

SOCHA FINANCIAL GROUP, LLC  
SEC Form ADV Part 2A  
Firm Brochure (Brochure)

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This Brochure provides information about the qualifications and business practices of Socha Financial Group, LLC (referred to as the “Firm”). If you have any questions about the contents of this brochure, please contact us at Telephone: 607-962-0605 or Email: [m.socha.vang@sochafinancial.com](mailto:m.socha.vang@sochafinancial.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

The Firm is an investment adviser registered with the SEC. The Firm’s registration does not imply that the Firm or its advisory personnel possess a certain level of skill or training.

Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

Socha Financial Group, LLC (“SFG”) last annual update to Part 2A of Form ADV (the “Brochure”) was made on March 22, 2023. Since that date, there have been no material changes made to the Firm’s Brochure.

The Firm has made disclosure changes, enhancements and additions at Items 4 and 17 below.

Socha Financial Group, LLC Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions regarding this Brochure.

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## ITEM 4 - ADVISORY BUSINESS

The Firm was founded in 2018 as a New York limited liability company. The Firm is principally owned by Michael Socha and Michelle Socha Vang.

As discussed below, we offer to provide financial planning, investment advisory and tax preparation services for individuals and families, as well as for estates, trusts and charitable organizations. We also provide tax planning services to individuals. As also discussed below, through our insurance-licensed representatives, we also make life and long-term care insurance products available to our clients.

### *Financial Planning Services*

Each financial planning engagement involves an initial meeting for data gathering with the financial planning staff. The financial planning process involves an assessment of the specific needs of each client including, but not limited to the following: retirement planning, college planning, investment planning and investment allocation of employee plans, general tax planning and planning related to the dissolution of marriage. The process generally involves follow-up meetings and consultations and culminates in the delivery of a multi-dimensional financial plan. We encourage all financial planning and investment advisory clients to meet annually with their advisor.

### *Investment Advisory Services*

We generally provide discretionary investment management services to individuals, high net worth individuals and charitable organizations on a on a *fee* basis as discussed at Item 5 below.

Each client engagement involves the execution of an investment advisory agreement setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. The portfolio management process begins with an evaluation of the specific investment needs of a client, based on these factors, among others: the client's tolerance for risk, investment time horizon, cash flow needs, tax considerations, and such reasonable restrictions as a client may wish to impose on the management of the account. Following an evaluation of a client's specific needs, investment objectives are formulated, and the investment portfolio is structured.

Unless the Firm makes an exception, the Firm's clients engage the Firm to manage their investment portfolios on a discretionary basis, which involves the execution of a limited power of attorney, pursuant to which the Firm will select investments that it deems most appropriate for a client's situation. In each instance, investment advice is tailored to the

specific needs of the client. The Firm, in its exclusive discretion, may consider non-discretionary engagements, whereby the Firm must obtain specific client consent prior to each transaction. As of December 31, 2023, assets under management were as follows:

Discretionary	\$354,290,207
Non-Discretionary	\$0
Total	\$354,290,207

Generally, we construct most client portfolios to consist of mutual funds, Exchange Traded Notes (ETNs), Exchanged Traded Funds (ETFs), closed end mutual funds, interval mutual funds, individual bonds, CDs and stocks, and Non-Traded alternative investments. Many investment alternatives, including mutual funds, offer different share classes to investors. Mutual funds, for example, may offer both a non-transaction fee (“NTF”) share class, as well as a transaction fee share class. Comparable share classes may also be made available for ETNs, ETFs, and other investment alternatives. Our objective is to utilize the fee structure for the individual security that best benefits the client’s overall performance. The benefits of NTF and Transaction Fee Structures is discussed in more detail in Item 5.

We tailor our advisory services to the individual needs of the Firm’s clients. An investment policy statement and an asset allocation strategy are developed based on an evaluation of the client’s specific investment objectives, investment time horizon, tolerance for risk and other relevant factors. Each client may impose restrictions with respect to investment in certain securities or types of securities. These restrictions are noted in the client’s Investment Policy Statement. More information on the different types of portfolios are provided in the “Method of Analysis, Investment Strategies and Risk of Loss” section (Item 8). Once allocated, we provide ongoing supervision of the account(s).

### *Tax Preparation Service*

We offer a tax preparation service for our clients, generally on a separate fee basis per the terms and conditions of a Tax Preparation Agreement. The returns that we prepare consist primarily of the Federal 1040 and supplemental schedules and the accompanying state returns for individuals. We also complete certain trust, estate and business income tax returns. The recommendation by us that a client engage us for tax preparation and/or accounting-related services, presents a **conflict of interest** because we will derive additional compensation from such engagement. No client or prospective client is obligated to engage us for tax preparation services. Clients are reminded that they can engage other, non-affiliated, providers. We will work with the tax professional of the client’s choosing.

### *Tax Planning Services for Individuals*

We also offer tax planning services for individuals who might benefit from an analysis of their specific tax situations, generally on a separate fee basis.

### *Insurance Products and Services*

As part of the financial planning process, insurance needs may be identified. The client may request that the Firm help in the identification and procurement of insurance coverage. If this occurs, we engage with KAFL, a privately-owned insurance brokerage Firm headquartered in Rochester, NY. KAFL is the general insurance broker we use to assist the Firm in identifying the proper coverage choices for the insurance need identified and to identify a number of insurance carriers that may be able to implement our insurance recommendations. Additionally, KAFL provides comparison quotes and coverage. This gives the Firm's clients flexibility in choosing the type of coverage they wish to carry as well as the ability to see the differences in premiums and commissions. We then review the information provided by KAFL with our clients. From this information, the client will choose whether they wish to continue with the application process. **Please Note-Conflict of Interest:** The recommendation by us that a client consider the purchase of an insurance product from KAFL presents a ***conflict of interest***, as the potential receipt of an insurance commission compensation by KAFL and its agent(s) may provide an incentive for us to recommend insurance products based on compensation to be received rather than on a particular client's needs. No client is under any obligation to purchase any insurance product from KAFL. Clients can purchase insurance products through other insurance agencies and agents. Please refer to the Insurance Commission Transaction section in Item 5 below for more information.

### MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent specifically requested, the Firm will generally provide planning and consulting services regarding non-investment related matters, such as tax and estate planning, insurance, etc. The Firm, based upon assets under management, may determine to provide such services inclusive of its advisory fee set forth at Item 5 below (exceptions will occur based upon assets under management, advanced planning needs, special projects, etc. for which the Firm may charge a mutually agreeable additional fee and/or require a stand-alone financial planning engagement). **Please Note:** The Firm **does not** serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as same. Accordingly, Socha **does not** prepare legal documents, or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.), including the Firm for tax preparation services (***see above***), and Firm representatives, in their separate individual capacities as licensed insurance agents, for insurance sales/services. The client is under no obligation to engage the services of any such recommended professional, including the Firm for tax preparation services and/or a Firm' representative for insurance sales/services. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Firm and/or its representatives. **Please Note-Conflict of Interest:** The recommendation by the Firm or

a Firm representative that a client engage Socha for tax preparation services and/or purchase an insurance product from a Firm representative presents a ***conflict of interest***, as the receipt of fees and/or commissions may provide an incentive to recommend tax preparation services and/or insurances products based on fess and/or commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any tax preparation services or insurance products from the Firm or a Firm representative, respectively. Clients are reminded that they may purchase such services and/or products from other non-affiliated professionals. **Please Also Note:** If the client engages any unaffiliated professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged unaffiliated professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** the Firm, shall be responsible for the quality and competency of the services provided. **ANY QUESTIONS: The Firm's Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions that a client or prospective client may have regarding the above, including the conflicts of interest.**

**Custodian Charges-Additional Fees:** As discussed below at Items 5 and 12 below, when requested to recommend a broker-dealer/custodian for client accounts, we generally recommends that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including *Schwab*, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do.. **ANY QUESTIONS: The Firm's Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions that a client or prospective client may have regarding the above.**

**Please Note: Fund Liquidity Constraints.** Socha may utilize mutual funds that provide for limited liquidity, generally on a quarterly basis. Thus, if we determined that the fund was no longer performing or if you ever determined to transfer your account, the Fund could not be sold or transferred immediately. Rather, sale or transfer would need to await the quarterly permitted sale date, or longer. Moreover, the eventual net asset value for the Fund could be substantially different (positive or negative) than the Fund value on the date that the sale was requested. There can be **no assurance** that any such strategy will prove profitable or successful. **In light of these enhanced risks/rewards, a client may direct the Firm, in writing, not to employ any or all such strategies for the client's account.** See additional disclosure at Item 8 below.

**Please Note: Inverse/Enhanced Market Strategies.** The Firm may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1)

inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Firm, in writing, not to employ any or all such strategies for his/her/their/its accounts. **ANY QUESTIONS: The Firm's Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions that a client or prospective client may have regarding the above. See additional disclosure at Item 8 below.**

**Please Note-Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by the Firm independent of engaging the Firm as an investment advisor. However, if a prospective client determines to do so, he/she will not receive the Firm's initial and ongoing investment advisory services. **Please Also Note:** In addition to the Firm's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses). **ANY QUESTIONS: The Firm's Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions that a client or prospective client may have regarding the above.**

**ESG: We don't have or recommend a strategy:**

**Please Note: Socially Responsible (ESG) Investing Limitations.** *Socially Responsible Investing* involves the incorporation of Environmental, Social and Governance ("ESG") considerations into the investment due diligence process. ESG investing incorporates a set of criteria/factors used in evaluating potential investments: Environmental (i.e., considers how a company safeguards the environment); Social (i.e., the manner in which a company manages relationships with its employees, customers, and the communities in which it operates); and Governance (i.e., company management considerations). The number of companies that meet an acceptable ESG mandate can be limited when compared to those that do not, and could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Socha), there can be no assurance that investment in ESG securities or funds will be profitable, or prove successful. Registrant does not maintain or advocate an ESG investment strategy, but will seek to employ ESG if directed by a client to do so. If implemented, Socha shall rely upon the assessments undertaken by the unaffiliated mutual fund, exchange traded fund or separate account manager to determine that the fund's or portfolio's underlying company securities meet a socially responsible mandate.



**WE DON'T RECOMMEND Cryptocurrency:** For clients who want exposure to cryptocurrencies, including Bitcoin, Socha will advise the client to consider a potential investment in corresponding exchange traded securities, or an allocation to separate account managers and/or private funds that provide cryptocurrency exposure. Crypto is a digital currency that can be used to buy goods and services, but uses an online ledger with strong cryptography (i.e., a method of protecting information and communications through the use of codes) to secure online transactions. Unlike conventional currencies issued by a monetary authority, cryptocurrencies are generally not controlled or regulated, and their price is determined by the supply and demand of their market. Because cryptocurrency is currently considered to be a speculative investment, Socha will not exercise discretionary authority to purchase a cryptocurrency investment for client accounts. Rather, a client must expressly authorize the purchase of the cryptocurrency investment. **Please Note:** Socha **does not** recommend or advocate the purchase of, or investment in, cryptocurrencies. Socha considers such an investment to be **speculative**. **Please Also Note:** Clients who authorize the purchase of a cryptocurrency investment must be prepared for the potential for **liquidity constraints, extreme price volatility and complete loss of principal**.

**Portfolio Activity.** The Firm has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, the Firm will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when the Firm determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by the Firm will be profitable or equal any specific performance level(s).

**Tradeaway/Prime Broker Fees.** When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Socha and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "trade-away" fee charged by *Schwab*). The above fees/charges are in addition to Socha's investment advisory fee at Item 5 below. Socha does not receive any portion of these fees/charges. **ANY QUESTIONS: Our Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions that a client or prospective client may have regarding tradeaway arrangements.**

**Cash Sweep Accounts.** Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion, Socha shall (usually within

30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund (or other type security) available on the custodian's platform, unless Socha reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account. **Please Note:** The above does not apply to the cash component maintained within a Socha actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager, and cash balances maintained for fee billing purposes. **Please Also Note:** The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any Socha unmanaged accounts.

**Other Assets.** A client may:

- hold securities that were purchased at the request of the client or acquired prior to the client's engagement of Socha. Generally, with potential exceptions, Socha does not/would not recommend nor follow such securities, and absent mitigating tax consequences or client direction to the contrary, would prefer to liquidate such securities. **Please Note:** If/when liquidated, it should not be assumed that the replacement securities purchased by Socha will outperform the liquidated positions. To the contrary, different types of investments involve varying degrees of risk, and there can be no assurance that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Socha) will be profitable or equal any specific performance level(s). In addition, there may be other securities and/or accounts owned by the client for which Socha does not maintain custodian access and/or trading authority; and,
- hold other securities and/or own accounts for which Socha does not maintain custodian access and/or trading authority.

**Corresponding Services/Fees:** When agreed to by Socha, Socha shall: (1) remain available to discuss these securities/accounts on an ongoing basis at the request of the client; (2) monitor these securities/accounts on a regular basis, including, where applicable, rebalancing with client consent; (3) shall generally consider these securities as part of the client's overall asset allocation; and, (4) report on such securities/accounts as part of regular reports that may be provided by Socha; and, (5) include the market value of all such securities for purposes of calculating advisory fee.

**Client Obligations.** In performing our services, the Firm shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, it remains each client's responsibility to promptly notify the Firm if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Firm) will be profitable or equal any specific performance level(s).

**Cybersecurity Risk.** The information technology systems and networks that Registrant and its third-party service providers use to provide services to Registrant's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Registrant are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Registrant has established processes to reduce the risk of cybersecurity incidents, there is no guarantee that these efforts will always be successful, especially considering that Registrant does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

## ITEM 5 - FEES AND COMPENSATION

### *Fees for Portfolio Management Services*

The annual investment advisory fee is generally up to 1.25% of the market value of the assets that the Firm has been instructed to manage. This fee is paid quarterly, in advance, based on the beginning value of the assets on the first day of the quarter. For purposes of calculating our fee, the quarter begins the month in which funds are received into the account. The Firm does not have a minimum investment size or fee. The investment management fee can be negotiated based on criteria such as the size of the account, future additional assets, related accounts and account composition. These are

the reasons for a non-level fee arrangement as it relates to the DOL rules for advisory fees.

The details of the Firm's Fee Structure are as follows:

The Adviser's annual fee (the "Adviser Compensation") provided under this Agreement shall be as follows:

1. Accounts less than \$250,000. Adviser Compensation is 1.25% of the total market value of the Assets under management for investment management services only. Financial planning services remain available on a separate fee basis either project or hourly based.

2. Accounts valued between \$250,000 and \$800,000. Adviser Compensation is 1.25% of the total market value of the Assets under management and includes investment management, tax preparation services and financial planning services.

3. Accounts valued between \$800,000 and \$1.5 million. Adviser Compensation is 1.25% of the total market value of the Assets under management on the first \$800,000 dropping to 1.0% for the amount greater than \$800,000 and includes investment management, tax preparation services and financial planning services.

4. Accounts valued over \$1.5 million. Adviser Compensation is 1.25% of the total market value of the Assets under management on the first \$800,000, dropping to 1% for the amount greater than \$800,000 up to \$1.5 million, dropping to .9% for the amount greater than \$1.5 million. This includes investment management, tax preparation services and financial planning services.

**Please Note:** The Firm, in its sole discretion, may charge a lesser investment advisory fee and/or charge a flat fee, or include or exclude certain services, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity, competition, negotiations with client, etc.). In addition, certain clients may be subject to prior grandfathered fee arrangements. **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS: The Firm's Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions that a client or prospective client may have regarding advisory fees.**

The fees described above cover fees only for services that we provide. The fees do not cover any other fees which may be incurred in connection with the implementation of a client's investment program, including, but not limited to, the following: (1) the fees and costs associated with the purchase of investment products such as mutual funds; (2)

transaction costs associated with the purchase of exchange-traded funds (ETFs), exchange-traded notes (ETNs) and individual stocks and bonds; and (3) custody costs.

If a client leaves the management program prior to the end of the quarter of their billing cycle, a prorated portion of the management fee is returned to the client. This value is calculated by summing the numbers of days from portfolio inception to the first billing plus the number of days the portfolio was managed in the last quarter. This value is subtracted from the number of days in a quarter (91.25), then divided by the number of days in the quarter and then multiplied by the previous quarterly fee. A check is then sent to the client for this amount with documentation of the calculation.

The fee arrangement is disclosed in advance in the Investment Advisory Agreement and reflects the assets that are being managed, the timing of the fee and the process for withdrawing the fee from the account. Clients may choose to pay the fee separately rather than having it withdrawn from their account.

### *Share Class Selection Policy*

If applicable, the Firm's policy is to strive to purchase the most appropriate share class of a security for client accounts. The custodian the client uses may offer multiple share classes of certain securities, often including both no-transaction fee (NTF) and transaction fee share classes. NTF share classes are available without a transaction fee, but typically have a higher internal expense ratio. Transaction fee share classes generally have lower internal expense ratios but require that the client pay a fee in connection with the transaction. Certain share classes have minimum investment amounts.

In practice, the Firm will first narrow the universe of securities based on quantitative and qualitative analysis and determine which securities to purchase in a client's account. After selecting a security, the Firm will review the available share classes and seek to determine the share class that it believes is most appropriate based upon evaluation of various factors, which should include at a minimum:

- Expense ratios of available share classes
- Transaction fees or redemption fees
- The intended purchase amount and investment minimums
- Available waivers of investment minimums
- Intended holding period and liquidity constraints
- Number of accounts for which the purchase will be made
- Frequency of transactions

Transaction fee funds may be beneficial when there is minimal trading in a position or when the funds in the investment are substantial enough to justify the purchase fee when compared to the increased expense ratio imposed. NTF share classes may be more beneficial when the anticipated holding period is shorter or when the funds in the

investment are relatively small compared to the trading cost. After reviewing relevant factors, the Firm will attempt to identify and select the most appropriate share class.

### *Fees for Other Services*

The Firm receives compensation for other services that it provides (i.e., tax preparation, tax planning and financial planning) in the form of a fixed fee or a fee that is calculated at an hourly rate, depending on the type of service selected and the scope and complexity of the services provided.

### *Insurance Commission Transactions*

As described in Item 4, a client may request that the Firm help in the identification and procurement of insurance coverage. If this occurs, we use KAFL, a privately-owned insurance brokerage Firm headquartered in Rochester, NY. KAFL is the general insurance broker we use to assist the Firm in identifying the proper coverage choices the insurance need identified and to identify several insurance carriers that may be able to implement our insurance recommendations.

If the client chooses to purchase insurance commission products, the Firm will receive a portion of those commissions. The commissions charged by the applicable entity and received by the Firm may be higher or lower than those charged by other entities. The recommendation that a client purchase an insurance product on a commission basis presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a client's need. No client is under any obligation to purchase any insurance commission products recommended by our Firm or its representatives. Clients may purchase insurance commission products that our Firm or its representatives recommend through other non-affiliated or non-recommended agencies. Our Firm does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of insurance commission products recommended to clients. When clients purchase insurance products on a commission basis, we do not charge an advisory fee on that product in addition to the commissions paid by the client for such product.

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

We do not provide any services for which a charge is made based upon performance-based fees.

## ITEM 7 - TYPES OF CLIENTS

Our clients currently consist of individuals, high net worth individuals, charitable organizations and small businesses. We do not require a minimum account size or a minimum annual fee to manage these assets.

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

This section of our Brochure describes the methods of analysis and investment strategies that we utilize in formulating investment advice and managing client portfolios, and the material risks involved.

We provide investment management services to individuals, high net worth individuals and charitable organizations on both a discretionary and non-discretionary basis. Each client executes an investment advisory agreement that specifies whether the Firm will manage the client's assets on a discretionary or non-discretionary basis. As noted in Section 4 (Advisory Business), clients who elect to have their investment portfolios managed on a discretionary basis pursuant to a limited power of attorney should be aware that they may place reasonable restrictions on the management of their portfolios. We encourage clients who provide discretionary trading authority to the Firm to read this section of our Brochure very carefully and to apprise themselves of the risks attendant to the use of various portfolio management strategies and to let us know if they wish to restrict the Firm's ability to purchase any particular types of securities for their accounts. For example, as discussed more fully below, we may employ certain trading strategies from time to time for hedging purposes or to enhance portfolio returns. CLIENTS WHO MAY HAVE RESERVATIONS ABOUT SUCH STRATEGIES SHOULD INFORM US IMMEDIATELY OF THEIR CONCERNS.

### THE INVESTMENT PROCESS

Our investment process generally begins with the development of a financial plan for each client. This process involves an evaluation of the specific financial and investment needs of the client, such as the client's tolerance for risk, investment time horizon, cash flow needs, and tax considerations. Once we have evaluated a client's specific needs, we formulate investment objectives and structure the investment portfolio.

Our goal in structuring each investment portfolio is to utilize an investment strategy that seeks to achieve the client's goals at an acceptable level of risk. Our challenge is to construct investment portfolios that provide favorable risk/reward characteristics based on each client's financial objectives, investment time horizon, risk tolerance and other relevant criteria. Asset allocation is a primary factor in determining the risk/reward and overall portfolio performance.

## TYPES OF INVESTMENT PORTFOLIOS

Our objective is to create portfolios that will balance our clients' need to preserve capital with their desire to achieve respectable growth of assets. To achieve this objective, we segregate asset classes (and investments within those asset classes) into two groups: a reduced risk asset group and a risk asset group. Essentially, the reduced risk asset group is comprised of assets that have significantly lower volatility or lower standard deviation than the S&P 500. Their volatility levels would be more like a US Aggregated Bond Index. The risk asset group is a group of investments that display risk characteristics with volatility or standard deviation significantly higher than the reduced risk assets. Their volatility may be less than or greater than that of the S&P 500.

The table below illustrates the broad range of investment vehicles that we may use to construct client portfolios and our evaluation of their relative risks. We note that the categories are described in general terms. We encourage clients and prospective clients to request additional information about these types of investments. All investment involves the risk of loss, and there can be no assurance that the investments chosen for a particular client portfolio will perform as anticipated.

### REDUCED RISK ASSETS WOULD INCLUDE:

- Cash
- CDs
- Investment Grade and US Government Bonds
- Foreign & Emerging Market Bonds
- Preferred Stock Funds
- High Yield & Floating Rate Bonds
- Mortgage Backed Security Funds
- Interval Mutual Funds – Limited Liquidity
- Closed End Funds
- Municipal Bonds
- Market Neutral Equity Funds
- Alternative Investments with Low Volatility
- Strategic Allocation Bond Funds
- Non-Traded Alternative Investments which have favorable Risk/Reward Characteristic and limited liquidity

### RISK ASSETS WOULD INCLUDE:

- Domestic & Foreign Large Cap Equities
- Domestic & Foreign Mid/Small Cap Equities
- Emerging Market Equities
- Long Short Equity Funds



- Real Estate Investments
- Commodities
- Long Term Treasuries
- Hedge Vehicles
- Volatility ETNs & Mutual Funds
- ETNs
- Closed End Funds
- Interval Mutual Funds – Limited Liquidity
- Liquid Alternative Investments
- Non-Traded Alternative Investments
- Sector Funds
- Currencies
- Inverse Investments

Once we have developed an asset allocation strategy for a portfolio, we implement that strategy primarily through the purchase of mutual funds (open, closed, interval), individual securities, exchange traded funds (ETFs, ETNs) and Non-Traded Alternative Investments. These pooled investment vehicles provide exposure to the various asset classes. Mutual funds and ETFs are purchased on Transaction fee and Non-Transaction Fee basis. In addition, transaction fees may apply for the purchase of stocks, bonds, CDs or other investment vehicles. Because we seek exposure to these asset classes indirectly by investing in pooled investment vehicles such as mutual funds and ETFs, we encourage clients to read the prospectus for each fund and retain it for future reference. The investment advisers for these portfolio funds have broad flexibility and may utilize various investment strategies (e.g., options, futures, leverage and derivatives) in seeking to achieve the investment objective of a fund. Our process in selecting all investments we consider a number of factors including historical performance data, manager track record, downside risk, relative performance and numerous other performance characteristics. In addition, we seek to select investments which are complementary to other positions in the portfolio; striving to improve the overall risk reward characteristics of the portfolio. Nevertheless, past performance is not a guarantee of, and is not necessarily indicative of, future investment results. There can be no assurance that the objective of any investment fund selected for a client portfolio will be achieved, or that the fund will perform as anticipated in a client portfolio.

We construct portfolios that range from the most conservative portfolio to the most growth-oriented portfolio. Our most conservative portfolio consists entirely with portfolio holdings that we classify as “reduced risk assets,” and our most growth-oriented portfolio consists entirely of portfolio holdings that we classify as “risk assets.” Most client portfolios are structured to balance the asset allocation between “reduced risk assets” and “risk assets”. For example, we may structure a portfolio to consist of 60% “risk assets” and 40% “reduced risk assets”. The portion of the portfolio allocated to “reduced risk assets” will generally be comprised of holdings which have complementary

characteristics to provide improved risk reward and reduce volatility. The portion of the portfolio allocated to “risk assets” will generally consist primarily of mutual funds which are actively managed and ETFs which may be passive investments. The volatility of the risk asset portfolio is expected to be similar to equity markets.

Our objective is to build all weather portfolios which provide good market participation in rising equity markets but also provide downside risk protection in more turbulent markets. Selecting the proper allocation to reduced risk assets and risk assets is critical in managing downside risk. In our investment selection process, we research a broad range of liquid investments (mutual funds, ETFs, ETNs) and non-traded alternative investments and interval funds. For the risk assets, our investment selection process focuses on identifying opportunities which provide similar returns to the S&P 500 with less investment risk or volatility. In addition, we incorporate investments which we believe have more favorable investment returns; however, their volatility may be greater than the S&P 500. After a group of final investment candidates are selected, we utilize analytical tools in combination with experience and judgement to build a portfolio which we believe will provide favorable risk reward characteristics. For the reduced risk portfolio, we follow a similar process as the risk asset portfolio except our benchmark is the lower volatile US Aggregate Bond Index.

Regarding our strategies to enhance portfolio performance, we may utilize certain mutual funds or ETFs in client portfolios that are different from, and riskier than, most mutual funds. All mutual funds select a broad-based securities market index, or “benchmark,” to which their performance will be compared. For example, certain equity mutual funds, commonly known as “index funds,” seek to replicate the performance of an index such as the S&P 500. Other equity mutual funds or ETFs may seek to outperform the performance of the S&P 500. Investments in these funds, which are more actively managed, generally carry a higher degree of risk than an investment in an index fund.

We may allocate a portion of a client’s portfolio to “alternative” mutual funds and ETFs or non-traded alternative investments. The purpose of these investments is to enhance the overall risk/reward characteristics of the portfolio. Some of the characteristics of these funds may be lower correlation to equity markets, equity like performance with less risk or market out performance with additional risk. These investments may carry a higher or lower degree of risk than an index fund that seeks to replicate the performance of an index. These “alternative” mutual funds may be subject to increased volatility, carry a substantial risk of loss, and require continuous monitoring.

## RISKS OF LOSS

All investments involve the risk of loss that clients should be prepared to bear. The success of our investment process is dependent upon many factors including among others, the accuracy of our analysis of our clients’ needs and the success of the investment strategies formulated. Our ability to structure client portfolios with favorable

risk/reward characteristics is dependent on our ability to develop suitable asset allocation strategies and to adjust those strategies as needed, as well as our ability to select investments that will be successful in implementing those strategies. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies we recommended or execute) will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase, and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Firm) will be profitable or equal any specific performance level(s).

### *Analysis of Client Needs*

We employ a detailed analysis of each client's financial and investment needs in connection with our formulation of suitable investment strategies. Our ability to evaluate current and future financial circumstances may be compromised by inaccurate or incomplete data, or our inability to successfully execute investment strategies on a consistent basis. We encourage our clients to inform us of changes that may affect their current or future financial circumstances.

### *Asset Allocation Strategies*

In formulating asset allocation strategies for our clients, we consider the risk/reward characteristics of each asset class. Nevertheless, each asset class is subject to its own risks and the significance of those risks can change during different market cycles. All client portfolios are subject to the risk that the asset allocation strategy formulated may not be successful. Below is a summary of the types of investments we may use in the creation of the portfolios. There may be other investment opportunities beyond this list which may be incorporated in the portfolio which we believe are prudent and could improve the risk reward characteristics of the portfolio.

- ***Cash and Cash Equivalents.*** Our investment strategies feature a bias toward reduction of downside risk and preservation of capital during declining markets. Our strategy for reducing risk is in rigorous portfolio construction versus tactical reallocation out of risk assets. However, if we believe it is prudent to further reduce downside risk, our portfolios may feature increased positions in cash and cash

equivalents. This emphasis on reducing downside risk, however, may have the effect of limiting upside potential if we are incorrect and equities move in a strong upside direction. Cash equivalents are characterized by low investment returns and are subject to the risk of loss of purchasing power during periods of inflation.

- *Equities.* Portfolios structured for growth will feature investments in equities (i.e., to varying degrees). Investments in equities involve the potential for higher investment returns. Investing for higher returns also involves higher levels of risk and greater potential for loss of principal. Stocks fluctuate in price and their short-term volatility at times may be substantial. In general, equity sub-classes tend to follow general market trends, but the magnitude of change and volatility of the sub-classes can vary significantly. For example, stocks of growth companies or, emerging and foreign markets, may be more volatile than other stocks. Small-cap companies are generally newer companies with limited operating histories. While these stocks may offer greater opportunities for long-term capital appreciation than larger, more established companies, they involve a substantially greater risk of loss. To get exposure to equities we typically utilize mutual funds, ETFs (Exchange Traded Funds), ETNs (Exchange Traded Notes), individual securities and closed end funds.
- *Fixed-Income Securities or Debt Securities.* Portfolios structured for receipt of current income and preservation of capital will generally feature fixed-income investments. Fixed-income investments may include, among others, bonds and preferred stocks, which also have an equity component. Bonds and other fixed-income vehicles generally tend to have lower volatility than equity investments. Fixed-income investments are generally subject to a variety of risks including, among others, credit risk, interest rate risk, pre-payment risk and extension risk. Lower-rated or unrated fixed-income securities are subject to greater risk of loss than investment grade fixed-income securities. To gain exposure to this asset class we will typically utilize mutual funds and ETFs.
- *Alternative Investments.* We may include “alternative investments” in a portfolio if we determine that they have favorable risk/reward characteristics and can improve the overall risk/reward characteristics of the portfolio. We may also include alternative investments to achieve better diversification. We define “alternative investment” vehicles broadly as investments that we believe can potentially provide improved returns per unit of risk. Examples of some alternative investments are market neutral equity funds, long short equity funds, private equity, commodities, currencies, real estate products, managed futures, non-traded alternative investments, volatility-based investments plus other investment vehicles. Alternative investments are a broad class of strategies which may utilize leverage, options, derivatives, volatility and other nontraditional investments to achieve the objective of the fund. A derivative is an investment whose value depends on (or is derived from) the value of an underlying security, asset, interest rate, index or currency. We utilize these alternative investment vehicles to achieve different objectives such as more resiliency to negative market action, improved

returns, better diversification and reduced correlation with traditional investments. The values of many of these alternative investments are affected by events that generally have less impact on the values of stocks and bonds. These non-traditional investment vehicles are subject to a substantial risk of loss and may increase portfolio volatility. Each alternative investment has its own unique risks as well as potential return.

- *Interval Funds and Non-Traded Alternative Investments.* Interval funds and Non-Traded Alternative Investments have liquidity risk. Many of these investments can only be redeemed on a quarterly basis and only a portion of the total assets under management are available for distribution. To mitigate this risk only a prudent portion of the entire portfolio is invested in these investments. The advantages of these funds are gaining exposure to investments which will achieve more diversification to different, less liquid assets classes and the potential for better risk/reward characteristics.
- *Inverse, Leveraged, Volatility, Hedge Strategies and ETNs (Exchange Traded Notes) Investments.* These investments are a subclass of alternative Investments but have unique risks not typical of equity investments. On occasion, the Firm may consider implementing these into the portfolio.

#### *Selection of Mutual Funds and ETFs*

Our process of selecting investments for client portfolios is guided by a due diligence process. This process varies depending on the investment opportunity. For the various asset classes or investment categories, we seek to find the leaders with proven track records and have strategies which are sustainable into the future. For the typical equity mutual fund or ETFs, we not only review the portfolio manager's track record but also do additional research to understand if we believe their strategy and process will be sustainable over longer market cycles.

#### *Portfolio Construction*

After identifying investment opportunities that we believe have favorable risk/reward characteristics, we utilize analytical optimization tools, judgement and experience to create a combination of investments which further enhances the risk/reward characteristics of the overall portfolio. Utilizing this process, we believe we can create portfolios which are resilient to market selloffs yet can achieve good market participation when we have strong equity markets.

### ITEM 9 - DISCIPLINARY INFORMATION

The Firm has no information to disclose in response to this Item.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither our Firm, nor its representatives are registered or have an application pending to register as: a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a representative of the foregoing. We do not recommend or select other investment advisors for our clients or receive direct or indirect compensation as a result. As disclosed in Item 4, our Firm has arrangements with an insurance agency, KAFL, which is material to its financial planning and insurance business. As part of the financial planning process, the Firm may identify insurance needs for our clients and the client may request that the Firm help in the identification and procurement of insurance to meet this need. The Firm has chosen to use a general insurance broker, which can provide insurance products from many carriers, rather than be associated with a single insurance company. This gives the Firm's clients the most flexibility in choosing the type of coverage they wish to carry as well as evaluating differences in premiums and commissions.

We recognize that our recommendation of a single insurance agency for this purpose poses a conflict of interest. We have a financial incentive to recommend the purchase of insurance products through KAFL because our Firm receives commissions on the sale of these products. We address this conflict of interest by disclosing this potential conflict of interest to our clients, by explaining to our clients that they are under no obligation to accept our recommendations for insurance coverage and by informing our clients that they are free to purchase insurance products from other vendors.

## ITEM 11 – CODE OF ETHICS

### PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Firm has adopted a Code of Ethics which applies to all supervised persons of the Firm. The Code of Ethics acknowledges the Firm's fiduciary duty to its clients and imposes a standard of business conduct. The Code of Ethics is based upon the fundamental precept that the interests of the Firm's clients must be placed before those of the Firm or any of its supervised persons.

The Code of Ethics includes, among other things, provisions relating to the confidentiality of client data, provisions governing the conduct of the Firm's supervised persons and provisions governing personal securities transactions by the Firm's supervised persons. All supervised persons of the Firm must acknowledge the terms of the Code of Ethics annually, or as amended. A copy of the Code of Ethics is available to clients of the Firm, without charge, upon request.

Any violation of the Code of Ethics is investigated, documented and handled by the Chief Compliance Officer or Assistant Compliance Officer of the Firm. Any action that is taken because of the violation is also documented and maintained in the compliance files.

The Firm utilizes batch trading on client accounts as well as for the accounts of all supervised and management staff. These accounts are traded at the same time as client accounts. Individual staff may also do their own trading. Personal trading of all staff is reviewed routinely.

Neither our Firm nor any related person of the Firm recommends, buys, or sells for client accounts, securities in which our Firm or any related person has a material financial interest.

## ITEM 12 - BROKERAGE PRACTICES

We manage investment portfolios for clients on a discretionary basis. There are no limitations on our authority to select brokers or dealers or commission rates to be paid. As discussed below, we recommend that our clients appoint a single “qualified custodian” to maintain custody of their assets. All transactions for client accounts are placed with that custodian for execution purposes.

### *How We Select Brokers and Custodians*

Client assets must be maintained in an account with a “qualified custodian,” generally a broker dealer or bank. We recommend that our clients appoint Charles Schwab & Co., Inc., an SEC registered, FINRA and SIPC member broker-dealer (Schwab), as the qualified custodian for their accounts. The Firm is independently owned and operated and, as such, is not affiliated with Schwab.

If you enter into an advisory relationship with this Firm, you will appoint Schwab as the “qualified custodian” for your account. Schwab will hold your assets in a brokerage account and buy and sell securities for your account when we instruct them to do so. While it would be theoretically possible to use other brokers to execute trades for your account, we believe that it is more cost-effective to utilize the execution services provided by Schwab under most circumstances. By recommending that you appoint Schwab as the “qualified custodian” for your account, you are authorizing us to direct trades for your account to Schwab for execution. Not all advisers impose such requirements. See “Your Brokerage and Custody Costs.”

We have selected Schwab for execution of trades, based on Schwab’s ability to execute transactions on terms that, in our opinion, are overall most advantageous in comparison

to the terms offered by other service providers. In connection with the development of our policy concerning the utilization of Schwab's custody and execution services, we have taken a number of factors into account including those set forth below.

- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.)
- Reputation, financial strength, and stability
- Prior service to us and our other clients

We have also considered the fact that Schwab generally provides a combination of custody and execution services without imposing a separate fee for custody of assets, and the availability of other products and services that benefit the Firm and our clients. As discussed in more detail below, some of these additional products and services benefit us while others benefit our clients. See *Products and Services Available to Us from Schwab*. We have concluded that Schwab meets the criteria that we have established. We re-evaluate Schwab's execution capabilities on a periodic basis to determine that we are achieving the most favorable execution of client transactions.

### *Brokerage and Custody Costs*

Schwab generally does not charge its clients separately for custody services. Schwab is compensated by charging the client commissions or other fees on trades that it executes or that settle into your Schwab account. We believe that this arrangement benefits our clients because the overall costs for these services (Custody and execution) are lower than they would be otherwise. We are not under a contractual obligation to maintain any set amount of client assets with Schwab.

Transaction costs affect account performance and lower investment returns; however, when executing a trade all aspects are considered to determine the best execution. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above. See *How We Select Brokers and Custodians*.

### *Products and Services Available to Us from Schwab Advisor Services™*



Schwab Advisor Services™ (formerly called Schwab Institutional®) is the Schwab business unit that serves independent investment advisory firms like the Firm. This business unit provides us and our clients with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab Advisor Services™ also makes available to us and our clients various support services. Some of those services help us manage or administer our client accounts; while others help us manage and grow our business. These support services generally are available to us on an unsolicited basis (we don't have to request them) and at no charge to us. A more detailed description of Schwab's support services is set forth below:

► *Services Provided to Us That Benefit You*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access. These services generally benefit you and your account.

► *Services Provided to Us That May Not Directly Benefit You*

Schwab also makes other products and services available to us. These products and services, which benefit us but may not directly benefit you or your account, assist us in managing and administering our clients' accounts. They include proprietary and third-party investment research. We may or may not use this research. Under circumstances where we do use this research, we may use it to service all or a substantial number of our clients' accounts. In addition to investment research, Schwab also makes available software and other technology that provide access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution and allocate aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of our fees from our clients' accounts; and assist with back-office functions, recordkeeping, and client reporting.

► *Services Provided to Us That Generally Benefit Only Us*

Schwab also offers other services that are intended to help us manage and further develop our business enterprise. These services include: educational conferences and events; consulting on technology, compliance, legal, and business needs; and publications and conferences on practice management and business succession.

*Our Interest in Requiring That Clients Use Schwab's Custody and Brokerage Services*

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. Our continued receipt of these services is not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. Nevertheless, our receipt of these services from Schwab may

provide us with an incentive to require that our clients maintain their accounts with Schwab. This incentive, which is based on our interest in receiving Schwab's services rather than your interest in receiving the best value for custody and execution services, presents a potential conflict of interest. We acknowledge this potential conflict of interest. However, based upon our evaluation of custody and execution services generally available from other service providers, we believe that it is in the best interests of our clients to appoint Schwab as custodian and broker for their accounts. We do not believe that our receipt of services from Schwab presents a material conflict of interest because the Firm's policy is motivated primarily by the scope, quality, and price of Schwab's services rather than by our receipt of services that benefit only the Firm. We acknowledge that it is theoretically possible that in placing all client transactions with Schwab for execution, we may not achieve the most favorable execution of each client transaction. However, we believe that, on balance, our clients benefit from our use of a single trading platform, especially because most client portfolios are structured to consist of mutual funds and ETFs. We acknowledge our duty to seek best execution of transactions for client accounts. We believe that we satisfy that obligation by our continuous monitoring of client accounts and our periodic review of these arrangements with Schwab.

**ANY QUESTIONS: The Firm's Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**

Our Firm does not receive referrals from broker-dealers.

Our Firm generally does not accept "directed brokerage arrangements," in which a client requires that account transactions be affected through a specific broker-dealer besides Schwab. In such client directed arrangements, the client would negotiate terms and arrangements for their account with that broker-dealer, and we would not be able to pursue better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts that we manage. As a result, the client could likely pay higher commissions or other transaction costs, greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case. In those circumstances the account performance would be adversely impacted.

## ITEM 13 - REVIEW OF ACCOUNTS

We review client portfolios at least once each quarter to verify that portfolio investments are consistent with the investment policy statement for each account. We also conduct ongoing research to assure that the individual positions are performing as expected and

that the overall asset allocation is appropriate in view of the current economic environment.

Each quarter, the Firm provides quarterly performance reports for each managed account. With the report a commentary is included which discusses our macro-economic view and how that may impact the investment outlook.

We encourage our clients to be proactive in contacting us if there are changes in their personal circumstances that might require reconsideration of the way our services are delivered or if they have with any questions they may have regarding their finances. We have both financial planning and investment management clients who require varying levels of service and expertise.

An additional requirement for ERISA and certain Individual Retirement account ("IRA") plans has been implemented. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an IRA, or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If we recommend that a client roll over their retirement plan assets into an account that we will manage, the recommendation presents a conflict of interest if our Firm will earn a new (or increase the current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by our Firm.

If the client is: (i) a retirement plan (Plan) organized under the Employee Retirement Income Security Act of 1974 (ERISA); (ii) a participant or beneficiary of a Plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distributions; (III) the beneficial owner of an IRA acting on behalf of the IRA; or (iv) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(d)(1)(A) of the Internal Revenue Code; the Firm represents that it and its representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by the Firm or its representative or with respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

#### ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain custody of their accounts at Schwab. These products and services and the related conflicts of interest are described above See Item 12 –

Brokerage Practices. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. **ANY QUESTIONS: The Firm's Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**

The Firm does not compensate any individual or party for client referrals.

## ITEM 15 - CUSTODY

The Firm has limited custody of client assets due to the deduction of management fees from the client account if you authorize us to instruct the custodian to deduct our advisory fees directly from your account.

We recommend that our clients appoint Schwab Advisor Services™ (formerly called Schwab Institutional®) to maintain actual custody of their assets. Clients will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address that the client has provided to the custodian. We encourage our clients to carefully review those statements promptly when they receive them. We also urge our clients to compare the custodian's account statements to the periodic account statements and/or portfolio reports that they may receive from us. Schwab Advisor Services™ does not verify the accuracy of our advisory fee calculation. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

The Firm provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the applicable qualified custodian to rely upon instructions from the Firm to transfer client funds to "third parties." In accordance with the guidance provided in the SEC Staff's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

## ITEM 16 - INVESTMENT DISCRETION

The Firm manages client portfolios on both a discretionary and non-discretionary basis. In those instances where a client chooses to have his or her account managed on a discretionary basis, the client will enter into an investment advisory agreement with the Firm that defines the scope of the Firm's discretionary authority. In these situations, the

client will execute a limited power of attorney, pursuant to which the Firm is authorized to purchase and sell portfolio securities for the account. In all cases, however, discretionary trading authority will be exercised in a manner consistent with the stated investment objectives for the particular client account. Any restrictions or limitations on the Firm's discretionary authority must be made in writing and contained in the investment management agreement between the Firm and the client.

#### ITEM 17 - VOTING CLIENT SECURITIES

Unless a client directs otherwise, in writing, Socha shall be responsible for directing the manner in which proxies solicited by issuers of securities purchased by Socha for the client's account shall be voted. However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the assets, including, but not limited to, class action lawsuits. Socha and/or the client shall correspondingly instruct each custodian of the assets to forward to Socha copies of all proxies and shareholder communications relating to the assets. Absent mitigating circumstances and/or conflicts of interest (to the extent any such circumstance or conflict is presented), it is Socha's general policy to vote proxies consistent with the recommendation of the senior management of the issuer. Socha shall monitor corporate actions of individual issuers and investment companies consistent with Socha's fiduciary duty to vote proxies in the best interests of its clients. Socha shall maintain records pertaining to proxy voting as required under the Advisers Act. Information pertaining to how Socha voted on any specific proxy issue is also available upon written request. Any questions regarding Registrant's proxy voting policy shall be directed to Name of CCO, Chief Compliance Officer of Socha. **Please Note:** No client is under any obligation to have Socha vote the client's proxies per the above proxy voting process. In the event that a client wants to vote his/her/its own proxies, the client can advise Socha's Chief Compliance Officer, Michelle Socha Vang, in writing.

#### ITEM 18 - FINANCIAL INFORMATION

The Firm: does not solicit fees of more than \$1,200 per client, six months or more in advance; has no financial condition that would impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

**ANY QUESTIONS: The Firm's Chief Compliance Officer, Michelle Socha Vang, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**