



**Form ADV Part 2A – Firm Brochure**

**Item 1 – Cover Page**

Nixon Peabody Financial Advisors LLC

1300 Clinton Square  
Rochester, NY 14604

(585) 263-1100

[www.npfa.com](http://www.npfa.com)

Date of Brochure: January 2018

---

This brochure provides information about the qualifications and investment advisory business practices of Nixon Peabody Financial Advisors LLC. If you have any questions about the contents of this brochure please contact us at 585-263-1100 or [djones@nixonpeabody.com](mailto:djones@nixonpeabody.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about our investment advisory business is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our information on this website by searching for “Nixon Peabody Financial Advisors LLC” by name by using the firm’s CRD number. The CRD number for the firm is **117232**.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## Item 2 – Material Changes

This item provides information regarding specific material changes and a summary of such changes made to the Disclosure Brochure since the last annual update of the brochure which occurred in March 2017. Since our last annual update, there have been no material changes made to our brochure.

## Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents.....	2
Item 4 – Advisory Business.....	3
General Background .....	3
General Description of Primary Advisory Services .....	3
Specialization .....	4
Advice to Certain Types of Investments .....	4
Tailor Advisory Services to Individual Needs of Clients.....	5
Client Assets Managed by NPFA.....	5
Item 5 – Fees and Compensation .....	5
1. Financial Planning .....	7
2. Retirement Planning.....	7
3. Income Tax Preparation and Planning.....	7
4. Employee Benefit Planning .....	8
5. Risk Management and Insurance Planning .....	8
6. Education Planning .....	8
7. Estate and Gift Planning .....	8
8. Investment Consulting and Management .....	8
9. Managed Account Select Program .....	10
10. General Information .....	12
Item 6 – Performance-Based Fees and Side-By-Side Management.....	12
Item 7 – Types of Clients .....	12
Minimum Investment Amounts Not Required .....	13
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	13
Item 9 – Disciplinary Information.....	16
Item 10 – Other Financial Industry Activities and Affiliations .....	16
Related Law Firm – Nixon Peabody .....	16
Related Investment Advisor – OmniCap.....	17
Related Non-Depository Trust Company – Watch Point Trust Company.....	17
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading .....	17
Item 12 – Brokerage Practices.....	19
Client Directed Brokerage Arrangements .....	20
Trade Errors .....	20
Block Trading Policy.....	21
Item 13 – Review of Accounts.....	21
Account Reviews and Reviewers.....	21
Statements and Reports .....	21

Item 14 – Client Referrals and Other Compensation .....	22
No Payment for Client Referrals .....	22
Other Compensation .....	22
Item 15 – Custody .....	22
Item 16 – Investment Discretion .....	23
Item 17 – Voting Client Securities .....	23
Item 18 – Financial Information .....	23
CUSTOMER PRIVACY POLICY NOTICE .....	24

## **Item 4 – Advisory Business**

### **General Background**

Nixon Peabody Financial Advisors LLC (also commonly known as “NPFA”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a Limited Liability Company formed under the laws of the State of New York.

- NPFA has been registered as an investment advisor since July 18, 2005.
- The firm is owned and operated by Nixon Peabody LLP, a national law firm with offices in Rochester, New York and other cities within and outside the United States.
- NPFA shares office space and resources of Nixon Peabody. In fact, NPFA personnel are Nixon Peabody employees and provide tax and other services to Nixon Peabody clients that are not also NPFA clients. Some of our personnel are also practicing attorneys with Nixon Peabody. While NPFA’s non-legal services will be provided by persons who are also employees or partners of Nixon Peabody, such individuals are acting solely as employees of NPFA and not as attorneys. In their role with NPFA, they are not practicing law in any manner. Because the services provided by NPFA are not legal services, the protection of attorney - client relationship does not exist with respect to NPFA’s services. Legal services, if any, will be provided by the client’s own attorney or by Nixon Peabody LLP pursuant to a separate engagement letter between the client and Nixon Peabody LLP. *Please refer to Item 10 – Other Financial Industry Activities and Affiliations of this Disclosure Brochure* for more information.

### **General Description of Primary Advisory Services**

The following are brief descriptions of NPFA’s primary services. A detailed description of NPFA services is provided in *Item 5 – Fees and Compensation* so that clients and prospective clients can review the services and description of fees in a side-by-side manner.

**Financial Planning Services** - NPFA provides advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focus on a client’s overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

**Investment Management Services** – NPFA provides advisory services in the form of Investment Management Services. Investment Management Services involve providing clients with continuous and

on-going supervision over client accounts. This means we will continuously monitor a client's account and recommend trades in client accounts when necessary.

**Outside Money Managers** – We may also refer to or recommend clients use unaffiliated, third-party money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary. These services are provided through either the SEI Managed Account Solutions program or Charles Schwab's Managed Account Select program. Both are described in *Item 5 – Fees and Compensation*.

### **Specialization**

The firm specializes in providing customized and individual financial planning, tax planning and estate planning services. These services include:

- Meeting with clients to determine financial goals and objectives
- Gathering statements and documents such as wills, trusts, account statements, insurance policies and other information
- Preparation of Net Worth and Personal Financial Statements
- Reviewing existing documents to determine if they will accomplish clients' stated goals and objectives
- Provide recommendations of changes to existing documents/plans to help achieve stated goals
- Prepare federal and state income tax returns and income tax projections, and provide tax planning advice
- Review adequacy of life, disability and property & casualty insurance coverage
- Retirement planning including projection of income and expenses after retirement, and analyzing and advising on company-provided retirement benefits.

### **Advice to Certain Types of Investments**

Investment advice typically involves both generic and specific asset allocation recommendations. Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Specifically, the firm provides investment advice on the following types of investments:

- Exchange-listed securities (e.g., stocks)
- Exchange Traded Funds (ETFs)
- Securities traded over-the-counter (e.g., stocks)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities and commodities
- Futures contracts on tangibles and intangibles
- Interests in partnerships investing in real estate, oil and gas interests

NPFA performs background research and may occasionally recommend or provide advice on private real estate investments, tax credit partnerships (including low income housing and/or oil and gas),

conservation tax credits, REITs (real estate investment trusts), hedge funds, and 529 college savings plans. In addition, NPFA researches and makes occasional recommendations for investments in private equity, venture capital, timber and hedge funds, real estate partnerships and other private placement investments.

Private offering (i.e., unregistered) investments are often illiquid, which means that the investments can be difficult to trade and consequently limit a client's ability to dispose of such investments in a timely manner and at an advantageous price. Additionally, such investments may not have registered pursuant to the Securities Act of 1933, and therefore the client will need to complete a subscription agreement showing the client is an "accredited" investor (as defined by applicable law and rules and regulations) and acknowledge that he or she has read and understands the private placement memorandum and is aware of the various risk factors associated with such an investment.

When providing Investment Management Services, the firm will typically construct each client's account holdings using mutual funds and independent third-party investment managers to build diversified portfolios. It is not NPFA's typical investment strategy to attempt to time the market but we may increase or decrease cash holdings modestly as deemed appropriate, based on the client's risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations like: low basis stock, stock options, employer required share ownership requirements, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

#### **Tailor Advisory Services to Individual Needs of Clients**

NPFA's services are always provided based on the individual needs of each client. This means, for example, that clients are given the ability to impose restrictions on their accounts, including specific investment selections and sectors. We work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information.

#### **Client Assets Managed by NPFA**

The amount of clients assets managed by NPFA totaled \$176,426,899.73 as of October 31, 2017. The entire portion is managed on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

In addition to the information provided in *Item 4 – Advisory Business*, this section provides details regarding NPFA's services along with descriptions of each service's fees and compensation arrangements.

#### **Four ways to charge fees for financial planning, investment consulting or investment management:**

1. As a fixed fee that typically ranges from \$4,000 - \$60,000 per year, depending on the nature and complexity of the client's circumstances. This fee will most often be due on a quarterly basis (in arrears).
2. Upon completion of the project, or in periodic installments during the preparation of the analyses to reflect the partial work completed.

3. On an hourly basis that ranges from \$195 - \$755 per hour, depending on the nature and complexity of the client's circumstances and the individual providing the service. These fees will be billable and due as earned.

4. As a percentage of assets under management based on the schedule listed below. (Financial planning, investment consulting and investment management fees are included in this fee and not charged separately.)

The maximum annual fee schedule charged by NPFA is provided below. This schedule applies to all NPFA clients, not just those utilizing the services of SEI or Charles Schwab.

Market Value Breakpoint	Fee Per Tier	TOTAL FEE	
		Cumulative Dollars	Basis Points
First \$500,000	12.00 per \$1,000 = \$6,000	\$6,000	120
Next \$500,000	10.00 per \$1,000 = \$5,000	\$11,000	100
Next \$2,000,000	7.00 per \$1,000 = \$14,000	\$25,000	70
Next \$2,000,000	6.00 per \$1,000 = \$12,000	\$37,000	60
Next \$5,000,000	5.00 per \$1,000 = \$25,000	\$62,000	50
Over \$10,000,000	4.00 per \$1,000		40

\* The fee schedule for accounts greater than \$10,000,000 is negotiable. The exact fee schedule applied to each client will be detailed and listed in the client's Financial Advisory Agreement. For reference purposes, the following is a sample fee schedule for a client with \$2,500,000 in assets under management.

#### FEE SCHEDULE:

\$0 - \$500,000	1.2000%
\$500,001 - \$1,000,000	1.0000%
\$1,000,001 - \$3,000,000	0.7000%
\$3,000,001 - \$5,000,000	0.6000%
\$5,000,001 - 10,000,000	0.5000%
\$10,000,001 and up	NEGOTIABLE

The following shows the actual amount of fees received by NPFA

Annual fees would be:

1.20% of \$500,000	\$6,000.00
1.00% of \$500,000	\$5,000.00
0.70% of \$1,500,000	<u>\$10,500.00</u>
TOTAL FEE	<u>\$21,500.00</u>

Annual fees are billed quarterly in arrears and are pro-rated for partial quarters. The quarterly fee is calculated based on the average of the account values at the end of each month included in the quarter. Fees are generally deducted directly from the client's account at either SEI or Charles Schwab. Clients must provide the custodian with written authorization to have fees deducted from the account and paid to NPFA. Upon discretion of NPFA, clients may pay fees directly to NPFA. For clients that pay directly, payment is due upon the client's receipt of the billing statement from NPFA. For clients that have their fees deducted, the statements sent by the custodian will outline the fees paid to NPFA during that time period. No other invoice will be provided by NPFA.

## **Services**

### **1. Financial Planning**

NPFA may provide financial planning services to its clients that include all or some of the following areas:

- On-going financial planning including preparation of net worth statements, review of goals and objectives, annual savings needs, retirement projections, etc.; and
- Other areas of importance to the client.

### **2. Retirement Planning**

NPFA may also provide retirement planning services to the client. This may include all or some of the following areas:

- Prepare projections of income and expenses through and after retirement;
- Monitor portfolio assets and their ability to support desired lifestyle throughout retirement years;
- Recommend changes to spending, savings and/or retirement date;
- Analyze company-provided retirement benefits and advise on related elections; and
- Advise on optimization of retirement income (e.g., Social Security, withdrawals from retirement accounts).

### **3. Income Tax Preparation and Planning**

NPFA may also provide income tax preparation and planning services to the client. This may include all or some of the following areas:

- Prepare federal, state and local individual income tax returns;
- Determine need for any required quarterly estimated tax payments;
- Identify all required income tax filings;
- Advise on appropriate filing status;
- Consider relevant deductions or credits that you may be eligible to claim;
- Respond to audits and other inquiries from tax authorities;
- Prepare income tax projections to monitor estimated tax liabilities;
- Review tax impact of equity award activity;
- Monitor tax implications of compensation matters;
- Recommend tax minimization strategies;
- Consider income and deduction deferral or acceleration strategies;
- Identify tax loss harvesting opportunities;
- Analyze timing of state income and property tax payments for AMT purposes; and
- Discuss tax-efficient charitable giving techniques.

#### **4. Employee Benefit Planning**

NPFA may also provide employee benefit planning services to the client. This may include all or some of the following areas:

- Analyze equity awards;
- Optimize stock options;
- Review and analyze deferred tax savings plans;
- Review open enrollment benefit options; and
- Monitor target shareholding requirements.

#### **5. Risk Management and Insurance Planning**

NPFA may also provide risk management and insurance planning services to the client. This may include all or some of the following areas:

- Collect life insurance policy information and sync beneficiary designations with the estate plan;
- Review performance of existing life insurance policies;
- Prepare survivorship analysis and life insurance needs analysis;
- Prepare disability analysis;
- Review adequacy of property and casualty coverage limits;
- Research costs and suitability of long-term care insurance; and
- Obtain proposals for insurance needs.

#### **6. Education Planning**

NPFA may also provide education planning services to the client. This may include all or some of the following areas:

- Review time horizon, educational costs and savings plans for children, grandchildren or other relatives;
- Project the future cost of education at various institutions across the country; and
- Analyze federal and state tax benefit opportunities.

#### **7. Estate and Gift Planning**

NPFA may also provide estate and gift planning services to the client. This may include all or some of the following areas:

- Identify taxable estate by reviewing assets, liabilities, life insurance policies, retirement plans and employer-provided benefits;
- Assist with the implementation of the estate plan to minimize estate taxes and maximize wealth transfer to heirs, including titling of assets; and
- Discuss and implement estate planning strategies and lifetime wealth transfer opportunities, e.g., grantor retained annuity trusts (GRATs), intentionally defective grantor trusts (IDGTs), charitable remainder trusts (CRTs), limited liability companies (LLCs), etc.

#### **8. Investment Consulting and Management**

NPFA may also provide investment consulting and management services to the client that will include all or some of the following areas:

- Determination of the client's risk profile and investment objectives;



- Preparation of an Investment Policy Statement;
- Prepare and advise on current asset allocation;
- Select appropriate asset allocation model based on goals and risk profile to ensure diversification among asset classes and styles;
- Recommendations of various investment managers to manage all or a portion of the client's assets;
- Recommendations of specific mutual funds or other securities;
- Rebalancing of the client's portfolio to maintain the proper allocation for each asset class in the model;
- Identify appropriate benchmarks to measure and monitor performance; and
- Delivery of quarterly performance reports.

Through its Investment Management services, NPFA provides investment supervisory services defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client. Through this service, NPFA offers a customized and individualized investment program for clients. Various investment strategies are provided through this service; however, a specific investment strategy and investment policy is crafted for each client to focus on the specific client's goals and objectives. Clients may select NPFA as the manager of all or a portion of their assets. For many of these clients, the accounts will be managed with the recommendations for various investment managers that are chosen based on the asset allocation, investment objectives and risk tolerance of the particular client. Clients are encouraged to review the disclosure brochure of the investment managers that are recommended by NPFA, when applicable, for more information regarding the services offered, the types of investments on which they provide advice, the investment strategies they use and the fees they charge. *(Please refer to Item 12 – Brokerage Practices for more information).*

NPFA shall obtain from clients information to determine each individual client's financial situation and investment objectives. Accounts are therefore managed on the basis of each client's financial situation and investment objectives. Clients are instructed to notify NPFA when the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of their accounts. At least annually, NPFA shall contact individual clients to determine whether their financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of accounts managed. NPFA shall be reasonably available to consult with individual clients relative to the status of their accounts. Clients shall have the ability to impose reasonable restrictions on the management of their accounts, including the ability to instruct NPFA not to purchase certain securities. Client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for each client with the custodian and clients retain right of ownership of the Account (e. g., right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

These accounts will be held at an independent custodian (such as Schwab or SEI) *(Please see Item 15 – Custody of this Disclosure Brochure for more information)* and they will be managed on a non-discretionary basis. For non-discretionary accounts, NPFA will discuss the investments to be purchased or sold for the client's account(s) and will obtain client approval before any changes are made, while staying within the parameter of the Investment Policy Statement mutually agreed upon by the client and NPFA *(Please see Item 16 – Investment Discretion of this Disclosure Brochure for more information).*

### **Investment Management Services through SEI Managed Account Solutions Program**

NPFA offers the SEI Managed Account Solutions program ("SEI Program") to its clients. SEI serves as a custodian for assets of clients who wish to purchase SEI Mutual Funds and/or participate in the SEI Managed Account Solutions program.

### **SEI Program Fees and General Information**

As compensation for its custodial services, SEI Private Trust Company shall receive compensation in accordance with its standard schedule of charges as amended from time to time. SEI's compensation is derived from the expense ratio of the SEI Mutual Funds purchased in the client's account(s) and is not directly billed to the client.

### **9. Managed Account Select Program**

We have established a relationship with Charles Schwab & Company, Inc. ("Schwab") to participate in their Managed Account Select program ("Select Program"). The Select Program is a wrap-fee program developed by Schwab that provides clients with the opportunity to establish mutual fund portfolios, separate account portfolios and unified managed account portfolios managed by third party money managers that are registered as investment advisors (collectively referred to as money managers). Money managers available through the Select Program are evaluated and monitored by Charles Schwab Investment Advisory, Inc., an affiliated investment advisor of Schwab. Money managers selected by NPFA through the Select Program are not affiliated with NPFA or Schwab and are considered unaffiliated third party money managers.

Through the Select Program, NPFA acts as a referral party when recommending money managers available through the Select Program. NPFA will help a client determine their investment objectives and asset allocation, and which money managers and strategies to select for their accounts in the Select Program. NPFA is also responsible for the ongoing monitoring and review of each money manager's performance, a client's asset allocation and investment objectives. In addition to the due diligence conducted by Charles Schwab Investment Advisory, Inc., money managers must pass NPFA's own internal due diligence before a money manager will be recommended to a client.

Client portfolios held in accounts established through the Select Program will be managed by the selected money managers. Therefore, selected money managers will have limited discretionary authority with respect to the purchase and sale of securities in mutual fund portfolios, separate account portfolios and unified managed account portfolios. Discretionary authority permits the money managers to make changes to a client's account(s) without their prior approval before each trade. Although money managers will be responsible for making all investment decisions and clients may contact them directly, NPFA will be available to answer questions regarding a client's account and act as the communication conduit between the client and the money manager.

The decision to hire, remove or replace a money manager is always made on a non-discretionary basis. This means NPFA will consult with a client prior to adding or removing money managers. The client will have the ultimate decision and must provide approval to select or remove a money manager. When the decision to remove or add a money manager is finalized, NPFA will contact Schwab to implement the change.

NPFA only selects the money managers approved by Charles Schwab Investment Advisory, Inc. and thus available on the Select Program platform. Therefore, NPFA may have a conflict of interest in that it will not recommend third-party money managers to clients if the money manager is not available through the

Select Program platform. Subsequently, clients are advised that there may be other third-party investment advisory programs not recommended by NPFA that are suitable for the client and may be more or less costly than arrangements recommended by NPFA.

NPFA does not refer a client to the Select Program unless Charles Schwab and the money manager(s) are registered or are exempt from registration as required in the client's state of residence.

Clients establishing Select Program accounts will receive the Charles Schwab Managed Account Services for Clients of Investment Advisers Disclosure Brochure in addition to the selected sub-adviser(s)'s Disclosure Brochure.

### ***Select Program - Description of Fees***

The following is a brief explanation of the fees that a client will be charged by Schwab to participate in the Select Program. Please refer to the Charles Schwab Managed Account Services for Clients of Investment Advisers Disclosure Brochure for full details.

NPFA does not receive a referral fee from Schwab for opening new client accounts through the Select Program. Further, NPFA does not receive a portion of the fee charged by Schwab to a client's account. NPFA is compensated exclusively by the fee charged to a client as described in the previous section of this *Item 5 – Fees and Compensation*. Assets held in Select Program accounts will be applied to the total amount of assets managed by NPFA and the agreed upon fee schedule as detailed in that section and in the NPFA client agreement for services.

In addition to paying NPFA a fee for services, Schwab charges the client an asset-based fee for the services provided by Schwab and selected money managers. The maximum fee charged by Schwab for the Select Program is an annual, asset-based fee ranging between 0.25% and 1.00% of the total assets in a client's Select Program account(s). The exact fee charged depends on the strategy selected and dollar value of assets in Select Program accounts. The fees may be negotiable based on a number of factors that may result in a particular client paying a fee greater or less than the standard fees. The exact fee the client will pay is specified in the Schwab account application. Schwab may change the actual fee charged to the client by notice to the client in accordance with the account application and the Schwab account agreement. Schwab's annual fee is divided and billed from the account monthly in arrears.

The program fee covers selected money manager(s)'s asset management services, as well as the following services provided by Schwab: (1) execution of transactions in equity securities, ETFs and agency transactions in fixed income securities; (2) custody of account assets; (3) program administration; and (4) account statements. The program fee covers trade execution for transactions in equity securities executed through Schwab. It does not include (1) execution of transactions in fixed income securities by Schwab as principal and (2) execution of transactions in securities by other broker-dealers.

A client may terminate participation in the programs at any time upon written notice to Schwab without penalty, subject to the payment of any fees incurred and allowing at least two business days for Schwab to process the termination instruction. Please refer to the Select Program agreement and the Charles Schwab Managed Account Services for Clients of Investment Advisers Disclosure Brochure for full details.

## **10. General Information**

Recommendations and strategies necessary to work towards the client's goals and objectives will be discussed orally and, where appropriate, provided in a written summary format. Financial planning and financial consulting services are advisory only and the client has no obligation to take any action or to act on any recommendation made by NPFA.

A client's Financial Advisory Agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement. For Investment Management Services, termination shall be effective from the time the terminating party notifies the other party of the request for termination or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final payment of advisory fees. There will be no penalty charge upon termination. The final fee payment will be pro-rated based on the number of days in which the services were utilized in the final quarter. The date of termination will be used to calculate the final fee payment.

The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

Brokerage commissions and/or transaction ticket fees charged by the custodian will be billed directly to the client. NPFA will not receive any portion of such commissions or fees from the custodian or client. In addition, all fees paid to NPFA for investment management services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. A client could invest in a mutual fund directly, without the services of NPFA. In that case, the client would not receive the services provided by NPFA which are designed, among other things, to assist the client in determining which mutual fund(s) are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by NPFA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the investment management services being provided.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because NPFA does not charge or accept performance-based fees, which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

### **Item 7 – Types of Clients**

NPFA generally provides investment advice to the following types of clients:

- Individuals
- Trusts, estates and charitable organizations
- Family Limited Partnerships and Limited Liability Companies

### **Minimum Investment Amounts Not Required**

There are no minimum investment amounts or conditions required for establishing an account managed by NPFA. However, all clients are required to execute a Financial Advisory Agreement for services.

There is also no minimum amount of assets required for either financial planning services or investment consulting services.

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

### **NPFA uses the following methods of analysis in formulating investment advice.**

**Fundamental** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

**Technical** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in

that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

**Nixon Peabody Financial Advisors LLC uses the following investment strategies when managing client assets and/or providing investment advice.**

Long term investments - Investments held at least one year.

Short term investments - Investments sold within one year.

**Margin transactions** - When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from NPFA.

**Option writing**- including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

NPFA's investment advice typically involves both generic and specific asset allocation recommendations. Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Please note the following asset allocation descriptions.

- ✓ **Tactical asset allocation.** Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.
- ✓ **Strategic asset allocation.** Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a "buy and hold" strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client's goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

**Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, NPFA is unable to represent, guarantee, or even imply that its services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through NPFA's investment management program.

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, 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 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.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When NPFA invests in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro-rata share of the ETFs or mutual fund's operating 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. Clients will also incur brokerage costs when purchasing ETFs.
- Foreign Investing Risk – Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. Companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.
- Emerging Markets Risk – The risks of foreign investing are heightened for securities of companies in emerging market countries. Emerging market

countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in foreign developed markets, emerging market securities are susceptible to illiquid trading markets, governmental interference, and restrictions on gaining access to sales proceeds.

- **Management Risk** – Your investment with NPFA varies with the success and failure of its investment strategies, research, analysis and determination of portfolio securities. If NPFA's investment strategies do not produce the expected returns, the value of the investment may decrease.

### **Item 9 – Disciplinary Information**

This item is not applicable to our brochure because there are no legal or disciplinary events listed in Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of our business or integrity.

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

NPFA's only business activities involve those described in this Disclosure Brochure. NPFA is not registered in any other capacity and is not involved in business activities outside those described within this Disclosure Brochure.

Specifically, NPFA is **not** and does **not** have a related company that is a (1) broker/dealer (2) investment company, (3) commodity pool operator, commodity trading adviser or futures commission merchant, (4) banking or thrift institution, (5) accountant or accounting firm, (6) insurance company or agency, (7) pension consultant, (8) real estate broker or dealer, (9) entity that creates or packages limited partnerships.

#### **Related Law Firm – Nixon Peabody**

Although NPFA's only business activities are providing financial planning and investment advice, our management personnel and other personnel of the firm are also affiliated with the law firm of Nixon Peabody LLP. Although technically employees of Nixon Peabody, most NPFA personnel spend the majority of their time engaged in the activities provided through NPFA.

The law firm of Nixon Peabody is the sole owner of NPFA and may recommend NPFA to clients in need of investment management services. NPFA may also recommend Nixon Peabody LLP to advisory clients in need of legal services. Both companies have a conflict of interest when recommending the other due to our affiliation. For example, we will generally only recommend Nixon Peabody to our clients that are in need of legal services. We will not typically recommend other law firms. There may be other law firms that provide similar legal services for less expensive rates. Whenever we recommend Nixon Peabody, you are encouraged to consider other law firms as well. No NPFA client is obligated to use the services of Nixon Peabody LLP.

The services of NPFA and Nixon Peabody LLP are separate and distinct from one another, each with a separate compensation arrangement typical for the services rendered. There are no referral fee arrangements between NPFA and Nixon Peabody LLP for these recommendations.



Should a client choose to have certain legal work done by Nixon Peabody during the financial planning process, NPFA may elect, at its own discretion, to pay Nixon Peabody LLP for their services from the NPFA fees already charged to the client. This will not be done in all cases.

#### **Related Investment Advisor – OmniCap**

Nixon Peabody LLP owns an interest in OmniCap Group LLC (“OmniCap”), a federally registered investment adviser located in California. OmniCap and Nixon Peabody LLP may have mutual clients but will not share in fees charged to the clients. Although technically a related investment advisor with NPFA, OmniCap has no material arrangements with our firm and the affiliation has no material impact on our client relationships and services.

#### **Related Non-Depository Trust Company – Watch Point Trust Company**

Nixon Peabody LLP owns 100% of Watch Point Trust Company, which is a non-depository trust company registered in the state of Maine. In addition to being a qualified custodian, Watch Point Trust Company offers fiduciary services, investment advice, investment management, and custody services. NPFA’s Chief Executive Officer serves as a director for Watch Point Trust Company. Other than this arrangement, Watch Point Trust Company has no material arrangements with our firm and we do not believe the affiliation has a material impact on our client relationships and services.

#### **Third-Party Money Managers**

As described in *Item 4 – Advisory Business* and *Item 5 – Fees and Compensation*, NPFA may recommend and select independent, third-party money managers through the SEI Managed Account Solutions program and Schwab’s Managed Account Select program. It should be noted that the total fees incurred by clients when utilizing third-party managers will include both management fees payable to SEI, Schwab and selected money managers for the services of the third-party investment managers as well as the fees payable to NPFA for their financial planning and investment advisory services. We do not receive referral or solicitor fees from SEI, Schwab or any other third-party manager, thus our decision to recommend a third-party manager is not based on compensation we could receive directly from a third-party manager.

### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

NPFA serves as investment manager to numerous client accounts. As a result, we provide advice and take action with respect to the accounts we manage, or for our own accounts, that may differ from action we take on behalf of other accounts. NPFA is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that NPFA, or its advisory persons, may buy or sell for its or their own account or for the accounts of any other client. NPFA is not obligated to refrain from investing in securities held by accounts that it manages, except to the extent that such investments violate the Code of Ethics and Personal Trading Policy, adopted by NPFA (see below for details). As a condition of employment, all NPFA persons subject to the Code (“Employees”) and certain other individuals as provided in the Code must certify that they have read and understand the Code and agree to be subject to its provisions. As discussed below, the Code contains provisions relating to personal transactions, insider trading and sets forth standards of business conduct – including the requirement that NPFA’s employees adhere to the Federal Securities Laws and their fiduciary duties as investment advisers. Any employee of NPFA who fails to comply with the Code risks serious sanctions, including dismissal and personal liability.

From time to time, NPFA and/or its employees may have interests in securities owned by or recommended to NPFA’s clients. As these situations may represent a potential conflict of interest, NPFA’s

Code contains procedures relating to personal securities transactions and insider trading that are designed to identify and mitigate or prevent conflicts of interest.

NPFA's Code includes a "Policy Statement on Insider Trading" in accordance with Section 204A of The Investment Advisers Act which establishes procedures to prevent the misuse of material nonpublic information by NPFA and its officers, directors, trustees and employees. Among other things, all employees must read, sign and adhere to NPFA's policy on insider trading which reflects current securities law, including, but not limited to, the Insider Trading and Securities Fraud Enforcement Act of 1988.

The Investment Advisers Act of 1940 ("The Act") imposes a fiduciary duty on investment advisers. As a fiduciary, NPFA has a duty of utmost good faith to act solely in the best interests of its clients. NPFA clients entrust NPFA with their money and financial future, which in turn places a high standard on the conduct and integrity of NPFA and its employees. NPFA's fiduciary duty compels all employees to act with the utmost integrity in all of their dealings. This fiduciary duty is the core principle underlying this Code of Ethics and Personal Trading Policy, and represents the expected basis of all dealings with NPFA clients.

#### Standards of Conduct

This Code of Ethics and Personal Trading Policy consists of the following core principles and applies to all employees within NPFA:

- 1) The interests of clients will be placed ahead of NPFA's or any employee's own investment interests.
- 2) Employees are expected to conduct their personal securities transactions in accordance with NPFA'S Code of Ethics and Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest with the client. Employees with questions regarding the appearance of a conflict with a client should consult with the Chief Compliance Officer ("CCO") before taking action that may result in an actual conflict.
- 3) Employees will not take inappropriate advantage of their position within NPFA.
- 4) Employees are expected to act in the best interest of each client.
- 5) Employees are expected to comply with federal securities laws. Strict adherence to these policies and other policies and procedures of NPFA will assist the employee in complying with this important requirement.

As part of the required standards of conduct, employees are not permitted, in connection with any purchase or sale, directly or indirectly, of a security held or to be acquired by a client:

- 1) To defraud such client in any manner;
- 2) To mislead such client, including by making a statement that omits material facts;
- 3) To engage in any act, practice or course of conduct which operates or would operate as a fraud or deceit upon such client;
- 4) To engage in any manipulative practice with respect to such client; or
- 5) To engage in any manipulative practice with respect to securities, including price manipulation.

As a fiduciary, NPFA has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. Compliance with this duty can be achieved by trying to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict that does arise with respect to any client. A copy of NPFA's Code of Ethics and Personal Trading Policy is available to current and potential clients upon request.

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning, investment consulting or investment management recommendations of NPFA. NPFA's financial planning services, investment consulting and investment management services (as outlined throughout this Disclosure Brochure) do not include blocking trades, negotiating commissions with broker/dealers or obtaining volume discounts, nor necessarily obtaining the best price, due to the nature of the services provided.

For the implementation of financial planning recommendations, clients will be required to select their own investment firms and insurance companies. NPFA may recommend any one of several custodians. The factors considered by NPFA when making this recommendation are the custodian's ability to provide professional services, NPFA's experience with the custodian, and the custodian's reputation and financial strength, among other factors. NPFA does not earn commissions on the products they recommend. NPFA clients must independently evaluate these custodians before opening an account.

However, if NPFA assists in the implementation of any recommendations, NPFA is responsible to obtain for the client the best execution possible, given the circumstances.

Clients wishing to implement the advice of NPFA are free to select any broker/dealer or investment advisor they wish and are so informed. For clients that wish to have NPFA implement its advice, NPFA will recommend that clients transfer their assets to Charles Schwab & Co. ("Schwab"), SEI or other custodians that may be preferable for the client's circumstances (collectively referred to as "custodians"). Schwab is a registered broker/dealer, member of the Financial Industry Regulatory Association (FINRA) and the Securities Investors Protection Corporation (SIPC). SEI accounts are held by SEI Private Trust Company which serves as the qualified custodian. Assets currently owned by the client may generally be transferred "in kind," thus no portfolio adjustments need be made until such time as NPFA and the client decide they are needed. NPFA provides customized, comprehensive quarterly reports to clients, monitors asset allocation of client assets and how assets are weighted among investment categories, as well as maintains specific tax reporting records necessary at year-end should clients custody their assets at Schwab or SEI. These services may not be available should clients choose a different custodian for their assets. With the use of these custodians, clients may also implement their own investment trades based on decisions reached with NPFA and be able to view their accounts online at their leisure. Some clients may rely on NPFA for their investment advice, while providing limited trading authority to NPFA. This will allow NPFA to enter trades on behalf of their clients. These trades may be entered only on a non-discretionary (NPFA receives client approval on the investment decisions to be implemented in the account) basis. *Please refer to Item 16 – Investment Discretion for more information.*

Clients may pay higher commissions than those obtainable from other brokers in return for the products and services provided to NPFA, although NPFA believes the charges imposed by these custodians are well within industry norms. NPFA will periodically evaluate current and potential custodians using criteria such as overall expertise, cost competitiveness, and financial condition.

NPFA receives benefits that may not be received if NPFA did not use the services of Schwab and SEI to implement the investment advice provided. These benefits may include, but not necessarily be limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; receipt of compliance publications; and access to mutual funds and third-party investment managers that generally require significantly higher minimum initial investments or are generally only available to institutional investors. No single criteria will validate nor invalidate a custodian, broker/dealer or service provider used, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

While NPFA and its employees endeavor at all times to put the interest of the clients first as part of NPFA's fiduciary duty, clients should be aware that NPFA may receive non-cash compensation from broker/dealers or custodians recommended by NPFA. Any non-cash compensation received is negligible and does not affect what investments NPFA recommends to clients. It may, however, reduce their overall fees to clients as the additional services allow their business to be run more efficiently. Any compensation received, whether cash or non-cash (such as research or technical support) may create a conflict of interest.

#### **Client Directed Brokerage Arrangements**

Some clients may instruct NPFA to use one or more particular broker/dealers, other than those recommend by the firm, for the transactions in their accounts. Clients who may want to direct NPFA to use a particular broker/dealer should understand that NPFA may be unable to effectively negotiate brokerage compensation on the client's behalf. When directing brokerage business, clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they will obtain through their broker/dealer are adequately favorable in comparison to those that NPFA would otherwise obtain for its clients. Clients with client directed brokerage arrangements should also understand NPFA may be limited in their trading ability (compared to platforms recommended by NPFA) and may be required to execute client directed trades after trades are implemented through accounts at platforms recommended by NPFA. Clients are encouraged to discuss available alternatives with their NPFA Financial Advisor.

#### **Trade Errors**

Based on industry practice and SEC guidance to broker-dealers, a trade error under this policy is defined as including:

- Inaccurate transmission or execution of any term of an order including, but not limited to: price; number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;
- Unauthorized (because of misunderstanding or mistake) or unintended purchase, sale or allocation of securities, or the failure to follow specific client instructions; and
- Incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals or securities positions reflected in an account.

NPFA has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of NPFA to correct

trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by NPFA if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. NPFA may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons). For Charles Schwab accounts, trader error gains that are not retained by the client exceeding \$100 will be donated by Charles Schwab to a charity. Gains of less than \$100 are retained by Charles Schwab. For SEI accounts, trade error gains not retained by the client are retained by SEI.

NPFA will never benefit or profit from trade errors.

### **Block Trading Policy**

Investment advisors may elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action may prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading. NPFA does not engage in block trading.

It should be noted that implementing trades on a block or aggregate basis may be less expensive for client accounts; however, it is our trading policy is to implement all client orders on an individual basis. Therefore, we do not aggregate or "block" client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Reviews for financial planning, investment consulting and investment management services are conducted by our Chief Investment Officer and an assigned NPFA Financial Advisor or Tax and Financial Planning Specialist. All reviews follow the client objectives, asset allocation and risk tolerance as listed in the client's Investment Policy Statement. This information is updated as necessary but is reviewed with the client on at least an annual basis. Reviews are performed quarterly for most clients (some clients may select an alternative time-frame). Additional reviews may be triggered by a major market occurrence, economic event or a change in the client's circumstances.

### **Statements and Reports**

- Clients will receive statements at least quarterly from the custodian at which their accounts are maintained. As an example, for Schwab accounts, the client will receive statements at least quarterly directly from Charles Schwab & Company, Inc.
- For SEI Program accounts, the client will receive monthly statements from the SEI Private Trust Company (the custodian) indicating holdings. A quarterly report, indicating market value, cash flows, gains and losses, asset allocation, and performance as it relates to market indices, is also

available if the client elects to receive it. Annually, the client will receive a tax report for the account. By signing SEI's contract, the client elects to waive his/her right to receive a written confirm of each purchase, redemption, sale or exchange of a security and directs the custodian to provide basic details of each such transaction by the delivery of monthly statements to the client.

- Written reports provided by NPFA and their frequency will vary by client depending on the services provided.

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

### **No Payment for Client Referrals**

NPFA does not directly or indirectly compensate anybody for client referrals.

### **Other Compensation**

Please refer to Item 12 for a description of our arrangements with broker/dealers and custodians. NPFA does not receive non-cash compensation from any other outside, third-party vendor.

Please also refer to the description of benefits received from broker/dealers and custodians described in *Item 12 – Brokerage Practices* above.

## **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

NPFA is deemed to have custody of client funds and securities whenever NPFA is given the authority to have fees deducted directly from client accounts. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. NPFA is also deemed to have custody of client funds and securities when NPFA has standing authority (also known as a standing letter of authorization or "SLOA") to move money from a client's account to a third-party account. The firm may utilize the Charles Schwab MoneyLink service to facilitate third-party money movement for clients. In addition, there are a small number of NPFA client arrangements for which a Nixon Peabody LLP attorney or NPFA associated person serves as trustee or manager for the client. The role of Nixon Peabody and NPFA personnel serving as trustee or manager is imputed (or "assigned") to NPFA and therefore we are deemed to have custody of those client funds and securities.

For accounts in which NPFA is deemed to have custody, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly.

**Clients should carefully review those statements and are urged to compare the statements against reports received directly from NPFA.** When clients have questions about their account statements, they should contact NPFA or the qualified custodian preparing the statement. Finally, trust or limited liability company accounts with a Nixon Peabody or NPFA trustee or manager are subject to an annual surprise verification examination conducted by a third-party, independent accounting firm.

## **Item 16 – Investment Discretion**

Upon receiving written authorization from a client in our client agreement, we will manage client accounts on a strictly **non-discretionary** basis. Accordingly, NPFA will be required to contact the client prior to implementing changes in the client's account. Therefore, the client will be contacted and required to accept or reject NPFA's investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, NPFA will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. Because all accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

## **Item 17 – Voting Client Securities**

NPFA does not perform proxy voting services on a client's behalf. Clients are instructed to read through the information provided with the proxy-voting documents and to make a determination based on the information provided. Upon request from a client, NPFA may provide limited clarifications of the issues presented in the proxy voting materials based on NPFA's understanding of issues presented in the proxy-voting materials. However, clients have the ultimate responsibility for making all proxy-voting decisions.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by our firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

With respect to client assets managed by sub-managers in the SEI Program or Schwab Select Program, NPFA does not perform proxy-voting services on a client's behalf. However, sub-managers may vote proxies for the investments. For a description of a sub-manager's proxy voting policy, clients should refer to each sub-manager's Form ADV or similar disclosure document. Clients may request a complete copy of a sub-manager's proxy voting policies and procedures as well as information on how the individual client's proxies were voted by contacting NPFA at the address or phone number indicated on the cover page of this Disclosure Brochure.

## **Item 18 – Financial Information**

This item is not applicable to this brochure. Nixon Peabody Financial Advisors LLC does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, NPFA is not required to include a balance sheet for our most recent fiscal year. NPFA is not subject to a

financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, NPFA has not been the subject of a bankruptcy petition at any time.

## **CUSTOMER PRIVACY POLICY NOTICE**

Nixon Peabody Financial Advisors LLC ("NPFA") maintains a commitment to confidentiality and privacy of client information. We are committed and bound to do so as a matter of trust between clients and the employees of NPFA.

Please be kind enough to read our privacy policy below to learn more about how we treat and safeguard the personally identifiable financial information of our clients and former clients.

When we use the words "you" and "your" in this statement, we mean current or former clients who have or have had a continuing client relationship with NPFA. "Nonpublic personal information" means information about you that we collect in connection with providing you our services. Nonpublic personal information does not include information that is available from public sources such as real estate records and telephone directories.

### **How We Gather Information**

We collect nonpublic personal information about you to enable us to provide you with our services. We collect information furnished by you on account applications or other forms you submit. The information is collected in a variety of ways from you including in written form, by telephone, through information you provide or direct us to obtain for tax and financial planning organizers, through electronic means such as e-mail and in the course of your personal consultations, interviews and contacts with our employees. For example, we may collect nonpublic personal information from other companies or professionals you may retain such as fiduciaries, accountants and other investment advisors. We collect such information so that we can effectively provide the services required by you. The information we collect may include your name, address, telephone and facsimile numbers, email addresses, Social Security number or tax identification number, and investment objectives. Once you have opened an account, we administer your account by collecting and maintaining personal information about your transactions including balances, positions and account history.

### **Restrictions on Disclosure of Non-Public Personal Information**

We do not disclose any nonpublic personal information about our clients or former clients to anyone, except as permitted by law. Unless a client has specifically authorized us to do so, we do not disclose your personal information to others except in four limited circumstances.

- NPFA may from time to time share client information with our parent company, Nixon Peabody LLP ("NP"). Due to the nature of our organization, NPFA shares resources and office space with NP. While we have implemented procedures to limit access to your personal information to only those employees that need to know such information to provide you services in the normal course of business, NP employees may come into contact with your personal information.
- From time to time, NPFA may choose to hire independent contractors to assist with the various Financial Advisory and Investment Consulting Services provided through the client engagement. NPFA may, therefore, share client information with such contractors if it is deemed necessary and appropriate in connection with the work performed.
- We disclose personal information to non-affiliated co-advisers, brokers and other agents, including Charles Schwab & Company, Inc. and SEI Private Trust Company, to help us provide



advisory services, process your transactions and service your accounts. We may also provide your information to vendors providing data processing, computer software maintenance and development, compliance and legal consulting, and other general business consulting services. These vendors are required to sign a nondisclosure agreement agreeing to maintain the confidentiality of all non-public personal information.

- We may also disclose personal information if we believe in good faith that such disclosure is required to comply with applicable laws, such as cooperating with regulators, or to resolve consumer disputes.

### **Our Security Practices**

We will take steps to safeguard your nonpublic personal information. For example, we restrict access to nonpublic personal information of clients and former clients to those employees who need to know that information in the course of their responsibilities within NPFA and NP or, in the case of employees, their job responsibilities within NPFA and NP. We maintain physical, electronic and procedural safeguards to guard your information.

### **Other Information**

The examples contained within this Privacy Policy are illustrations; they are not intended to be exclusive. We also reserve the right to change this Privacy Policy, and any other policies described above, at any time.

Should you have any questions, please contact an NPFA representative at the address and/or phone number provided on the cover page of this Disclosure Brochure.

4840-1695-0340, v. 3