

**Item 1: Cover Page  
Part 2A of Form ADV: Firm Brochure  
December 2019**



**ORDERLY FINANCE** SM

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This brochure provides information about the qualifications and business practices of Orderly Finance LLC dba Orderly Finance. If clients have any questions about the contents of this brochure, please contact us at [orderlyfinance@gmail.com](mailto:orderlyfinance@gmail.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority. Additional information about our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #306511.

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

Orderly Finance is required to make clients aware of information that has changed since the last annual update to the Firm Brochure ("Brochure") and that may be important to them. Clients can then determine whether to review the brochure in its entirety or to contact us with questions about the changes.

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## Item 4: Advisory Business

Our firm is dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed under the laws of the State of California in 2019 and has been in business as an investment adviser since that time. Our firm is wholly owned by Orderly Market LLC.

The purpose of this Brochure is to disclose the conflicts of interest associated with the 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**

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

As part of our Comprehensive Portfolio Management service, the firm provides Financial Planning or Consulting and Asset Management to clients. Our firm conducts client meetings to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on discovery, an investment approach is presented to the client, consisting of individual stocks, bonds, ETFs, options, mutual funds and other public and private securities or investments. Once the appropriate portfolio has been determined, portfolios are consistently monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives. Upon client request, our firm provides a summary of observations and recommendations for the planning or consulting aspects of this service.

When deemed suitable for the client, our firm utilizes the sub-advisory services of a third-party investment advisory firm or individual advisor 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.

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

Our firm provides a variety of standalone financial planning and consulting services to clients for the management of financial resources. Financial planning services will typically involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. 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. Assuming that all the information and documents requested from the client are provided promptly, plans or consultations are typically completed within 6 months of the client signing a contract with our firm.

### **Asset Management:**

As part of our Asset Management service, a portfolio is created, consisting of individual stocks, 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 are consistently monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives.

When deemed suitable for the client, our firm utilizes the sub-advisory services of a third-party investment advisory firm or individual advisor 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.

### **Family Office Concierge Services:**

Our firm also offers standalone concierge services to aid with miscellaneous tasks. Our firm strives to offer assistance with all the various and complex issues faced by our clients in their daily lives. Concierge engagements may encompass a wide range of services and may not necessarily be limited to performing duties of a financial nature. The extent and scope of this type of engagement will vary due to each client's unique situation and needs. Our firm does not guarantee the acceptance of any formal request for concierge services made by a client and reserves the right to refuse any request of these services without a mutually and separately executed *Concierge Services Agreement* between our firm and the client.

### **Tailoring of Advisory Services**

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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, and Concierge Services clients.

Our firm does not usually allow Asset Management or Comprehensive Portfolio Management clients to impose restrictions on investing in certain securities or types of securities. Exceptions will be made on a case-by-case basis.

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

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

### **Regulatory Assets Under Management**

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Our firm is a newly registered adviser and does not have initial assets to report.

## Item 5: Fees & Compensation

### Compensation for Our Advisory Services

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#### Comprehensive Portfolio Management:

Advisory fees for this service will be charged either on a percentage of assets under management and/or for a fixed fee. If Client is charged as a percentage of assets under management, the maximum annual fee charged for this service will not exceed 1.5%. Fixed Fees will not exceed \$250,000 nor represent a fee of more than 1.5% of the client's assets under management. A combination of a fixed fee and fee calculated according to Client's assets under management may be negotiated. In such cases the aggregate of the fixed fee and asset-based fee will not exceed 1.5%. 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 in arrears based on the average daily balance per quarter. If the average daily balance is not made available to our firm, fees shall be billed as an average of the value of the assets on the first and last day of the billing period instead. Illiquid investments shall be billed quarterly in arrears at a reduced rate based on the most recent third party or custodial firm valuation of the investment. Fees are negotiable and will be deducted from client account(s). Adjustments will be made for deposits and withdrawals during the quarter. Our firm will agree to directly invoice in cases where fees may not be directly deducted from the client account. As part of this process, Clients understand the following:

- 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 on an hourly or flat fee basis 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 \$395. Flat fees will not exceed \$100,000. Our firm requires the full payment of the ultimate fee charged upon the execution of the financial planning and/or consulting agreement. However, if the client cannot produce the entirety of the payment when signing the advisory agreement, the fee-paying arrangements will be re-negotiated and memorialized in writing. Our firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 months.

#### Asset Management:

Advisory fees for this service will be charged either on a percentage of assets under management and/or for a fixed fee. If Client is charged as a percentage of assets under management, the maximum annual fee charged for this service will not exceed 1.3%. Fixed Fees will not exceed \$235,000 nor

represent a fee of more than 1.3% of the client's assets under management. A combination of a fixed fee and fee calculated according to Client's assets under management may be negotiated. In such cases the aggregate of the fixed fee and asset-based fee will not exceed 1.3%. 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 in arrears based on average daily balance. If the average daily balance is not made available to our firm, fees shall be billed as an average of the value of the assets on the first and last day of the billing period instead. Illiquid investments shall be billed quarterly in arrears at a reduced rate based on the most recent third party or custodial firm valuation of the investment. Fees are negotiable and will be deducted from client account(s). Adjustments will be made for deposits and withdrawals during the quarter. Our firm will agree to directly invoice in cases where fees may not be directly deducted from the client account. As part of this process, Clients understand the following:

- 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.

### **Separately Managed Accounts, Sub-Advisors, and or Third-Party Money Managers**

The annual fee charged to clients whose portfolios incorporate third party money managers, sub advisors and/or separately managed accounts (collectively "Third Parties") will be distinct from the maximum fee published for our Asset Management and Comprehensive Portfolio Management Services. Our firm will debit its fees for either service as laid out in the executed advisory agreement between the client and our firm. That fee shall be exclusive of any fees assessed by a chosen Third Party. The Third Parties we recommend will not charge a higher fee than they would have otherwise. Third Parties establish and maintain their own billing procedures over which Orderly Finance has no control. In general, the Third Parties will directly bill clients and provide a copy of the appropriate disclosure documents that explain their billing procedures.

### **Family Office Concierge Services:**

Our firm charges on an hourly basis for concierge services. The hourly rate is adjusted for the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$250. A client must execute a separate *Concierge Services Agreement* to engage our firm for this type of service. Fees to be assessed for these services are separate from advisory fees and shall be outlined in the *Concierge Services Agreement*. Clients will be invoiced directly by our firm quarterly in arrears for the aggregate hours of concierge services performed in the previous quarter.

### **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. 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.

### **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 pro-rata advisory fees for services rendered to the point of termination will be charged. If advisory fees cannot be deducted, our firm will send an invoice for due advisory fees to the client.

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.

Concierge clients may terminate their agreement at any time by providing written notice. For purposes of calculating unpaid fees, all work performed by us up to the point of termination shall be calculated at the hourly fee agreed upon by both parties in the advisory agreement. Clients will receive an invoice directly from our firm for the unpaid fees following termination of these services.

### **Commissionable Securities Sales**

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Our firm and representatives do not sell securities for a commission in advisory accounts.

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

Performance based fees can only be assessed a Qualified Client, with at least \$1,000,000 under management with our firm or a net worth of at least \$2,100,000. A performance fee is a fee based on a share of capital gains on or capital appreciation of the managed assets of a client.

In addition to the advisory fee charged in Item 5 of this brochure, our firm charges up to 20% of the net profits (i.e., profits after our management fee has been deducted) achieved for the previous quarter's account management. The performance fee is payable only if the net profits in the client account(s) exceed the performance calculation of the previous quarter (a "high water mark"). At our discretion, our firm may waive all or any portion of the performance fee or may agree with a client to other changes to the performance fee by written agreement only.

In charging performance fees to some client accounts, our firm faces a conflict of interest as our firm can potentially receive greater fees from client accounts having a performance-based compensation structure than from accounts only charged an advisory fee. As a result, there exists an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. Our firm has taken important steps to ensure that our performance based accounts are not favored over our client's non-performance fee based accounts.



Performance based and non-performance based accounts are periodically reviewed and compared. In the event that our firm finds performance based accounts are being unduly (i.e., consistently) favored over non-performance based accounts, our firm would take action to address the situation on a case-by-case basis. This could include allowing non-performance based accounts to trade before performance based accounts to the extent practicable, or if the problem persists, not allowing new performance based accounts, waiving our performance based fees or cancelling our performance based fee arrangements altogether and in some cases, termination of firm personnel.

Our firm also makes use of block trades and allocations made based on client's risk tolerance, investment objectives and restrictions. Our firm will periodically review block trade allocations to detect whether profitable trades are being disproportionately allocated to performance based accounts, while unprofitable trades are being disproportionately allocated to pure-fee based accounts with no performance fee. If a problem is detected in the allocation of block trades, our firm will take measures as previously described above.

## Item 7: Types of Clients & Account Requirements

Our firm has the following types of clients:

- Trusts, Estates, High Net Worth Individuals
- Corporations, Limited Liability Companies and/or other Business Types
- Individuals

Our firm does not impose requirements for opening and maintaining accounts or otherwise engaging us for Asset Management, Comprehensive Portfolio Management and Financial Planning/Consulting services.

## 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:

**Modern Portfolio Theory ("MPT"):** A mathematical framework for assembling a portfolio of assets such that the expected return is maximized for a given level of risk, defined as variance. Its key insight is that an asset's risk and return should not be assessed by itself, but by how it contributes to a portfolio's overall risk and return. MPT assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists that has better expected returns.

The risk, return, and correlation measures used by MPT are based on expected values, which means that they are mathematical statements about the future (the expected value of returns is explicit in the above equations, and implicit in the definitions of variance and covariance). In practice, investors must substitute predictions based on historical measurements of asset return and volatility for these values in the equations. Very often such expected values fail to take account of new circumstances that did not exist when the historical data were generated. Mathematical risk measurements are also useful only to the degree that they reflect investors' true concerns—there is no point minimizing a variable that nobody cares about in practice. MPT uses the mathematical concept of variance to quantify risk, and this might be justified under the assumption of elliptically distributed returns such as normally distributed returns, but for general return distributions other risk measures (like coherent risk measures) might better reflect investors' true preferences.

**Fundamental Analysis:** Fundamental analysis attempts to measure an investment's intrinsic value by examining both economic factors and financial factors. Economic factors include interest rates, gross domestic product, employment, etc. Financial factors include assets, liabilities, earnings, etc. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives: (a) to conduct an investment valuation and to predict its probable price evolution; (b) to make a projection on performance; and (c) to calculate its credit risk.

When analysis objective is price discovery and investment selection, investors rely on two basic methodologies (a) Fundamental Analysis (b) Technical Analysis. Fundamental Analysis maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by purchasing the mispriced security and then waiting for the market to recognize its "mistake" and reprice the security. Technical Analysis maintains that all information is already reflected in the price of a security and relies upon trend analysis to anticipate momentum. Investor sentiment to price volatility leads to recognizable patterns. Technical analysts also analyze historical trends to predict future price movement. Investors can use one or both of these different, but complementary methods for investment selection. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the investment.

**Technical Analysis:** Our firm will not use technical analysis in isolation and this form of analysis is used sparingly only as a compliment to MPT and Fundamental Analysis. This form of analysis attempts to forecast direction of prices through the study of past market data, primarily price and volume. A core principle of technical analysis is that a market's price reflects all relevant information. Technical analysis studies the history of an investment's trading pattern rather than external drivers such as economic, political and news events. Therefore, price action tends to repeat itself due to investors collectively trending toward patterned behavior. Technical analysts use market indicators that are essentially mathematical transformations of price; inputs often include up & down volume, advance/decline data. These indicators are used to help assess the direction that assets are trending and probability of its continued direction.

**Quantitative Analysis:** The use of models, or algorithms, 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 resulting strategies may involve high-frequency trading. The results of the analysis are taken into consideration 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.

**Qualitative Analysis:** The use of unquantifiable information including management expertise, industry cycles, strength of research and development, and labor relations. Qualitative analysis contrasts with quantitative analysis, which focuses on data that can be found on reports (i.e. income statement, balance sheet). However, both techniques are often used together in order to examine a company's operations and evaluate its potential as an investment opportunity. Qualitative analysis deals with intangible, inexact concerns that belong to the social and experiential realm rather than the mathematical one. This approach depends on the kind of intelligence that machines (currently) lack, since things like positive associations with a brand, management trustworthiness, customer satisfaction, competitive advantage and cultural shifts are difficult, arguably impossible, to capture with numerical inputs. A risk in 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 markets, there is zero or negative growth, a factor demanding careful consideration. Additionally, market analysts recommend that investors should monitor sectors that are nearing the bottom of performance rankings for possible signs of an impending turnaround.

### **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 perform differently in different market and economic conditions. A fundamental justification for asset allocation is the notion that different asset classes offer returns that are not perfectly correlated, hence diversification reduces the overall risk in terms of the variability of returns for a given level of expected return. Although risk is reduced as long as correlations are not perfect, it is typically forecast (wholly or in part) based on statistical relationships (like correlation and variance) that existed over some past period. Expectations for return are often derived in the same way.

An asset class is a group of economic resources sharing similar characteristics, such as volatility and return. There are many types of assets that may or may not be included in an asset allocation strategy. The "traditional" asset classes are 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), 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 cash or cash equivalents. Allocation among these three provides a starting point. Usually included are hybrid instruments such as convertible bonds

and preferred stocks, counting as a mixture of bonds and stocks. Other alternative assets that may be considered include: commodities: precious metals, nonferrous metals, agriculture, energy, others.; Commercial or residential real estate (also REITs); Collectibles such as art, coins, or stamps; insurance products (annuity, life settlements, catastrophe bonds, personal life insurance products, etc.); derivatives such as long-short or market neutral strategies, options, collateralized debt, and futures; foreign currency; venture capital; private equity; and/or distressed securities.

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. Generally speaking, strategic asset allocation strategies are agnostic to economic environments, i.e., 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 original asset classes; however, unlike strategic strategies, dynamic asset allocation portfolios will adjust their postures over time relative 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 strategic and dynamic portfolio, tactical strategies are often traded more actively 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.

**Long-Term Purchases:** Our firm may buy securities for an account and hold them for a relatively long time (more than a year) in anticipation that the security's value will appreciate over a long horizon. The risk of this strategy is that short term gains may have been missed, or that the security's value sharply declines prior to the point at which it is sold.

**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.

### **Risk of Loss**

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Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and the account(s) could recognize a gain, it is also possible that the stock market may decrease, and the account(s) could experience a loss. It is important that clients understand the risks associated with investing and to appreciate benefits of diversification through

prudent asset allocation. 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 clients may lose 100% of their money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

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

**Market Risk:** The value of a portfolio may decrease if the value of an individual investment or multiple investments in the portfolio decreases or if Adviser's belief in an investment's intrinsic worth is incorrect. Deteriorating economic or market conditions can negate or eliminate returns earned by well performing investments. It is important to understand that the value of any investment may fall, sometimes sharply, in response to changes in the market, and a subsequent loss may be incurred. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

**Strategy Risk:** No guarantee that the investment strategies discussed herein will work under all market conditions. Each investor should evaluate their appetite for risk, investment horizon, and liquidity needs vs. portfolio composition. Investments are subject to risk, including possible loss of principal.

**Company Risk:** There is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk or idiosyncratic risk and can be reduced through appropriate 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.

**Inflation Risk:** Inflation risk is the concern that purchasing power of cash flows earned in the future will be worth less than in today's environment. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and services today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future relative to their present value. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk:** Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing

interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Credit Risk:** Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

**Legal/Regulatory Risk:** Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

**Liquidity Risk:** Certain assets may not be readily converted into cash or may have a very limited market in which they trade. This can create a substantial delay in the receipt of proceeds from an investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

**Manager Risk:** There is always the possibility that poor security selection will cause investments to underperform relative to benchmarks or other funds with similar investment objectives.

**Foreign Exposure Risk:** Our firm may have exposure to foreign markets, including emerging markets, which can be more volatile than the U.S. markets. As a result, returns and net asset value may be affected to a large degree by fluctuations in currency exchange rates or political or economic conditions in a particular country. Investments in emerging market countries may involve risks greater than, or in addition to, the risks of investing in more developed countries.

**Currency Risk:** Fluctuations in the value of the currency in which an investment is denominated may affect the value of the investment and thus may be worth more or less in the future. All currency is subject to swings in valuation regardless of the currency denomination of any particular investment held. Currency risk is a realistic risk measure, that said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. Dollar, British Pound, German Mark, Euro, Japanese Yen, French Franc, Argentine Peso etc.).

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

**Equity (Stock) Market Risk:** Common stocks are susceptible to general stock market fluctuations and are traditionally more volatile than are debt obligations from common issuer. Stockholders are investors rather than lien holders and have no claim to issuer's assets. Generally, equity markets are volatile and there is risk of significant capital loss.

**Small Cap & Mid Cap (SMID) Risk:** Investments issued by small cap companies and mid cap companies may carry greater risks than are customarily associated with larger, often more established companies. Investments issued by SMID Companies tend to have more volatility than securities issued by large cap companies.

**Options Risk:** Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. An Option Premium is a product of intrinsic value and time value (extrinsic value). Intrinsic value is spread between the price of underlying security and price of option's strike (exercise). Time Value a calculation that is dependent on the volatility of the underlying security and interest rate fluctuation. Options have an expiration date, which makes them "decay" in value over the period held. Options can expire worthless. Purchasing and writing options are highly specialized activities and entail greater than ordinary investment risks.

**Fixed Income Securities Risk:** Fixed Income valuations are susceptible to interest rate risk, credit risk, prepayment risk, valuation risk, and liquidity risk. Historically, interest rates move inversely to valuations of fixed income securities. Unique characteristics specific to each security will determine its correlation to interest rate fluctuations.

**Preferred Securities Risk:** Preferred securities make fixed payments based on a percentage of their par value. Preferred shareholders do not receive payment until after bondholders and other creditors receive payment. Should an issuer not meet its obligations, bondholders and other creditors are entitled to first claim of an issuer's assets. Preferred dividends are distributed from net of tax income whereas bond interest is paid before taxes. Bond covenants protect bondholders by limiting activity that could jeopardize payment of coupon or principal. Typically, preferred shareholder terms provide more flexibility to the issuer. Preferred Stock dividends must receive approval from issuer's board of directors, who may defer or purge dividend payments without declaring default or bankruptcy.

**Money Market Risk:** Money market fund is not a bank deposit. It is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. A money market fund seeks to preserve par value, \$1.00, per share, but it is possible to lose money by investing in a money market fund.

**Exchange Traded Funds (ETFs) & Mutual Fund Risk:** Exposure to an ETF's or Mutual Fund's underlying investments presents an inherent risk of loss. ETFs and Mutual Funds also incur additional expenses represented by investor's pro rata share of operating expenses, including potentially redundant management fees. The cost of investing in an ETF or Mutual Fund may exceed the cost of directly purchasing the underlying securities. ETFs may be traded on an intraday basis and the market price of an ETF may be more or less than the net asset value of underlying securities. Mutual Fund investors face greater liquidity risk due to their inability to trade during market hours; clients receive the closing NAV. Miscalculations of the underlying NAV may also represent another risk in trading shares of a Mutual Fund.

**Higher Trading Costs:** For any investment instrument or strategy that involves active or frequent trading, investor may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

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## **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.

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

Our firm has no other financial industry activities and affiliations to disclose.

### **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 personal investment transactions of our representatives demand the application of a Code of Ethics with high standards and require 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.

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

Clients are free to select the broker of their choice, and in fact, our firm works with multiple broker-dealers as a result of client choice, all within the regulations of the SEC and the state agencies and per the rules of limited power of attorney (LPOA) agreements of the various brokers.

If Client directs our firm to use a specific broker-dealer, then our ability to negotiate commissions (where applicable), obtain volume discounts, or obtain best execution may not be as favorable as might otherwise be obtained. Most favorable execution of transactions may not always be achieved at any broker-dealer.

Our firm does not maintain custody of client assets (although our firm may be deemed to have custody of client assets if give 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. Custodians will hold client assets in a brokerage account and buy and sell securities when instructed.

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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.

Two Custodians provide institutional brokerage services to our firm and to our clients:

- The Schwab Advisor Services division of Charles Schwab & Co. Inc. ("Charles Schwab"), a FINRA-registered broker-dealer, member SIPC; or
- The institutional services of Interactive Brokers LLC, a division of Interactive Brokers Group, Inc. ("Interactive Brokers") member FINRA/SIPC.

Our firm is independently owned and operated and is not affiliated with Charles Schwab or Interactive Brokers (herein "Custodians"). Clients may decide to open an account with one of the Custodians by entering into an account agreement directly with them. Our firm does not open the account.

Even though the account is maintained by the Custodians, 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:

- reputation, financial strength and stability of the provider
- competitiveness of the price of its services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate 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)
- capability 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
- 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 The Custodians"*)

### **Products & Services Available from the Custodians**

Schwab Advisor Services and the institutional services of Interactive Brokers LLC are the Custodians' businesses serving independent investment advisory firms like our firm. They provide our firm and clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to either custodian's retail customers. The Custodians also make available various support services. Some of those services help manage or administer our client accounts while others help manage and grow our business. Custodians' 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 the Custodians products and services are not based on the provision of particular investment advice, such as purchasing particular securities for clients. Here is a more detailed description of the Custodians' support services:

## **Products & Services Available from the Custodians**

Schwab Advisor Services and the institutional services of Interactive Brokers LLC are the Custodians' businesses serving independent investment advisory firms like our firm. They provide our firm and clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to either custodian's retail customers. The Custodians also make available various support services. Some of those services help manage or administer our client accounts while others help manage and grow our business. The Custodians' 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 the Custodians products and services are not based on the provision of particular investment advice, such as purchasing particular securities for clients.

### **Services that Benefit Clients**

The Custodians' 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 these programs include some to which our firm might not otherwise have access or that would require a significantly higher minimum initial investment by firm clients. The Custodians' services described in this paragraph generally benefit clients and their accounts.

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

The Custodians also make 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 proprietary to each custodian and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained by either of the Custodians. In addition to investment research, the Custodians also make 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**

The Custodians also offer 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.

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

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

### **Our Interest in The Custodians' Services.**

The availability of these services from the Custodians 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 the Custodians in trading commissions or assets in custody.

In light of our arrangements with the Custodians, a conflict of interest exists as our firm may have incentive to require that clients maintain their accounts with the Custodians based on our interest in receiving the Custodians' 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 the Custodians as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend the Custodians and has 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 the Charles Schwab or Interactive Brokers as a custodian and broker is often in the best interest of our clients. This is primarily supported by the scope, quality and price of both custodians' suite of services, and not solely the Custodians' services that only benefit our firm.

### **Custody & Brokerage Costs**

The Custodians generally do not charge separately for custodial services but are compensated by charging commissions or other fees to clients on trades that are executed or that settle into the Custodians' account. For some accounts, the Custodians may charge client accounts a percentage of the dollar number of assets in the account in lieu of commissions. The Custodians' commission rates and/or asset-based fees applicable to client accounts were negotiated based on our firm's commitment to maintain a minimum threshold of assets statement equity in accounts at the Custodians. This commitment benefits clients because the overall commission rates and/or asset-based fees paid are lower than they would be if our firm had not made the commitment. In addition to commissions or asset-based fees, the Custodians charge 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 one of the Custodians' accounts. 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 one of the Custodians execute most trades for our clients' accounts.

### **Client Brokerage Commissions**

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The Custodians do 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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Our firm and firm's representatives have no discretionary authority to direct order execution among custodians or broker dealers; execution details include but are not limited to commission rates, time constraints, and volume considerations.

Our firm routinely recommends that clients direct us to execute through a specified broker-dealer. Our firm often recommends use of Charles Schwab or Interactive Brokers.

### **Client-Directed Brokerage**

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Our firm allows clients to direct brokerage outside our recommendation. Our firm may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, clients may pay higher brokerage commissions because our firm may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices.

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

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Our firm provides investment management services for various clients. At times, portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm. Although concurrent authorizations could potentially be advantageous or disadvantageous to any one or more particular accounts, they are executed only when our firm believes that doing so is best interests of the represented accounts. When concurrent authorizations occur, the objective is to allocate executions in a manner which is deemed equitable to accounts involved. Our firm attempts to allocate trade executions in the most equitable manner possible, using price averaging, proration, and consistent non-arbitrary methods of allocation.

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

Our principal reviews Comprehensive Portfolio Management and Asset Management Client Accounts. At a minimum, all accounts are reviewed annually. The purpose of these reviews is to

confirm Client's account allocation is in line with investment objectives and current market conditions. Our firm does not provide written reports to clients, unless asked to do so.

Our firm may review client accounts more frequently than described above. Market conditions, macroeconomic events, client life events, or client requests may trigger off-cycle reviews.

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 we are willing to meet with such clients upon their request. Financial Planning clients do not receive subsequent, updated reports regarding their financial plans unless clients engage our firm for a separate, post-financial plan meeting or update to their initial written financial plan.

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

### **The Custodians**

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Our firm receives economic benefit from The Custodians 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 with The Custodians. 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 the Custodians' products and services are not based on our firm giving particular investment advice, such as buying particular securities for our clients.

### **Referral Fees**

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Our firm does not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

## **Item 15: Custody**

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 "Standing Instructions." All 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 compares 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.

## Item 18: Financial Information

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.