

**Item 1: Cover Page**  
**Part 2A of Form ADV: Firm Brochure**  
**March 2024**



**REDWOOD PARK**  
— ADVISORS —

**3 Twin Dolphin Drive, Suite 210**  
**Redwood City, CA 94065**

**Firm Contact:**  
**Benjamin Pettigrew**  
**Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Redwood Park Advisors, LLC. If clients have any questions about the contents of this brochure, please contact us at (866) 579 - 8808. 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 our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #307958.

Please note that the use of the term "registered investment adviser" and description of our firm and/or our associates as "registered" does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## **Item 2: Material Changes**

Redwood Park Advisors is required to notify clients of any information that has changed since the last annual update of the Firm Brochure ("Brochure") that may be important to them. Clients can request a full copy of our Brochure or contact us with any questions that they may have about the changes.

Since our last annual amendment filed on March 28, 2023 we have the following material change to disclose:

- Our firm has submitted an initial filing with the SEC and will be registered with the SEC.
- Our firm has updated its phone number. Our firm phone number is (866) 579 – 8808.

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## Item 4: Advisory Business

Our firm is dedicated to providing individuals and other types of clients with investment advisory services. Our firm is a limited liability company formed under the laws of the State of California on April 28<sup>th</sup>, 2016 and has been in business as an investment adviser since June 26<sup>th</sup>, 2020. Our firm is owned by Benjamin Pettigrew and David Smith. In addition, our firm has elected Benjamin Pettigrew, David Smith, and Deborah Ann Peri to manage and operate Redwood Park Advisors, LLC

The purpose of this Brochure is to disclose the conflicts of interest associated with investment transactions, compensation, and any other matters related to investment decisions made by our firm or its representatives. As a fiduciary, it is our duty to always act in the client's best interest. This is accomplished in part by knowing our client. Our firm has established a service-oriented advisory practice with open lines of communication for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. Working with clients to understand their investment objectives while educating them about our process, facilitates the kind of working relationship we value.

### **Types of Advisory Services Offered**

#### **Asset Management:**

As part of our Asset Management service, a portfolio is designed, consisting of individual stocks and bonds; exchange traded funds ("ETFs"); options, mutual funds; and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals, and constraints.

Our firm utilizes the sub-advisory services of third-party investment advisory firms or individual advisors to aid in the implementation of an investment portfolio designed by our firm. Before selecting a firm or individual, our firm will ensure that the chosen party is properly licensed or registered. Our firm will not offer advice on any specific securities or other investments in connection with this service. We will provide initial due diligence on third party money managers, and ongoing reviews of the management of client accounts. In order to assist in the selection of a third-party money manager, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third-party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third-party money managers, as warranted, and assist the client in understanding and evaluating the services provided by the third-party money manager. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

#### **Comprehensive Portfolio Management:**

As part of our Comprehensive Portfolio Management service clients will be provided asset management and financial planning or consulting services. This service is designed to assist clients in meeting their financial goals using a financial plan or consultation. Our firm conducts client meetings to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what is learned, an investment approach is presented to the client, consisting of: individual stocks and bonds; ETFs; options; mutual funds; and other public and private securities or investments. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals, and constraints. Upon client request, our firm provides a summary of observations and recommendations for the planning or consulting aspects of this service.

Our firm utilizes the sub-advisory services of a third-party investment advisory firms or individual advisors to aid in the implementation of an investment portfolio designed by our firm. Before selecting a firm or individual, our firm will ensure that the chosen party is properly licensed or registered. Our firm will not offer advice on any specific securities or other investments in connection with this service. We will provide initial due diligence on third party money managers and ongoing reviews of the management of client accounts. In order to assist in the selection of a third-party money manager, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third-party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third-party money managers, as warranted. and assist the client in understanding and evaluating the services provided by the third-party-money manager. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

#### **Separately Managed Account Services ("SMA") for Asset Management & Comprehensive Portfolio Management Clients:**

We participate in the Schwab Managed Account Program and offer separately managed accounts from the Managed Account Select and Managed Account Access programs. These Schwab programs allow access to independent money management firms offered by the Schwab Advisor Services division of Charles Schwab & Co. Inc. ("Schwab"). Our firm performs management searches of various investment managers. Based on the client's individual circumstances and we determine which selected manager's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the objectives of each client and the investment philosophy of the selected manager. Clients should refer to the manager's Firm Brochure or other disclosure document for a full description of the services offered. We will furnish a copy of the disclosure brochures for each manager selected. We will recommend one or more managers who will manage the client's account on a discretionary basis. On an ongoing basis, we monitor the performance of the manager(s).

- **Managed Account Marketplace ("Marketplace")**

We participate in the Schwab Connection Marketplace program for certain larger clients. The services provided are "unbundled," meaning fees for asset management and fees for trading are charged separately, in addition to the fees charged by our firm. The fees for asset management with the money management firm are negotiated with the individual manager by our firm on behalf of the Client and are based on the total assets with that manager

included in the program and the type of management services (equity or fixed income) provided.

Execution of security transactions may be paid in one of two ways: (1) A percentage of assets based on pricing schedules set by Schwab that are determined by trade volume for an individual money manager; or (2) On a transaction basis, where each transaction is charged a commission as negotiated with Schwab

It may be possible for a client to use Marketplace and receive the same research services and benefits (subject to internal restrictions identified earlier) for a lower fee than available under the Select program. The bundled fees charged for the Select program may be higher than the “unbundled fees” charged under Marketplace because of the initial and ongoing due diligence provided by the Schwab Center for Financial Research and pricing set by the money management firms for each program.

### **Financial Planning & Consulting:**

Our firm provides a variety of standalone financial planning and consulting services to clients for the management of financial assets based upon an analysis of their current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan and holding a financial consultation to understand the client’s financial goals, objectives, and constraints. This planning or consulting may encompass Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, or Business and Personal Financial Planning.

Written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. Our firm provides clients with a summary of their financial situation and observations for financial planning engagements. Financial consultations are not typically accompanied by a written summary of observations and recommendations, as the process is less formal than the planning service. If all the information and documents requested from the client are provided promptly, plans or consultations are typically completed within six months of the client signing a contract with our firm.

### **Retirement Plan Consulting:**

Our firm provides retirement plan consulting services to employer plan sponsors on an ongoing basis. Generally, such consulting services consist of assisting employer plan sponsors in establishing, monitoring, and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising may include:

- Establishing an Investment Policy Statement – Our firm will assist in the development of a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.
- Investment Options – Our firm will work with the Plan Sponsor to evaluate existing investment options and make recommendations for appropriate changes.
- Investment Monitoring – Our firm will monitor the performance of the investments and notify the client in the event of over/underperformance, and in times of acute market volatility.

- **Participant Education** – Our firm will provide opportunities to educate plan participants about their retirement plan offerings, different investment options, and general guidance on allocation strategies.

In providing services for retirement plan consulting, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, “Excluded Assets”). All retirement plan consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans (“Plan”) governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). If the client accounts are part of a Plan, and our firm accepts appointment to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) or 3(38) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein.

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### **Tailoring of Advisory Services**

Our firm offers individualized investment advice to our Asset Management and Comprehensive Portfolio Management clients. General investment advice will be offered to our Financial Planning & Consulting, Retirement Plan Consulting, and Referrals to Third-Party Money Management clients.

Each Asset Management and Comprehensive Portfolio Management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

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### **Participation in Wrap Fee Programs**

Our firm does not offer or sponsor a wrap fee program.

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### **Regulatory Assets Under Management**

As of May 15, 2023, our firm manages \$109,917,347 on a discretionary basis and \$0 on a non-discretionary basis.

## **Item 5: Fees & Compensation**

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### **Compensation for Our Advisory Services**

#### **Asset Management:**

The maximum annual fee charged for this service will not exceed 1.25%. Client’s may pay additional fees when utilizing SMAs, as disclosed below in section *Other Types of Fees & Expenses*. Fees to be assessed will be outlined in the Advisory Agreement to be signed by the Client. Annualized fees are billed on a pro-rata basis, quarterly, and in advance based on the value of the account(s) on the last day of the previous quarter. Our firm bills on cash balances unless otherwise indicated in writing.

Fees are negotiable and will be deducted from client account(s). Our firm may make adjustments for deposits and withdrawals during the quarter; exact arrangements will be outlined in the Advisory Agreement to be signed by the Client. In rare cases, our firm will agree to directly invoice.

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, a legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

### **Comprehensive Portfolio Management:**

The maximum annual fee charged for this service will not exceed 1.50%. Client's may pay additional fees when utilizing SMAs, as disclosed below in section *Other Types of Fees & Expenses*. Fees to be assessed will be outlined in the Advisory Agreement to be signed by the Client. Annualized fees are billed on a pro-rata basis, quarterly, and in advance based on the value of the account(s) on the last day of the previous quarter. Our firm bills on cash balances unless otherwise indicated in writing. Fees are negotiable and will be deducted from client account(s). Our firm may make adjustments for deposits and withdrawals during the quarter; exact arrangements will be outlined in the Advisory Agreement to be signed by the Client. In rare cases, our firm will agree to directly invoice.

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, a legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

### **Financial Planning & Consulting:**

Our firm charges an hourly or flat fee for financial planning and consulting services. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$250/hour. Flat fees range from \$2,000 to \$5,000. Our firm requires payment in full upon execution of the Agreement or a retainer of 50% of the ultimate financial planning or consulting fee at the time of signing; the remainder of the fee will be directly billed to the client and due within 30 days of a financial plan being delivered or consultation rendered. Our firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 months.

### **Retirement Plan Consulting:**

Our Retirement Plan Consulting services are billed an annual fee, based on the percentage of Plan assets under management ("AUM"). The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. Fees based on a percentage of



managed Plan assets will not exceed 0.75%. The fee-paying arrangements will be determined on a case-by-case basis and will be detailed in the signed consulting agreement.

### **Other Types of Fees & Expenses**

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Clients will incur transaction fees for trades executed by their chosen custodian via individual transaction charges. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. Charles Schwab & Co., Inc. ("Schwab") does not charge transaction fees for U.S. listed equities and exchange traded funds.

Clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees, and other fees and taxes on brokerage accounts, and securities transactions. Our firm does not receive a portion of these fees. Clients who make Digital Asset trades may incur maintenance fees associated with a cryptocurrency's trading platform, transaction fees, spreads, or other ongoing fees that may be incurred as a result of investing in Digital Assets.

Neither our firm, nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

### **Separately Managed Account Services:**

Depending on the service utilized, program fees for the SMA services may be up to 3.00%. To calculate your SMA program fee, Schwab multiplies the actual daily balance of your account by the daily pro rata portion of the annual rate and then adds together the fees for each day of the month. The program fee is billed to your account monthly, which may result in your paying a higher fee on an annual basis than the annual rate due to the effects of compounding. Our asset management fee is charged pro-rata quarterly in advance based on the value of your account on the last day of the previous quarter.

### **Termination & Refunds**

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Either party may terminate the Advisory Agreement signed with our firm for Asset Management and Comprehensive Portfolio Management services in writing at any time. Upon notice of termination our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance.

Financial Planning & Consulting clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

Either party to a Retirement Plan Consulting Agreement may terminate at any time, by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs

within five (5) business days of signing an agreement. After five business days from initial signing, either party must provide the other party 30 days written notice to terminate billing. Billing will terminate 30 days after receipt of termination notice. Clients will be charged on a pro-rata basis, which takes into account work completed by our firm on behalf of the client. Clients will incur charges for bona fide advisory services rendered up to the point of termination (determined as 30 days from receipt of said written notice) and such fees will be due and payable.

## **Item 6: Performance-Based Fees & Side-By-Side Management**

Our firm does not charge performance-based fees.

## **Item 7: Types of Clients & Account Requirements**

Our firm has the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates, and Charitable Organizations;
- Pension and Profit Sharing Plans; and
- Corporations, Limited Liability Companies, and/or Other Business Types

Our firm does not impose requirements for opening and maintaining accounts or otherwise engaging us. Our firm has the right to deny any client on a case-by-case basis.

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

### **Methods of Analysis**

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We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis:** The analysis of a business's financial statements (usually to analyze the business's assets, liabilities, and earnings), health, and its competitors and markets. When analyzing a market, stock, futures contract, or currency using fundamental analysis there are two basic approaches one can use: bottom up analysis and top down analysis. The terms are used to distinguish such analysis from other types of investment analysis, such as quantitative and technical. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives: (a) conduct a company valuation and predict its potential price movement; (b) make a projection on its business performance; (c) evaluate its management and make internal business decisions; (d) calculate its credit risk; and (e) predict the intrinsic value of the security.

**Qualitative Analysis:** A type of analysis that uses subjective judgment based on unquantifiable information, such as management expertise, industry cycles, strength of research and development,

and labor relations. Qualitative analysis contrasts with fundamental analysis, which focuses on numbers that can be found on company's financial reports such as balance sheets and income statements. The two techniques, however, will often be used together in order to examine a company's operations and evaluate its potential as an investment opportunity. Qualitative analysis deals with intangible, inexact observations that belong to the social and experiential realm rather than the mathematical one. This approach attempts to exploit the kind of intelligence that machines (currently) lack; things like positive associations with a brand, management trustworthiness, customer satisfaction, competitive advantage, and cultural shifts which can be difficult to capture with numerical analysis. A risk of using qualitative analysis is that subjective judgment may prove incorrect.

**Sector Analysis:** Sector analysis involves identification and analysis of various industries or economic sectors that are likely to exhibit superior performance. Academic studies indicate that the health of a stock's sector is as important as the performance of the individual stock itself. In other words, even the best stock located in a weak sector will often perform poorly because that sector is out of favor. Each industry has differences in terms of its customer base, market share among firms, industry growth, competition, regulation, and business cycles. Learning how the industry operates provides a deeper understanding of a company's financial health. One method of analyzing a company's growth potential is examining whether the number of customers in the overall market is expected to grow. In some market sectors, there is zero or negative growth, a factor demanding careful consideration. Additionally, market analysts recommend that investors monitor sectors that are nearing the bottom of performance rankings, for possible signs of an impending turnaround.

**Quantitative Analysis:** The use of models, or algorithms, and screens to evaluate assets for investment. The process usually consists of searching vast databases for patterns, such as correlations among liquid assets or price-movement patterns (trend following or mean reversion). The results of the analysis are used in the decision to buy or sell securities, and in the management of portfolio characteristics. A risk in using quantitative analysis is that the methods or models used may be based on assumptions that prove to be incorrect. The resulting strategies may involve high-frequency trading.

**Technical Analysis:** An analysis methodology for forecasting the direction of prices through the study of historical market data, primarily price and volume. A core principle of technical analysis is that a market's price reflects all relevant information, so their analysis looks at the history of a security's trading pattern rather than external drivers such as economic, fundamental, and news events. Technical analysts believe that price action tends to repeat itself due to investors collectively tending towards patterned behavior, hence technical analysis focuses on identifiable trends and conditions. Technical analysts can use various market indicators, some of which are mathematical transformations of price such as up and down volume, moving averages, advance/decline data, and other indicators. These indicators are used to help assess whether an asset or market is trending, and if it is, the probability of its directional continuation or reversal. Technical analysis often employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles, or through recognition of chart patterns. Technical analysis is widely used in conjunction with other types of investment analysis and can be heavily relied upon by active day traders, market makers, and pit traders. The risk associated with this type of analysis is that analysts use subjective judgment to decide which pattern(s) a particular instrument reflects at a given time. The interpretation of those patterns could ultimately be incorrect.

## **Investment Strategies We Use**

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We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons among other considerations.

**Asset Allocation:** The implementation of an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals, and investment time frame. Asset allocation is based on the principle that different assets behave differently in different markets and economic conditions. A fundamental justification for asset allocation is the notion that different asset classes offer returns that are not correlated. Diversification potentially reduces the overall risk of a portfolio in terms of the variability of returns for a given level of expected return and risk. Although risk may be reduced if correlations are not perfect, it is typically a forecast (wholly or in part) based on statistical relationships (such as correlation and variance) that existed over some past period. Expectations for return are often derived in the same way.

An asset class is a group of investments sharing similar characteristics, such as riskiness and return, and are subject to the same laws and regulations. There are many types of assets that may or may not be included in an asset allocation strategy. The "traditional" asset classes are: (a) Stocks (value, dividend, growth, or sector-specific [or a "blend" of any two or more of the preceding]; large-cap versus mid-cap, small-cap or micro-cap; domestic, foreign [developed], emerging or frontier markets); (b) Bonds (fixed income securities more generally: investment-grade or junk [high-yield]; government or corporate; short-term, intermediate, long-term; domestic, foreign, emerging markets); and (c) Cash and/or Cash Equivalents. Allocation among these three primary asset classes provides a starting point. Sometimes included are hybrid instruments such as convertible bonds and preferred stocks, which combine the characteristics of bonds and stocks. Alternative assets that may be considered include: commodities such as precious metals, nonferrous metals, agriculture, energy, and other; commercial or residential real estate (also REITs); hedge funds and hedge fund strategies such as absolute return, risk parity, and long/short equity; collectibles such as art, coins, or stamps; insurance products (annuity, life settlements, catastrophe bonds, personal life insurance products, etc.); derivatives such as options, collateralized debt obligations, and futures; foreign currency; private equity and/or distressed investing. Digital Assets such as cryptocurrencies may be recommended in Financial Plans or Consultations at the client's request. However, investment in Digital Assets must be done in accounts held away from our firm by the client themselves at their sole discretion.

There are several types of asset allocation strategies based on investment goals, risk tolerance, time frames, and diversification. The most common forms of asset allocation are strategic, dynamic, tactical, and core-satellite.

- **Strategic Asset Allocation:** The primary goal of a strategic asset allocation is to create an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. Strategic asset allocation strategies are agnostic to economic environments, such as, they do not change their allocation postures relative to changing market or economic conditions.
- **Dynamic Asset Allocation:** Dynamic asset allocation is similar to strategic asset allocation in that portfolios are built by allocating to an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. Like strategic allocation strategies, dynamic strategies largely retain exposure to their core asset classes;

however, unlike strategic strategies, dynamic asset allocation portfolios will adjust their allocations to changes in the economic environment.

- **Tactical Asset Allocation:** Tactical asset allocation is a strategy in which an investor takes a more active approach that tries to position a portfolio into those assets, sectors, or individual stocks that show the most potential for perceived gains. While an original asset mix is formulated much like a strategic or dynamic allocation, tactical strategies often trade more frequently and are free to move entirely in and out of their core asset classes.
- **Core-Satellite Asset Allocation:** Core-Satellite allocation strategies generally contain a 'core' strategic element making up the most significant portion of the portfolio, while applying a dynamic or tactical 'satellite' strategy that makes up a smaller part of the portfolio. In this way, core-satellite allocation strategies are a hybrid of the strategic and dynamic/tactical allocation strategies mentioned above.

**Cash & Cash Equivalents:** Cash and cash equivalents generally refer to either United States dollars or highly liquid short-term debt instruments such as, but not limited to, treasury bills, bank CD's and commercial papers. Generally, these assets are considered nonproductive and will be exposed to inflation risk and considerable opportunity cost risk. Investments in cash and cash equivalents will generally return less than the advisory fee charged by our firm. Our firm may recommend cash and cash equivalents as part of our clients' asset allocation when deemed appropriate and in their best interest. Our firm considers cash and cash equivalents to be an asset class. Therefore, our firm assess an advisory fee on cash and cash equivalents unless otherwise indicated in writing.

#### **Fixed Income:**

Fixed income broadly refers to those types of investment security that pay investors fixed interest payments or dividend payments until its maturity date. At maturity, investors are repaid the principal amount they had invested. Government and corporate bonds are the most common types of fixed income products. Unlike equities, that may pay no cash flows to investors, or variable-income securities, where payments can change based on some underlying measure—such as short-term interest rates—the payments of a fixed income security are known in advance. Fixed income investors are sometimes retired individuals who rely on their investments to provide a regular and stable income stream. This demographic tends to invest heavily in fixed-income investments because of the potential reliable return offered. Fixed income investors who live on a set amount or budget, face the risk of inflation eroding their spending power.

Some examples of fixed income investments include United States treasuries, money market instruments, corporate bonds, asset-backed securities, municipal bonds, and international bonds. The primary risk associated with fixed income investments is credit risk, the borrower defaulting on the payment. Other considerations include interest rate and re-investment rate risk for longer-dated securities, and exchange rate risk for international bonds. The most common type of a fixed income security is a bond. Bonds are issued by federal governments, local municipalities, corporations, and others. Fixed income securities are recommended for investors seeking a capital preservation component for their portfolio; however, the percentage of the portfolio dedicated to fixed income depends on each client's specific situation and investment preferences. There is also an opportunity to diversify the fixed income component of a portfolio. Riskier fixed income products, such as junk bonds and longer-dated products can be combined with short dated securities and highly rated bonds to balance the overall allocation.

In general, bonds and fixed income securities with longer-dated maturities and lower credit quality pay a higher rate, also referred to as the coupon rate, because they are considered riskier. The longer the security is on the market, the greater the potential of price swings and/or default (loss). At the

end of the bond term, or at bond maturity, the borrower returns the amount borrowed, also referred to as the principal or par value.

**Long-Term Purchases:** Our firm may buy securities for your account and hold them for a relatively long-term (more than a year), in anticipation, that the security's value will appreciate over a long-term horizon. The risk of this strategy is that our firm could miss out on potential short-term gains that could have been captured for your account, or it's possible that the security's value may decline sharply before our firm makes a decision to sell.

**Reinvestment Risk:** Some investments require reinvestment of earnings. Reinvestment risk is the possibility that cash flows from an investment are unable to be reinvested at a rate equal to the original investment's rate of return. Reinvestment risk is most common in bond investing, but any investment that generates cash flows is exposed to this risk.

**Short-Term Purchases:** When utilizing this strategy, our firm may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). Our firm does this in an attempt to take advantage of conditions that our firm believes will soon result in a price swing in the securities our firm purchase.

**Third-Party Money Manager Analysis:** The analysis of the experience, investment philosophies, and past performance of independent third-party investment managers is an attempt to determine if that manager has demonstrated an ability to persistently perform over various economic and market cycles. Analysis is completed by monitoring the manager's underlying holdings, strategies, concentrations, leverage, along with an overall periodic risk assessment. Additionally, as part of the due-diligence process, the manager's compliance and business enterprise risks are surveyed and reviewed. A risk of investing with a third-party manager who has been successful in the past, is that they may not be able to replicate that success in the future. Our firm does not control the underlying investments in a third-party manager's portfolio, there is a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio (style drift), making it a less suitable investment for our clients. Moreover, our firm does not control the manager's daily business and compliance operations; our firm may be unaware, or the lack of internal controls necessary to prevent business, regulatory, and/or reputational deficiencies.

## **Preferred Securities**

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We prefer to invest our advisory clients in the following securities, provided that such securities are appropriate to the goals of the client and are consistent with the client's investment objectives, risk tolerance, time horizons, and investment constraints.

**Fixed Income:** Fixed income broadly refers to types of investment securities that pays investors fixed interest or dividend payments until its maturity date. At maturity, investors are repaid the principal amount they had invested. Government and corporate bonds are the most common types of fixed income products. Unlike equities that may pay no cash flows to investors, or variable-income securities, where payments can change based on some underlying measure—such as short-term interest rates—the payments of a fixed income security are known in advance. Fixed income investors are sometimes retired individuals who rely on their investments to provide a regular, stable income stream. This demographic tends to invest heavily in fixed-income investments because of the potential reliable returns offered. Fixed income investors who live on a set amount or budget, face the risk of inflation eroding their spending power.

Some examples of fixed income investments include United States treasuries, money market instruments, corporate bonds, asset-backed securities, municipal bonds, and international bonds. The primary risk associated with fixed income investments is credit risk, the borrower defaulting on the payment. Other considerations include interest rate and re-investment rate risk for longer-dated bonds, and exchange rate risk for international securities. The most common type of fixed income security is a bond. Bonds are issued by federal governments, local municipalities, corporations, and others. Fixed income securities are recommended for investors seeking a capital preservation component for the portfolio; however, the percentage of the portfolio dedicated to fixed income depends on each client's specific situation and investment preferences. There is also an opportunity to diversify the fixed income component of a portfolio. Riskier fixed income products, such as junk bonds and longer-dated products can be combined with short dated securities and highly rated bonds to balance the overall allocation.

In general, bonds and fixed income securities with longer-dated maturities and lower credit quality pay a higher rate, also referred to as the coupon rate, because they are considered riskier. The longer the security is on the market, the greater potential it has to lose value and/or default (loss). At the end of the bond term, or at bond maturity, the borrower returns the amount borrowed, also referred to as the principal or par value.

**Individual Common Stock:** A common stock is a security that represents fractional equity ownership in a corporation. Equity represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off. However, in the event of bankruptcy or liquidation, common shareholders have rights to a company's assets only after bondholders, preferred shareholders, and other creditors and debtholders are paid in full. Holders of most common stock exercise ownership rights by electing a board of directors and voting on corporate policy. Investing directly in individual common stock provides investors with more control over the timing of the investment and concentration. Having the ability to decide when to buy or sell helps us manage gains or losses. Common stocks, however, bear a greater amount of risk when compared to fixed income securities and bonds. Stocks should be considered an important part of any investor's capital appreciation allocation. However, with the greater risk comes the greater potential for reward. Over the long term, stocks tend to outperform other investments but are more exposed to volatility over the short term.

**Exchange Traded Funds ("ETFs"):** An ETF is a type of security that involves a collection of securities, such as stocks, that often passively track an underlying index; although they can invest in any number of industry sectors or use various active strategies. ETFs are in many ways similar to mutual funds; however, they are listed on exchanges and ETF shares trade throughout the day just like ordinary stock. The vast majority of ETFs are designed to track an index, so their performance is close to that of an index mutual fund, but they are not exact duplicates. Tracking error, or the difference between the returns of a fund and the returns of the index, can arise due to differences in composition, management fees, expenses, and handling of dividends, among other factors. ETFs benefit from continuous pricing; they can be bought and sold on a stock exchange throughout the trading day. Because ETFs trade like stocks, you can place orders just like individual stocks, such as limit orders, good-until-canceled orders, stop-loss orders, etc. Some ETFs can also be sold short. Traditional mutual funds are bought and redeemed based on their net asset values ("NAV") at the end of the day. ETFs are bought and sold at the market prices on the exchanges, which try to track the underlying net asset value ("NAV"), but are independent of it and can trade at a premium or discount to NAV. However, arbitrageurs will ensure that ETF prices are kept very close to the NAV of the underlying securities.

Most ETFs offer low annual fees and expenses when compared to traditional mutual funds. The passive nature of index investing reduces marketing, distribution, and accounting expenses which can contribute to the lower cost. Typically, individual investors must pay a brokerage commission to purchase and sell ETF shares; for those investors who trade frequently, this can significantly increase the cost of investing in ETFs. That said, Schwab has eliminated transaction fees for U.S. listed equities and ETFs.

**Mutual Funds:** A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, and other assets. Mutual funds are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. Mutual funds give small or individual investors access to professionally managed portfolios of equities, bonds, and other securities. Each shareholder, therefore, participates proportionally in the gains or losses of the fund. Mutual funds invest in a vast number of securities, and performance is usually tracked as the change in the total market cap of the fund—derived by the aggregating performance of the underlying investments. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares are the fund's per share net asset value ("NAV") plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling their investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with mutual funds, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which is calculated daily after the market closes.

The benefits of investing through mutual funds include: (a) mutual funds are professionally managed by an investment adviser who researches, selects, and monitors the performance of the securities purchased by the fund; (b) mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds; (c) some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases; and (d) at any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages: (a) investors might have to pay sales charges, high annual fees, and other expenses regardless of how the fund performs; (b) depending on the timing of their investment, investors may also have to pay taxes on any capital gains distributions they receive. This includes instances where the fund performed poorly after purchasing shares; and (c) investors typically cannot ascertain the exact make-up of a fund's portfolio and exact pricing at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. With a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.



When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor sells and makes a profit. Mutual funds are different because investors who own mutual fund shares will owe income tax on any ordinary dividends in the year the fund receives or reinvests them. In addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's internal capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if the fund sell securities for a profit.

**Cryptocurrencies:** A Cryptocurrency is a digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. In order for a Cryptocurrency to be traded, it must meet the criteria of the Digital Asset Framework. The framework covers several key areas including technology, security, governance, scalability, regulations, liquidity, and economy. Only Cryptocurrencies that meet the criteria of the Digital Asset Framework can be traded by our Firm. Cryptocurrencies currently do not face the same regulatory oversight that traditional currencies do. Cryptocurrencies, therefore, carry a higher level of risk than other currency investments. Only a limited number of clients may be suitable for this type of investment.

**Cryptocurrency Products:** We may recommend investment in digital (crypto) currency products. These products are typically structured as a trust or exchange traded fund which pool capital together to purchase holdings of digital currencies or derivatives based on their value. Such products are extremely volatile and are suitable only as a means of diversification for investors with high risk tolerances. Furthermore, these securities carry very high internal expense ratios, and may use derivatives to achieve leverage or exposure in lieu of direct cryptocurrency holdings. This can result in tracking error and may sell at a premium or discount to the market value of their underlying holdings. Security is also a concern for digital currency investments which make them subject to the additional risk of theft.

**Private Funds:** A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. In almost all cases, a private fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee along with a performance component. In many cases, the fund's managers may become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short.

The PPM covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following: (a) Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.; and (b) Private funds are subject to various other risks, including risks associated with the types of securities that the private fund invests in or the type of business issuing the private placement.

## **Risk of Loss**

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Investing in securities involves the risk of loss that clients should be prepared to bear. While markets and investments may increase and the account(s) could enjoy a gain, it is also possible that markets and investments may decrease and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing, and that their assets are appropriately diversified to match their investment objectives (risk and return) and constraints. Clients are encouraged to ask our firm any questions regarding their risk tolerance.

**Capital Risk:** Capital risk is one of the most basic, fundamental risks of investing, it is the risk that you may lose part or 100% of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

**Currency Risk:** Fluctuations in the value of the currency may affect the value of some of your investments. All currency is subject to swings in valuation, regardless of the currency denomination of any particular investment you own, currency risk is a realistic concern. Currency risk is generally a factor for investment instruments denominated in currencies other than the investor's domestic currency.

**Company Risk:** When investing in stock positions, there is always company specific risk inherent. This is also referred to as unsystematic risk which can potentially be removed through diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

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

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds.

**Fixed Income Securities Risk:** Typically, the values of fixed-income securities move inversely to changes in interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that the value will decline as interest rates rise, which may cause your account value to likewise decrease, and vice versa. How specific fixed income securities may react to changes in interest rates will depend on the specific characteristics of each security. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, re-investment risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and/or principal as scheduled, or that negative perceptions of the issuer's ability to make such payments will cause the price of a bond to decline.

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

**Cryptocurrency Risk:** When investing in cryptocurrencies, there is always a certain level of volatility risk as a result of a decentralized currency. Different factors effect different cryptocurrencies and the allocation of assets across different cryptocurrencies can hold a variety of risks. To mitigate these risks, our firm will always consider risks when selecting which cryptocurrency to purchase, and client authorization is always required.

**Digital Asset Risk:** It is possible that many Digital Assets are never broadly accepted in the retail marketplace, and thus investment may result in losing some or all of the asset's value. In addition, the security in trading and storing Digital Assets remains uncertain. Clients should be aware of the security risks that surround purchasing or investing in Digital Assets.

#### **Description of Material, Significant or Unusual Risks**

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Our firm generally invests client cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, our firm tries to achieve the highest return on client cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to our Asset Management and Comprehensive Portfolio Management services, as applicable.

### **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

Neither our firm, nor any of its management persons have been subject to any criminal or civil actions, administrative proceedings, or self-regulatory organization (SRO) proceedings.

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

Neither our firm, nor any of its management persons are registered, or have an application pending to register, as a broker-dealer, or a registered representative of a broker-dealer. In addition, neither

our firm, nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Our firm may select and utilize third party money managers to assist in the management of client accounts. This creates a conflict of interest in that the fee-sharing arrangement may differ between third party managers selected. As such, we have an incentive to select third party managers that share a larger portion of the fee with our firm. To mitigate this conflict of interest, our firm will always act in the client's best interest. Further, our firm will ensure that any selected third party managers are properly licensed and registered to provide investment advice prior to recommending the third party manager.

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

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our firm recognizes that the personal investment transactions of our representatives, demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, our firm has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest without prior disclosure to the client.

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Likewise, related persons of our firm buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day unless included in a block trade.

## **Item 12: Brokerage Practices**

### **Custodian & Brokers Used**

Our firm does not maintain custody of client assets (although our firm may be deemed to have custody of client assets if given the authority to withdraw assets from client accounts. See *Item 15 Custody*, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Our firm recommends that clients use the Schwab Advisor Services division of Charles Schwab & Co. Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Our firm is independently owned and operated, and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed. While our firm recommends that clients use Schwab as custodian/broker, clients will decide whether to do so and open an account with Schwab by entering into an account agreement directly with them. Our firm does not open the account. Even though the account is maintained at Schwab, our firm can still use other brokers to execute trades, as described in the next paragraph.

### **How Brokers/Custodians Are Selected**

Our firm seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. A wide range of factors are considered, including, but not limited to:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- prior service to our firm and our other clients

- availability of other products and services that benefit our firm, as discussed below (see *"Products & Services Available from Schwab"*)

### **Custody & Brokerage Costs**

Schwab generally does not charge a separate fee for custody services but is compensated by charging commissions or other fees to clients on trades that are executed or that settle into the Schwab account. In addition to commissions or asset-based fees, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that our firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize client trading costs, our firm has Schwab execute most trades for the accounts.

### **Products & Services Available from Schwab**

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like our firm. They provide our firm and clients, both those enrolled and not enrolled in the Program, with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help manage or administer our client accounts while others help manage and grow our business. Schwab's support services are generally available on an unsolicited basis (our firm does not have to request them) and at no charge to our firm. The availability of Schwab's products and services is not based on the provision of particular investment advice, such as purchasing particular securities for clients. Here is a more detailed description of Schwab's support services:

#### **Services that Benefit Clients**

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 our firm might not otherwise have access or that would require a significantly higher minimum initial investment by firm clients. Schwab's services described in this paragraph generally benefit clients and their accounts.

#### **Services that May Not Directly Benefit Clients**

Schwab also makes available other products and services that benefit our firm but may not directly benefit clients or their accounts. These products and services assist in managing and administering our client accounts. They include investment research, both Schwab's and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and

- assists with back-office functions, recordkeeping and client reporting.

### **Services that Generally Benefit Only Our Firm**

Schwab also offers other services intended to help manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, Schwab will arrange for third-party vendors to provide the services to our firm. Schwab may also discount or waive fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide our firm with other benefits, such as occasional business entertainment for our personnel.

Schwab has agreed that when the assets in our clients' accounts maintained at Schwab total at least \$45 million, it will pay for certain research, technology and marketing products and services provided to us by third parties. The availability of the services described above from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$15 million of client assets in accounts at Schwab. In addition, we don't have to pay for certain third-party research, technology and marketing products, and services once the total of our clients' assets maintained in accounts at Schwab reaches \$45 million. These required amounts of client assets (\$15 million and \$45 million) may give us an incentive to require that you maintain your account with Schwab based on our interest in receiving Schwab's and the third parties' services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's or third parties' services that benefit only us or may only indirectly benefit you. We maintain more than \$15 million in client assets under management, and do not believe that maintaining at least \$15 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Irrespective of direct or indirect benefits to our client through Schwab, our firm strives to enhance the client experience, help clients reach their goals and put client interests before that of our firm or associated persons.

### **Our Interest in Schwab's Services.**

The availability of these services from Schwab benefits our firm because our firm does not have to produce or purchase them. Our firm does not have to pay for these services, and they are not contingent upon committing any specific amount of business to Schwab in trading commissions or assets in custody.

With respect to the Program, our firm does not pay SWIA fees for its services in the Program so long as our firm maintains \$100 million in client assets in accounts at Schwab that are not enrolled in the Program. If our firm does not meet this condition, then our firm will pay SWIA an annual fee of 0.10% (10 basis points) on the value of our client assets in the Program. This fee arrangement gives our firm

an incentive to recommend or require that clients with accounts not enrolled in the Program be maintained with Schwab.

In light of our arrangements with Schwab, a conflict of interest exists as our firm may have incentive to require that clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our firm rather than based on client interest in receiving the best value in custody services and the most favorable execution of transactions. As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of Schwab as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend Schwab and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions. Our firm believes that the selection of Schwab as a custodian and broker is the best interest of our clients. It is primarily supported by the scope, quality and price of Schwab's services, and not Schwab's services that only benefit our firm.

### **Soft Dollars**

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Our firm has not received any soft dollar compensation within the prior year.

### **Client Brokerage Commissions**

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Schwab does not make client brokerage commissions generated by client transactions available for our firm's use.

### **Client Transactions in Return for Soft Dollars**

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Our firm does not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

### **Brokerage for Client Referrals**

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Our firm does not receive brokerage for client referrals.

### **Directed Brokerage**

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Neither our firm nor any of our firm's representatives have discretionary authority in making the determination of the brokers-dealers and/or custodians with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions



are effected. Our firm routinely requests that clients direct us to execute through a specified broker-dealer. Our firm recommends the use of Schwab. Each client will be required to establish their account(s) with Schwab if not already done. Please note that not all advisers have this requirement.

### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, our firm will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Client-Directed Brokerage**

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Our firm does not allow client-directed brokerage outside our recommendations.

### **Aggregation of Purchase or Sale**

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Our firm provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when our firm believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

## **Item 13: Review of Accounts or Financial Plans**

The firm's Chief Compliance Officer, Benjamin Pettigrew, reviews accounts on at least an annual basis for our Asset Management, Comprehensive Portfolio Management, and Third-Party Money Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm does not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when our Asset Management, Comprehensive Portfolio Management, and Third-Party Money Management clients are contacted.

Our firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. Our firm does not provide ongoing services to financial

planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately engage our firm for a post-financial plan meeting or update to their initial written financial plan.

Retirement Plan Consulting clients receive reviews of their retirement plans for the duration of the service. Our firm also provides ongoing services where clients are met with upon their request to discuss updates to their plans, changes in their circumstances, etc. Retirement Plan Consulting clients do not receive written or verbal updated reports regarding their plans unless they choose to engage our firm for ongoing services.

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

### **Schwab**

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

In 2020 our firm received transition assistance from Schwab in the form of hard dollars. This one-time benefit of \$15,000 was used by our firm to offset the cost of new technology utilized in order to service client accounts.

### **Client Referrals**

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In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, our firm does not provide cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include client referrals).

## **Item 15: Custody**

### **Deduction of Advisory Fees:**

While our firm does not maintain physical custody of client assets (which are maintained by a qualified custodian, as discussed above), we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts, as further described below under "Third Party Money Movement." All of our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to carefully review these statements. Additionally, if our firm decides to send its own account statements to clients, such statements will include a legend that recommends the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to

raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

### **Third Party Money Movement:**

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16: Investment Discretion**

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Should clients grant our firm non-discretionary authority, our firm would be required to obtain the client's permission prior to effecting securities transactions. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

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

Our firm does not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, our firm will forward them to the appropriate client and ask the party who sent them to

mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

Third-party money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted; and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third party money manager), our firm and/or the client shall instruct the qualified custodian to forward to copies of all proxies and shareholder communications relating to the client's investment assets.

## **Item 18: Financial Information**

### **Inclusion of a Balance Sheet**

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Our firm does not require nor is prepayment solicited for more than \$1,200 in fees per client, 6 months or more in advance. Therefore, our firm has not included a balance sheet for our most recent fiscal year.

### **Disclosure of Financial Condition**

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Our firm has nothing to disclose in this regard.

### **Bankruptcy Petition**

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Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- Our firm has never been the subject of a bankruptcy proceeding.