company's financial planning software to provide comprehensive financial planning for our clients. As a result of these circumstances, under the law we have "custody" of the assets in these accounts.

From time-to-time, the Company receives checks and security certificates on behalf of certain clients, and with authority from the clients, we deposit the checks and certificates into the clients' accounts. Under the law, we have "custody" of these checks and certificates.

As to the accounts for which the Company has custody, we adhere to the SEC's rules and guidance regarding custody. In that regard, we have retained an SEC-qualified accounting firm to undertake audits of our firm to make sure we are following all of the rules and regulations related to "custody" of assets and accounts.

#### **Item 16: Investment Discretion**

When a client hires Canopy to provide discretionary investment advisory services, we have the authority to place trades, buy and sell securities on the client's behalf, determine the amount of the securities to buy and sell, and determine the nature and type of securities to buy and sell without obtaining a client's consent or approval prior to each transaction. In some cases, we will have the authority to hire and fire third-party money managers. Clients who give us discretionary authority will give Canopy a limited power of attorney and/or trading authorization forms to make the above decisions on the client's behalf.

In certain situations agreed to by Canopy, Clients may limit our authority by giving us written instructions, restrictions and guidelines via email communication or other written instructions. For example, a client may specify that the client's account not contain investments in a specific industry. Clients can change such instructions, restrictions and guidelines by providing us with written instructions. The most current written instructions will control. We will not accept instructions via text message or similar instant messaging methods.

If the client enters into a non-discretionary arrangement with Canopy, we will obtain the client's approval prior to the execution of any transactions in the account(s). With such an arrangement, the client has the unrestricted right to decline to implement advice provided by us on a non-discretionary basis.



#### **Item 17: Voting Client Securities**

Regardless of whether we have discretion over a client's account(s), we will not vote proxies on behalf of any client. We will instruct the qualified, independent custodian to forward all proxy materials to the client to review and make his or her own informed decision on how to vote. In the event we receive the proxy material, we will forward them directly to the client by mail or by electronic mail (if the client has authorized electronic communication).

Sometimes securities held in the accounts of clients will be the subject of class action lawsuits. We have engaged a third-party service provider, Chicago Clearing Corporation ("CCC") to provide a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. CCC actively seeks out any open and eligible class action lawsuits. Additionally, CCC files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of our clients. CCC's filing fee is contingent upon the successful completion and distribution of the settlement proceeds from a class action lawsuit. In recognition of CCC's services, CCC receives 15% of our clients' share of the settlement distribution. We do not receive any fees or remuneration in connection with this service nor do we receive any fees from the third-party provider(s) related to this service. When we receive written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by clients, we will work to assist clients and CCC in the gathering of required information and submission of claims. It may be necessary to share client information with CCC in connection with this service.

Clients are automatically included in this service, but may Opt-Out by providing written notice to us. If a client Opt-Out, neither we nor CCC will not monitor class action filings for that client.

#### **Item 18: Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

Canopy does not have any financial issues that would impair its ability to provide services to clients, and Canopy has not been the subject of a bankruptcy petition at any time. We have no additional financial circumstances to report.

#### **Item 19: Requirement for State Registered Advisors**

Not applicable.