



**FINANCIAL PLANNING | INVESTMENT MANAGEMENT**

**Item 1 - COVER PAGE**

## **FORM ADV PART 2A\*** **Brochure**

**January 2014**

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\*This brochure provides information about the qualifications and business practices of Burton Enright Welch. If you have any questions about the contents of this brochure, please contact the Firm's Chief Compliance Officer, Robert Daniel Enright, at telephone (925) 932-8010. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority.

The oral and written statements of an advisor provide information upon which a prospective client may base a determination as to whether or not to hire the advisor. You are encouraged to review this Brochure and Brochure Supplements for the Firm's associates who advise you for more information on the qualifications of the Firm and its employees.

The use of the term "registered investment adviser" and description of Burton Enright Welch and/or our associates as "registered" does not imply a certain level of skill or training. Additional information about Burton Enright Welch is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 - MATERIAL CHANGES FROM PRIOR FORM ADV 2A**

This updated Form ADV Part 2A contains the following changes from the prior version:

- Updated assets under management at Item 4.
- Routine revisions and updates to formatting.
- Non-material edits to the existing descriptions of prior disclosures.

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#### **Item 4 - ADVISORY BUSINESS**

Registration Status -	Registered with the SEC on March 11, 2008 <sup>1</sup> Registered with the State of California on May 8, 2002
Principal Owners -	Peter M. Burton, through his S Corporation, PMB Asset Management Robert D. Enright, through his S Corporation, RDE Asset Management Jeremy A. Welch, through his S Corporation, JAW Asset Management

#### **ADVISORY SERVICES**

##### **INVESTMENT MANAGEMENT SERVICES**

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our Firm is a partnership formed in the State of California. We specialize in the following types of services: investment management, financial planning and consulting, referrals to third party money managers.

As part of our Investment Management service, we generally create a portfolio consisting of mutual funds, exchange traded funds (ETFs”), individual stocks or bonds, options, 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. Each portfolio will initially be designed to meet a particular investment goal, which we determine to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client’s individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

We apply a significant level of discipline in our approach to investing. This discipline allows us to stay true to both our management style and our client’s individual objectives. We begin the investment initiative by conducting a detailed financial analysis that includes gaining an understanding of our client’s risk tolerance. Based on our analysis, we develop an Investment Policy Statement (IPS), which outlines the investment objectives, management policies and portfolio. We usually allow clients to impose reasonable restrictions on investing in certain securities or types of securities.

A client may make additions to and withdrawals from the client’s custodial account at any time, subject to the Firm’s right to terminate an account if the amount of assets drops below our account size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design

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<sup>1</sup>“Registration” means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply that the SEC or any other regulator guarantees the quality of our services or recommends them.

client portfolios as long-term investments and caution our clients that asset withdrawals may impair the achievement of the client's investment objectives.

Additions to an account may be in cash or securities provided that our portfolio managers may decline to accept particular securities into a client's account or may recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

#### **Four Steps to Discipline**

Our goal is to provide our client's with consistent, competitive investment returns over time. We follow a four-step approach to investment management that removes emotion from the equation and allows us to focus on our client's future. In this way, we can capture opportunities reflective of client expectations and the ever-changing marketplace.

##### Step 1: Target Allocation

We begin with a target asset allocation, which represents a reasonable static asset allocation for a long-term investor. This allocation serves as a frame of reference to help ensure consistent, disciplined decision-making. It also serves as a benchmark against which we measure conviction as well as value added (alpha).

##### Step 2: Active Asset Allocation

We adjust the target asset allocation to take advantage of opportunities consistent with a client's long-term goals. We conduct an in-depth analysis of fundamentals and valuations to identify an extreme undervaluation, or overvaluation, relative to alternative asset classes. Based on a risk scenario analysis, we assess the potential impact on each holding and a portfolio as a whole, and adjust accordingly. We observe patience and diligence in our execution.

##### Step 3: Active & Passive Management

Our independence enables our Firm to use a combination of active (no-load funds) and passive (exchange traded funds - ETFs - and index funds) management in determining investment vehicle decisions. We take into account management experience, possible value add (alpha) and style when pursuing active management. When evaluating passive management, we look at market and cost efficiencies as well as consistency of those vehicles. Depending upon our strategy at a given time, we may under-weight and over-weight passive versus active management.

##### Step 4: Monitoring

We review portfolios on an ongoing basis against benchmarks specific to that portfolio. We use a thorough methodology to determine a portfolio's performance on both an absolute and a relative basis. These benchmarks serve as our report card, which we share with our client's quarterly through detailed performance reports.

We may utilize independent, third party investment managers where we design an investment portfolio and provide ongoing corresponding investment management services on a fee-only basis for a percentage of assets in conjunction with another investment advisory firm. Before selecting other advisers, we make sure that the other advisers are properly licensed or registered.

#### **Fiduciary Status Under ERISA**

To the extent any investment management client is a retirement plan or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and depending upon the investment management services provided by Burton Enright Welch, the Firm may be considered a "fiduciary" under ERISA.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES**

We provide a variety of financial planning and consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, such financial planning services will 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 one or more of the following areas: 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, Business and Personal Financial Planning.

Our 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. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

Burton Enright Welch may recommend to its financial planning clients that they retain the Firm as their investment advisor to implement its recommendations and such recommendation may be viewed as a conflict of interest. Financial planning clients are hereby advised that they are under no obligation to act on our investment recommendations. A client is under no obligation to effect the transactions through any investment advisor when such is licensed as a

broker-dealer or through any associate or affiliate of such advisor that is employed as registered representative or sales agent with a licensed broker-dealer.

## **REFERRALS TO THIRD PARTY INVESTMENT MANAGERS**

Where appropriate, we provide clients with a list of investment advisory services of third party professional management firms for the individual management of client accounts or portions thereof. Such third party investment firms assume portions of the administrative role associated with servicing these client accounts. In these cases, there may be a modified fee schedule and some variation in how these remaining client accounts are billed and serviced.

As part of this process, we assist clients in identifying an appropriate third-party money manager. We provide initial due diligence on third-party money managers and ongoing reviews of their management of your account. In order to assist clients in the selection of a third party money manager, we typically gather information from the client about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account, which are often very limited. It is important to note that we do not offer advice on any specific securities or other investments in connection with this service. Investment advice and trading of securities is only offered by or through the third-party money managers to clients.

We periodically review third-party money managers' reports provided to the client, but no less often than on an annual basis. Our associates contact the clients from time to time, as agreed to with the client, in order to review their financial situation and objectives; communicate information to third-party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third-party money manager. The client will be expected to notify us of any changes in his/her financial situation, investment objectives, or account restrictions that could affect their account. The client may also directly contact the third-party money manager managing the account or sponsoring the program.

## **401(K) CONSULTING SERVICES**

We offer retirement plan consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor (the "Company") in meeting their management and fiduciary obligations to the plan under ERISA. 401(k) consulting services offered by our Firm include, but are not limited to, the following:

- Analysis and recommendation of Plan structure
- Review of specific Plan requirements
- Assessment of the current Plan investment options
- Provide specific investment recommendations
- Determination of appropriate administrative and recordkeeping solution
- Analysis and recommendation of employee education program
- Ongoing monitoring of Plan

We will determine with the Company in advance the scope of services to be performed and the fees for all requested services. Prior to engaging us to provide consulting services, the Company will be required to enter into a written agreement with us. This agreement will detail the services to be provided and the relevant fees and fee paying arrangement.

### **General Notice**

In performing its services, Burton Enright Welch relies upon the information received from its client or from their other professional legal and accounting advisors, and is not required to independently verify such information. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or financial plan.

The investments recommended to clients may be limited by the knowledge and experience of the personnel of Burton Enright Welch and/or the resources available to it as a result of its relationships with custodians and other providers in the broader financial industry. In addition, as a result of these resources, certain investments may be available to clients of Burton Enright Welch that might not be available to members of the public at large. Burton Enright Welch believes that the breadth of choices available under these limitations is sufficiently wide so as to effectively make available the full range of investment options that might conceivably be important for all but the rarest client.

### **ASSETS UNDER MANAGEMENT AS OF December 31, 2013**

Discretionary	\$237,078,680
Non-Discretionary	\$ 40,760,115
Totals	\$277,838,795

### **TERMINATION OF AGREEMENT**

Clients may terminate their investment management agreement at any time upon written notice to the Firm. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. Any prepaid fees owed to the client will be refunded on a pro rata basis determined on the amount of time expired in the billing period. Any fees owed by the client to the Firm will be calculated and deducted from the client's account on a pro rata basis determined on the amount of time expired in the billing period.

If a copy of this Form ADV Part 2A disclosure statement was not delivered to the client prior to or simultaneous with a client entering into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

## Item 5 - FEES AND COMPENSATION

### INVESTMENT MANAGEMENT FEES

Our investment management fees are based upon a percentage of each client's assets under management with the Firm. Fees are not generally negotiable. Our Firm's fees are billed on a pro-rata annualized basis monthly or quarterly in advance or quarterly in arrears based on the value of your account either on the last day of the billing period or based on the time-weighted daily average of your account of the previous billing period. Our standard investment management fee schedule is as follows:

<u>Assets under management</u>	<u>Annual Percentage of assets charge*</u>
<i>Asset Level</i>	<i>Maximum Fee</i>
First \$1,000,000	1.25%
Next \$2,000,000	1.00%
Next \$3,000,000	0.75%
Over \$6,000,000	0.50%

The foregoing is Burton Enright Welch's *basic* fee schedule. The Firm reserves the right to assess a different fee in special circumstances based on the nature and complexity of the client's account and arrangements with any particular client may vary from those of another client.

Clients typically authorize the custodian of their investment accounts to debit Burton Enright Welch advisory fee directly from clients' accounts. As part of this process, clients are advised and acknowledge the following:

1. The client's independent qualified custodian sends account statements at least quarterly showing all disbursements, including the amount of the advisory fees paid to us;
2. Clients provide written authorization to their custodian permitting us to be directly paid from their account; and,
3. Clients are advised to verify the Firm's fee charged to their account as shown on the custodial statement.

To the extent that a client authorizes the use of margin, and margin is thereafter employed by our portfolio managers in the management of the client's portfolio, the market value of the client's account and corresponding fee payable by the client to Burton Enright Welch may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly

increase the management fee payable to the Firm. Accordingly, the decision as to whether to employ margin is left to the sole discretion of client.

#### **COMMISSIONABLE INSURANCE SALES**

On occasion, one or more of our principals or employees will sell insurance products in their capacity as licensed insurance agents with one or more insurance companies. Such employees will receive additional compensation in connection with these activities and the amount of compensation will depend on the type of product purchased by clients. Consequently, these employees may have a greater financial incentive to sell certain insurance products as opposed to others. While such insurance sales are reviewed for suitability by the Firm, you should be aware of these incentives and are encouraged to ask us about any conflicts presented.

#### **FINANCIAL PLANNING AND CONSULTING FEES**

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees are \$350. Flat fees generally range from \$2,500 to \$50,000.

We require a retainer of fifty-percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you.

#### **401(k) PLAN CONSULTING SERVICES FEES**

We offer retirement plan consulting services at a negotiated fixed fee, or based upon a percentage of the plan assets. The exact fee is negotiated in advance of services rendered and is disclosed in the executed written agreement that we sign with the client company.

We bill the client company for retirement plan consulting services the negotiated fee in advance of services rendered and as disclosed in the executed written agreement that we sign with the company. Fees are calculated and billed quarterly in advance. In certain circumstances, the fees are calculated and billed quarterly in arrears.

#### **THIRD PARTY INVESTMENT MANAGER REFERRAL FEES**

We are paid by third-party money managers when we refer you to them and you decide to open a managed account. Third-party money managers pay us a portion of the investment advisory fee that they charge you for managing your account. Fees paid to us by third-party money managers are generally ongoing. All fees we receive from third party-money managers and the written separate disclosures made to you regarding these fees comply with applicable state statutes and rules. The third party money managers we recommend will not directly charge you a higher fee than they would have charged without us introducing you to them.

Third party money managers establish and maintain their own billing process which we have no control over. In general, they will describe their billing practices in their separate written disclosure documents.

## **GENERAL FEE DISCLOSURE**

We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Burton Enright Welch.

We do not provide clients advice as to the tax deductibility of our advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

## **CUSTODIAN AND BROKERAGE FEES**

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

## **FUND DISCLOSURES**

Investment vehicles such as mutual funds, closed-end funds, exchange traded funds and alternative investment funds offer a wide range of objectives and strategies; the types of securities held by such funds vary widely depending upon the specific objectives and strategies of the vehicle. These investment vehicles incur brokerage and other expenses and their sponsors typically compensate themselves through fees charged directly to the fund. Clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested in addition to the advisory fee charged by Burton Enright Welch.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by Burton Enright Welch. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

A client could invest in most mutual funds directly, without the services of Burton Enright Welch. In that case, the client would not receive the services provided by Burton Enright Welch which are designed, among other things, to assist the client in determining which investments are most appropriate given the client's financial circumstances.

#### **BOND DISCLOSURE**

Clients whose assets are invested in bonds purchased directly from an underwriter or on the secondary market may pay a sales credit or sales concession on the trade (in lieu of a sales commission) ranging from 0% - 2% of the par value of the bond. The client's custodian may also impose a fee on the transaction as well.

#### **Item 6 - PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT**

Burton Enright Welch does not charge performance related fees. No part of the investment management fee is calculated as a percentage of the capital gain or capital appreciation of assets.

#### **Item 7 - TYPES OF CLIENTS**

Our clients include individuals and high net worth individuals, trusts and estates, pension and profit sharing plans, corporations and other business entities. We have established a \$250,000 minimum value of assets for opening an individual client account, although multiple accounts for the same client may be aggregated to meet this minimum. We have established a \$2,500 minimum fee for written financial plans. These minimums may be modified or waived in certain circumstances in Burton Enright Welch's sole discretion.

As a result of the minimum account requirement, Burton Enright Welch's services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisors may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

#### **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

##### **METHODS OF ANALYSIS**

Depending upon the type of investment, Burton Enright Welch utilizes fundamental analysis. Fundamental analysis involves analyzing real data, including overall economic and company-specific information available to determine the value of a particular investment. In performing its analyses, the Firm consults third-party research materials, company annual reports and other regulatory filings, and financial newspapers and periodicals.

## INVESTMENT STRATEGY

Subject to suitability requirements, we generally advise the long-term purchase of mutual funds and Exchange Traded Funds (“ETFs”) to our clients.

We generally invest client’s cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client’s 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 the Firm may debit advisory fees for our services related to Investment Management service.

## INVESTMENT RISKS

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

Here are some of the general risks associated with parts of our investment strategy:

**Short-term purchases** - While we generally purchase securities with the intent to hold them for more than a year, we may on occasion determine to buy or sell securities in a client’s account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security’s value

**Bond Pricing** - The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

**Inflation** - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

**Price Fluctuation** - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

**Interest-rate Fluctuation** - fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Currency Fluctuation** - Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment of Dividends** - We will reinvest interest, dividends and capital gains as appropriate to accumulate wealth based on factors such as ongoing cash needs and tax loss harvesting opportunities. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate of return than was initially projected.

**Business Risk** - These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk** - Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, treasury bills are highly liquid, while real estate properties are not.

**Financial Risk** - Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value for the securities issued by such companies.

**Mutual Funds with Foreign Asset Holdings** - Any investments in mutual funds that make foreign investments and are not hedged back to the U.S. Dollar are subject to the uncertainty with changes in the foreign currency value. The client may bear more risk and may earn a substantially higher return or a substantially lower return than projected.

**Short Sale Trading** - Short Sale Trading, or "shorting" involves a great amount of risk and is not advocated by the Firm, nor is it a part of its investment strategy. In rare cases, short selling may be used as directed by client to achieve specific goals.

**Margin Trading** -In some cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client's custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by their custodian. Consequently, all margin decisions are left to the client.

**Option Trading** - Certain clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

## **Item 9 - DISCIPLINARY INFORMATION**

Burton Enright Welch has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Burton Enright Welch is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. We recommend that our clients custody their assets with Charles Schwab & Co., Inc., (“Schwab”), an SEC registered broker-dealer and member of FINRA and SIPC. Although we recommend that our clients custody their investment accounts at Schwab, we have no affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

As referenced above, certain principals and employees of the Firm are licensed insurance agents registered with one or more insurance companies. As such, they may recommend insurance products to the Firm’s advisory clients and may receive commissions for insurance sales if a client elects to purchase such products through them. The insurance products sold are transacted with a variety of insurance companies on a commission basis. Clients are under no obligation to purchase or apply for any insurance, or to use our registered principals or employees as the agent for insurance products purchased. If clients decide to purchase or apply for insurance, or use such principals and employees as the broker for insurance products, a conflict may exist between the interests of the Firm and the interests of the client.

Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm.

## **Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Burton Enright Welch, its principals, employees and their immediate families (sometimes collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. Employees with access to the Firm’s investment decision-making and trading activities are required to report all personal securities transactions on a regular basis. All personnel are required to abide by the Firm’s personal trading practices

and code of ethics which governs employee trading practices and specifically prohibits employee trading on the basis of inside information and trading ahead of customer orders (front-running). Burton Enright Welch's employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

Employees may trade in the same securities traded for clients. However, it is Firm policy not to give preference to orders for personnel associated with the Firm regarding such trading. Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If a security is purchased or sold for client accounts and employees on the same day, either employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that employees' personal transactions might be executed at more favorable prices than were obtained or clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

## **Item 12 - BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER**

Burton Enright Welch recommends that clients establish brokerage accounts with Schwab, a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. Schwab is independently owned and operated and not affiliated with Burton Enright Welch and does not supervise or otherwise monitor Burton Enright Welch's investment management services to its clients. Schwab provides Burton Enright Welch with access to its institutional trading and custody services, which typically are not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a set minimum of the advisor's clients' assets is maintained in accounts at Schwab, but are not otherwise contingent upon Burton Enright

Welch committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institution investors or would require a significantly higher minimum initial investment.

Schwab also makes available to Burton Enright Welch other products and services that benefit Burton Enright Welch but may not benefit its clients. Some of these other products and services assist Burton Enright Welch in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Burton Enright Welch's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of Burton Enright Welch's accounts, including accounts not maintained at Schwab. Schwab also makes available to Burton Enright Welch other services intended to help Burton Enright Welch manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to Burton Enright Welch by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to Burton Enright Welch. For example, Schwab contributed a \$2,000 offset of charges for a technology upgrade to its Tamarac subscription purchased by the Firm.

Burton Enright Welch's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Burton Enright Welch of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### **DIRECTED BROKERAGE**

In a limited number of cases, clients may direct Burton Enright Welch to place all orders for securities transactions with a specific broker-dealer (directed brokerage). In these cases, Burton Enright Welch is not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client. As such, the client may pay higher commission costs, higher security prices and transaction costs than it otherwise would have had it not directed Burton Enright Welch to trade through a specific broker. In addition, the client may be unable to obtain the most favorable price on transactions executed by Burton Enright Welch as a result of Burton Enright Welch's inability to aggregate/bunch the trades from this account with other client trades.

Furthermore, the client may not be able to participate in the allocation of a security of limited availability (such as an IPO) for various reasons, including if those new issue shares are

provided by another broker or dealer. As a result of the special instruction, Burton Enright Welch may not execute client securities transactions with brokers that have been directed by clients until non-directed brokerage orders are completed. Accordingly, clients directing brokerage may not generate returns equal to clients that do not direct brokerage.

Due to these circumstances, there may be a disparity in commission rates charged to a client who directs Burton Enright Welch to use a particular broker and performance and other differences from other similarly managed accounts. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

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

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

### **Special Considerations for Sub-advised Management Clients**

We select brokers and dealers for any purchase or sale of assets of client accounts and are responsible for obtaining best execution for transactions. Consistent with this idea, we may, in the allocation of portfolio brokerage business and the payment of brokerage commissions, consider the brokerage and research services furnished a sub-adviser by brokers and dealers, in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended. Such research generally will be used to service all of our clients, but brokerage commissions paid by the sub-advised client accounts may be used to pay for research that is not used in managing the sub-advised.

Should a client direct in writing that the Sub-adviser or the Firm use a particular broker or dealer, then such client will negotiate terms and arrangements for their account with that broker or dealer and we will not seek better execution services or prices from other broker-dealers. As a result, such sub-advised client account may pay higher commissions or greater spreads, or receive less favorable net prices, on transactions for the sub-advised client account than would otherwise be the case.

In any case, neither such Sub-adviser nor the Firm would be responsible or liable for the acts or omissions of any broker-dealer.

### **BEST EXECUTION**

Burton Enright Welch is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to

use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, Burton Enright Welch's primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealer's willingness to commit capital, the broker-dealer's reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, Burton Enright Welch may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. Burton Enright Welch may select broker-dealers whose fees may be greater than those charged for similar investments if Burton Enright Welch determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

Burton Enright Welch reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom Burton Enright Welch executes transactions on behalf of clients.

#### **SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS**

Burton Enright Welch does not utilize research, research-related products and other brokerage services on a soft dollar commission basis and has not entered into any formal soft dollar arrangements whereby such services and research are provided to the Firm in exchange for brokerage commissions.

#### **AGGREGATION OF TRADES AND POTENTIAL CONFLICTS**

Burton Enright Welch may aggregate client orders into a single trade if aggregation appears to be in the best interests of all the clients involved. Trade aggregation usually lowers commissions and may result in a more favorable transaction price than would result with separate execution of each client order. The Firm does not aggregate securities transactions for client accounts unless it believes that aggregation is consistent with its duty to seek best execution and is consistent with the investment objectives and guidelines for the client accounts participating in the trade.

Burton Enright Welch believes that combining trade orders should be advantageous to all clients over the long term. However, it is possible that the average price obtained through aggregation could be less advantageous for a client than if the client had executed the transaction separately and/or had executed the transaction before the other parties to the aggregated trade. The Firm tries to be conscious of this possibility before deciding to aggregate.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades are not allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship in consideration of "trade away" charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

Generally, Burton Enright Welch and/or its associated persons may participate in such aggregated orders. There may be circumstances in which transactions on behalf of Burton Enright Welch or its associated persons may not, under certain laws and regulations, be combined with those of some of Burton Enright Welch's clients and in those cases, employees will not effect transactions in that security on the same day as clients until after the clients' transactions have been executed.

#### **ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS**

Because we manage more than one client account, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. We attempt to resolve all such conflicts in a manner that is generally fair to all of clients over time. We may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is our policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

#### **Item 13 - REVIEW OF ACCOUNTS**

We review investment management accounts on at least a quarterly basis. Third Party Money Management clients receive at least quarterly reviews. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. All reviews are conducted by the Firm's principals or by qualified employees under their supervision. We may review client accounts more frequently. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc. We provide clients with quarterly account reports and meet with clients, at least annually, either in person or via telephone conference, to review account performance and current financial needs and investment goals.

Financial planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

#### **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

Burton Enright Welch may enter into third party marketing arrangements whereby it pays referral fees to persons or entities that refer clients to the Firm. The marketing arrangements are consistent with Rule 206(4)-3 of the Investment Advisers Act as amended. Under no circumstances are solicited clients disadvantaged by the payment of such fees. Clients of the Firm whose accounts involve third party marketing arrangements are advised of the arrangement and do not pay higher fees as a result of the arrangement.

#### **Item 15 - CUSTODY**

Burton Enright Welch does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a “qualified custodian,” namely a broker dealer, bank or trust company. Although the Firm may assist clients in opening their custodial accounts, Burton Enright Welch is unable to take even temporary possession of client assets for the purpose of transferring them to the client’s account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary. The Firm is given the authority to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or to transfer money out of the account to a third party.

##### **Disclosures Related to Custodians**

Schwab acts as custodian and executing broker-dealer for Burton Enright Welch clients. Schwab is independently owned and operated and not affiliated with Burton Enright Welch and does not supervise or otherwise monitor our investment management services to our clients.

For Burton Enright Welch client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into client accounts that are held with Schwab. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab to avoid “trade away” charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab sends account statements directly to the client (or to an independent third party representative designated by the client), no less than monthly, showing all funds and

securities held, their current value and all transactions executed in the client's account, including the payment to Burton Enright Welch of its investment management fees.

## **Item 16 - INVESTMENT DISCRETION**

Clients appoint Burton Enright Welch as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm's investment strategy and the client's investment objectives, our portfolio managers are given full discretion to determine:

1. Types of investments;
2. Which securities to buy;
3. Which securities to sell;
4. The timing of any buys or sells;
5. The amount of securities to buy or sell; and
6. The broker-dealer to be used in the transaction

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining the most favorable price and market execution for each transaction.

## **Item 17 - VOTING CLIENT SECURITIES**

As a discretionary investment adviser for its clients, Burton Enright Welch generally is authorized to vote on all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in client accounts. There may also be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which Burton Enright Welch may take action that it deems appropriate in its best judgment except to the extent otherwise required by agreement with the client. These actions may include, for example and without limitation, tender offers or exchanges, and class actions. Clients may instruct the custodian of their accounts that the client will retain the authority to vote such shareholder matters and that the client does not authorize the Firm to do so on the client's behalf.

Where it is granted voting authority, Burton Enright Welch will vote as it deems appropriate in accordance with its written policies and procedures. These policies and procedures set forth pre-determined guidelines for voting many typical proxy proposals. However, each proxy issue will be considered individually in order that Firm may consider in its judgment what would be in the client's best interest. Clients may obtain a copy of Burton Enright Welch's proxy voting policies and procedures and/or information on how the Firm has voted the client's securities upon written request to Robert Daniel Enright by phone at (925) 932-8010 or email at [renright@bewinvest.com](mailto:renright@bewinvest.com).

We do not pay for proxy voting services with soft dollars. Also, we do not charge an additional fee to vote proxies.

We recognize that under certain circumstances we may have a conflict of interest between us and our clients. Such circumstances may include, but are not limited to, situations where our firm or one or more of our affiliates, including officers, directors and employees, has or is seeking a client relationship with the issuer of the security that is the subject of the proxy vote. We shall periodically inform our employees that they are under an obligation to be aware of the potential for conflicts of interest on the part of our firm with respect to voting proxies on behalf of funds, both as a result of our employee's personal relationships and due to circumstances that may arise during the conduct of our business, and to bring conflicts of interest of which they become aware to the attention of the proxy manager.

Where a proxy proposal raises a material conflict of interest between the interests of the Firm and its client, Burton Enright Welch seeks to avoid material conflicts of interest by applying the pre-determined proxy voting guidelines in an objective and consistent manner across client accounts. Further, if the Firm has discretion to deviate from, or does not have specific guidelines with respect to, the proposal in question, we will cast the proxies in the same proportion as the other shareholders of the issuer who are not affiliated with the Firm have done, to the extent it has available information from the issuer or its agent to permit that form of voting. This form of voting is known as shadow or mirror voting. To the extent that shadow voting is not available on a timely basis, we will abstain from voting the securities held by that client's account; provided, however, that if the Firm determines that it is in a client's best interest to vote the proxy, the Firm will forward the proxy voting materials to the client.

## **Item 18 - FINANCIAL INFORMATION**

Burton Enright Welch does not require nor do we solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.