

# Part 2A of Form ADV: Firm Brochure

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**Capital Planning, LLC**

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**Date of Firm Brochure**

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3/29/2018

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**Firm Brochure Information**

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This brochure provides information about the qualifications and business practices of Capital Planning, LLC. If you have any questions about the contents of this brochure, please contact us at 425-643-1800. 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 Capital Planning, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our CRD number is 169470.

Capital Planning, LLC is registered with the Securities and Exchange Commission as an investment advisor. At times, we may refer to our firm as a Registered Investment Advisor; however, the use of the term "registered" does not imply a certain level of skill or training.

## Item 2 MATERIAL CHANGES

Our current Form ADV, Part 2A will be available to our existing and prospective clients 24 hours a day through the Investment Adviser Public Disclosure website. Additionally, we will annually and within 120 days of the end of our fiscal year, provide clients with either: (i) a copy of our Form ADV, Part 2A that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV, Part 2A. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our firm, including but not limited to advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

### Material Changes

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In this Item, Capital Planning is required to discuss any material changes that have been made to the brochure since the last annual amendment filed March 28, 2017. Such revisions are based on the nature of the updated information since our last annual amendment filing. There have been no material changes to this Brochure since our last annual amendment on March 28, 2017.

ANY QUESTIONS: CPC's Chief Compliance Officer, Michael D. Miller, CFP®, ChFC®, remains available to address any questions regarding this Brochure.

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### Firm Description and Principal Owners

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Capital Planning, LLC (hereinafter “CPC” or the “firm” or “we”) is registered with the Securities and Exchange Commission (“SEC”) as an investment adviser. The services provided by CPC were previously offered by the firm’s predecessor Capital Planning Corp. CPC succeeded to the investment advisory business of Capital Planning Corp in January 2014.

The follow individuals represent the ownership group of CPC. Michael D. Miller, through M3 Holdings Corp owns 55% of CPC; Mr. Miller’s ownership represents a controlling interest. James E. Kelley, Jr., Stephen P. Emanuels, and J. Michael Quigley each own 15% of CPC.

### Advisory Services

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We provide advisory services to individuals, families and their related entities, trusts and estates, and businesses. Our services include **Investment Management Solutions** and **Consulting Services**. We typically utilize a process that includes the following components.

**Gathering Information.** We work with Clients to mutually define their objectives prior to making recommendations. We endeavor to collect sufficient information to understand the resources and objectives of Clients. We use interviews, questionnaires, and/or other forms of data collection to establish Client’s goals and objectives.

**Analyzing and Evaluating Goals and Objectives.** We employ various tools to help analyze Client's information and gain an understanding of their goals and objectives. We may use Client’s information to create statements and diagrams for analysis. Our analysis helps us form opinions regarding whether or not Client’s objectives can be met by their resources and current course of action.

**Developing and Presenting Recommendations.** We develop and present recommendations designed to help Clients work toward achieving their goals and objectives. Our recommendations may include our **Investment Management Solutions** and **Consulting Services**. We recommend outside professionals when Clients require services we don’t offer. Outside professionals are engaged by Clients directly and those services are separate from our services.

**Implementing Recommendations.** We work with Clients to mutually agree on which recommendations will be implemented. We confirm our understanding and respective responsibilities in signed documents. Clients are under no obligation to implement any recommendation we offer.

**Monitoring Changes.** In order to ensure that our initial determination of appropriate recommendations continues to be suitable for Clients we maintain relevant Client information. Clients should notify us immediately of any change in their goals and objectives.

## ***Investment Management Solutions***

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Our ***Investment Management Solutions*** include *Managed Programs*, *CPC Models* (includes CPC Access Models, CPC Strategy Models and *DLD Models*), *Tailored Accounts*, and *Reporting Plus*. Clients may use one or more of these solutions in various accounts to create their Portfolio.

When selecting these solutions, we work with Clients to document their goals and objectives and develop an Investment Policy Statement to help guide our investment decisions. Clients have an opportunity to place reasonable restrictions on their investments and we work with them to understand the potential impact of these restrictions.

Client accounts are held in Client's name by independent custodians and Clients retain individual ownership of the securities in their accounts. We typically use Envestnet LLC (Envestnet) to provide web-based account access, performance reports, and other administrative functions such as trade generation, account reconciliation, and billing. Envestnet serves as administrator and also investment adviser for Clients using most *Managed Programs*. Envestnet serves as administrator only for Clients participating in *CPC Models*, *Tailored Accounts*, *Reporting Plus* and for certain *Independent Managers*.

***Managed Programs*** provide Clients access to a variety of investment strategies managed by third party money managers or sub-advisers ("Independent Managers"). We may invest or recommend that a client invest using one or more unaffiliated independent investment managers in accordance with the client's designated investment objectives. In such situations, the Independent Managers have the day-to-day responsibility for the active discretionary management of the client's assets. We continue to monitor and review the client's account performance, asset allocation and investment objectives. Factors which we consider in recommending Independent Managers include the client's designated investment objective(s), and the manager's management style, performance, reputation, financial strength, reporting capabilities, pricing structure, and published research. The investment management fee charged by the Independent Managers is in addition to our advisory fee as set forth in the fee schedule at Item 5.

Client accounts may include mutual funds, exchange-traded funds (ETFs), stocks, bonds, notes, real estate investment trusts (REITs), options and futures, among other investments.

*Managed Programs* are typically structured as a "wrap fee program." In wrap fee programs, Clients pay a single fee for both investment advisory and brokerage services.

Clients should carefully review the disclosure documents of Envestnet and each Independent Manager for more information regarding these programs and investments. The majority of Independent Managers that we recommend and select are available through Envestnet. However, in limited circumstances we may recommend or select Independent Managers that are not available through Envestnet.

***CPC Models*** (includes CPC Access Models, CPC Strategy Models and *DLD Models*) provide Clients access to a variety of investment strategies managed by the members of our Investment Policy Committee. We manage our *Models* according to pre-established goals of each *Model* rather than the individual goals of Clients. We work with Clients to select a *Model* (or combination of *Models*) that has investment objectives consistent with their goals and objectives. Client accounts consist primarily of mutual funds; however, CPC Strategy Models may include ETFs.

We may recommend Clients use CPC Access *Models* for accounts that are expected to remain at or under \$100,000. CPC Access *Models* generally have two or more mutual funds and are typically available only to Clients, or their family members, who also have larger Portfolios with us. CPC Access *Models* are generally

invested in mutual funds selected from a custodian's list of funds not subject to transaction fees. This helps avoid trading costs and reduce certain administrative expenses; however, these funds may have higher internal expenses than those funds subject to transaction fees. For additional information, please refer to **Other Fees and Expenses** under **Item 5 Fees and Compensation**.

Discretion Regarding **Managed Programs** and **CPC Models**: On an ongoing basis, CPC monitors the performance of the Independent Managers, ETFs and mutual funds. If we determine that one or more of these third parties is not providing sufficient management services to the Client, or is not managing the Client's assets in a manner consistent with that Client's investment objectives and approved strategy, then we may select a different mutual fund, ETF or Independent Manager to manage the Client's assets. Under this scenario, CPC retains the discretion to hire and fire each Independent Manager and buy or sell mutual funds and ETFs.

**Tailored Accounts** enable us to create customized investment solutions for a particular Client. We work with Clients to identify the various considerations relating to these assets and to develop an appropriate investment strategy. Any action regarding these assets is undertaken only with Client's prior consent. Client maintains discretion on account assets. Tailored Accounts are typically only available to Clients with other **Investment Management Solutions**.

**Reporting Plus** enables us to provide reporting and administrative services for Client accounts not covered by our other solutions. For these accounts, we serve as our Client's liaison with custodians and provide recommendations on holdings, trading and administrative services. Client maintains discretionary authority on account assets and is responsible for account monitoring and contacting CPC to provide trade instructions.

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### **Consulting Services**

We may provide Clients with one or more types of **Consulting Services** including *Personal/Business Consulting*, *Reporting Only*, and *Family Legacy Planning*.

**Personal/Business Consulting** is offered as Client needs dictate and may include advice on isolated areas of concern for securities and nonsecurities related matters.

**Reporting Only** enables us to provide Clients with consolidated reporting and online access for accounts that are self-managed or held with other institutions. *Reporting Only* is limited to account reporting and online access and we do not manage these accounts.

**Family Legacy Planning** is designed to help Clients work toward their long term legacy and estate planning objectives. *Family Legacy Planning* is structured to offer a generational approach to family wealth transfer and mentoring.

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### **Seminars**

We provide educational seminars on various topics that may include retirement, estate, charitable giving, and investment planning. Any investment information provided in *Seminars* is educational in nature and does not purport to meet the objectives or needs of any particular attendee. *Seminars* are typically sponsored by and provided for select groups and may be open to the public.

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### **Amount of Managed Assets**

As of 12/31/2017, we actively manage approximately \$438,577,392 of Clients' assets on a discretionary basis and approximately \$117,845,751 of Client assets on a non-discretionary basis for a total of \$556,423,143.

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by the client, we will generally provide financial planning, and related consulting services regarding non-investment related matters, such as tax and estate planning. We do not serve as an attorney or accountant, and no portion of our services should be construed as legal or accounting services. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including Michael D. Miller, CFP®, ChFC®, in his capacity as a licensed insurance agent. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from us or our representatives. If the client engages any recommended unaffiliated professional, and a dispute arises, the client agrees to seek recourse exclusively from the engaged professional.

**Retirement Rollovers.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If CPC recommends that a client roll over their retirement plan assets into an account to be managed by CPC, such a recommendation creates a conflict of interest if CPC will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, CPC serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. No client is under any obligation to rollover retirement plan assets to an account managed by CPC. CPC's Chief Compliance Officer, Michael D. Miller, CFP®, ChFC®, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

**Non-Discretionary Service Limitations.** Clients that determine to engage us on a non-discretionary basis must be willing to accept that we cannot effect any account transactions without obtaining your consent. For instance, although we do not recommend market timing as an investment strategy, in the event of a market correction event where we cannot reach you, you could suffer investment losses or miss potential investment gains.

**Client Obligations.** We are not required to, and we generally will not verify any information received from clients or their other professionals and are authorized to rely on the information in our possession. Clients are responsible for promptly notifying us if there is ever any change in their financial situation or investment objectives so that we can review, and if necessary, revise our previous recommendations or services.

**Idle Assets.** At any time, and for a substantial length of time we may hold a significant portion of a client's assets in cash or money market mutual funds. Investments in these assets may cause a client to miss out on upswings in the markets. Unless we expressly agree otherwise in writing, account assets consisting of cash and money market mutual funds are included in the value of an account's assets for purposes of calculation of our fees.

## Item 5 FEES AND COMPENSATION

### *Investment Management Solutions*

Our annual advisory fee is charged as a percentage of account assets based on the following schedules.

#### **Investment Management Solutions - Annual Fee Schedule**

Assets under Management	CPC Models and CPC Access Models*	Managed Programs, CPC Strategy Models and Tailored Accounts	Reporting Plus**
Up to \$500k	1.250%	1.000%	0.25%
\$500k to \$1m	1.000%		
\$1m to \$5m	0.850%	0.850%	
Over \$5m	0.575%	0.575%	

**\*CPC Models.** In addition to the above fee schedule, we generally charge an annual administrative fee of \$175 for each *CPC Model* account. This fee is applied quarterly based on a daily accrual method (~\$0.4794 per day). As such, the fee may vary slightly depending on the number of days in a quarter. *Access Models* are not subject to this administrative fee.

**\*\*Reporting Plus.** Our annual advisory fees for Reporting Plus accounts are frequently waived based on the overall client relationship and the character of the assets under consideration.

**Client Billing:** Clients are generally billed quarterly in advance based on the market value (or fair market value) of the Client's accounts at the end of the previous calendar quarter as reported by custodian(s). Accounts invested in certain CPC Models may be billed in arrears based on the average daily balance of the account during the billing period as calculated by Envestnet. Client agreements will specify the billing method used for an account. Clients authorize Envestnet and Pershing, as applicable, to directly debit their accounts. Envestnet compensates us, as well as the Independent Managers available through Envestnet, for their respective services.

**Fee Adjustments for Billing in Advance:** Within certain de minimis limits (currently \$10,000), fees on contributions and distributions are calculated on a pro-rated basis determined by the number of days remaining in that calendar quarter.

**Termination & Refunds:** Client agreements may be canceled at any time by either party with written notice. Upon termination, any prepaid unearned fees are refunded and any earned unpaid fees are due and payable.

**Historical Fee Schedules:** Some Clients entered into an advisory relationship with us under different terms that may not be available to new Clients.

**Negotiability of Fees:** Fees may be negotiable under certain circumstances. In addition, certain family members and personal acquaintances of our firm may receive advisory services at discounted rates which are not generally available to our Clients. We may, in our sole discretion, waive or modify our minimum account sizes, or advisory fee or charge a flat fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, competition, negotiations with client, etc.). As result, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.



**Custodial & Brokerage Considerations:** In addition to our fees, Clients are also responsible for any expenses charged by custodians, third party service providers, and broker dealers. These fees may include but are not limited to: spreads, transaction costs, commissions, clearing costs, reporting fees, transfer or processing fees, and revenue sharing fees regardless of whether we or an Independent Manager effects transactions for the Client's account(s). Please see **Item 12. Brokerage Practices** for additional information.

**Other Fees and Expenses:** Our fees are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. In the case of mutual funds, these fees and expenses are described in each fund's prospectus. These fees generally include management fees, other fund expenses, and possibly distribution fees. Clients may also incur certain redemption fees imposed by the fund company resulting from our management decisions. Clients may be able to invest in a mutual fund, ETF or Independent Manager directly, without our services. In that case, a Client would not receive our services which are designed, among other things, to assist Clients in determining appropriate investments for their goals and objectives.

Clients are advised that some investments (including mutual funds, variable annuities, variable life sub-accounts and other investments) used in their Portfolio may distribute payments to the Client's custodian or broker dealer pursuant to Rule 12b-1 of the Investment Company Act of 1940. Such payments are made from the assets of the mutual funds, variable annuities, variable life sub-accounts and other investments and, therefore, reduce overall performance. We may use such investments in Client's accounts where we reasonably believe the overall performance of the investment, after accounting for such charges, merits inclusion.

**Managed Program (and wrap fee program) Fees:** Clients participating in Managed Program accounts may be charged various program fees in addition to the advisory fee charged by CPC. Such fees may include the investment advisory fees of the Independent Managers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, Clients pay a single fee for advisory, brokerage and custodial services. Client's investment transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the Client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of trading activity in the Client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with Clients any separate program fees that may be charged to Clients.

Clients should carefully review the disclosure documents of Envestnet and any Independent Manager for more information regarding total account fees, account minimums, termination and refund policies and the negotiability of such requirements. Client should review the total fees charged on their assets when evaluating our services.

**Conflicts of Interest:** In certain cases our employees may earn commissions from the sale of insurance products. In such cases our employee will verbally inform Clients of the conflict and that Clients are under no obligation to purchase such products from the employee. See **Item 10 Other Industry Affiliations** for more information on this potential conflict of interest.

### **Consulting Services**

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Our fees for **Consulting Services** may be charged as described below.

**Reporting Only** fees are charged as a percentage of reportable assets, at an annual rate of 0.05% billed quarterly. We quote the total costs of this service, including our fee, to Clients prior to entering into an agreement. The same billing methodologies used for **Investment Management Solutions** above apply. Our

annual advisory fees for Reporting Only accounts are typically waived based on the overall client relationship and the character of the assets under consideration.

**Hourly Basis.** Hourly fee rates range from \$75 - \$500 per hour, depending on the nature and complexity of the work as well as the employees involved. If appropriate, an estimate for total hours may be provided at the start of the work. Clients are generally invoiced monthly in arrears.

**Fixed Fee Basis.** Fixed fee rates typically range from \$400 - \$5,000, depending on the nature and complexity of the work as well as the employees involved. Under certain circumstances, 50% of the estimated fee may be required at the start of the work, with the balance due upon completion. We don't hold or solicit payment of fees in excess of \$1,200 per Client for more than six months in advance of services rendered.

From time to time, as appropriate, we may directly engage one or more third party professionals or other service providers to provide services to us relating to a particular Client. Under these circumstances, we pay the third party professional's fees from the fees we receive from the Client. Our fee may or may not be increased as a result of using a third party professional or other service provider.

## **Seminars**

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*Seminars* present an opportunity to introduce our firm to people who may benefit from our services. As such, we do not typically charge fees for presenting *Seminars*. In addition, we frequently donate time and materials and may assume other expenses related to a *Seminar* sponsored by a third party. *Seminar* sponsors may reimburse us for reasonable expenses.

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

We do not charge performance-based fees.

## **Item 7 TYPES OF CLIENTS**

We provide advisory services to individuals, including high net worth individuals, trusts, estates, charitable organizations, corporations, and other businesses.

We generally require a minimum portfolio size of \$1 million; although, we may aggregate related accounts for the purposes of achieving our minimum. Our minimum may be negotiable.

Clients should carefully review the disclosure documents of Envestnet and each Independent Manager for more information regarding their account minimums and whether they are negotiable.

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

### **Methods of Analysis and Investment Strategies**

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**Investment Policy Committee.** Members of our Investment Policy Committee are responsible for analyzing investment opportunities, constructing *CPC Models*, selecting Independent Managers and helping our advisors diversify portfolios. During regularly scheduled meetings Committee members review economic cycles, market

conditions, Client portfolios, *CPC Models*, and the performance of mutual funds, ETFs, and Independent Managers. We use fundamental and cyclical analysis to form opinions on the economy, markets, portfolios, *CPC Models*, mutual funds, ETFs, and Independent Managers.

**Evaluating Investment Opportunities.** Our investment recommendations include the use mutual funds, ETFs, and Independent Managers. We use fundamental and cyclical analysis to evaluate the background, strategy, and performance of the investment opportunities considered for our Clients. Our goal is to find investment opportunities with clear investment strategies that we believe may be successful in the future. Mutual funds, ETFs and Independent Managers are selected on the basis of their investment objectives, their style and philosophy, their track record, and their fee structure among other factors.

Our analysis is based on information obtained from research providers, investment firms, academic sources, subscription services, and interviews. We use software and other tools to analyze this information and track the performance of mutual funds, ETFs and Independent Managers on an ongoing basis. While we believe this information is reliable, there is a risk that it may contain errors and we may rely on such erroneous information when making decisions and recommendations.

**Constructing *CPC Models*.** *CPC Models* are designed to achieve a diversified portfolio of mutual funds and/or ETFs with risk and return characteristics similar to those desired by our Clients. We use diversification as a technique designed to reduce the risks associated with having too much money in a single asset category. Clients should recognize that a diversified *Model* won't enable them to fully profit from sharp increases that may occur in a single asset category. In addition, a diversified *Model* may include asset categories that may be out of favor for a period of time. *Models* may change over time and may no longer be appropriate for Client's goals and objectives.

**Diversifying Client Portfolios.** We may recommend Clients diversify their Portfolio among different types of investment strategies depending on their goals and objectives. We may use a variety of ***Investment Management Solutions*** to work toward this diversification objective. A risk of diversifying Client Portfolios among different investment strategies is that the Client may have assets with a strategy that may be out of favor for a period of time. Portfolios may change over time and may no longer be appropriate for Client's goals and objectives.

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## Risk of Loss

Our ***Investment Management Solutions*** involve several types of risks including the risk of loss that Clients should be prepared to bear. Investing with us involves risks including but not limited to: losing money; reinvesting at lower rates in the future; losing purchasing power due to inflation or currency risk; investing with an underperforming mutual fund, ETF or Independent Manager; not being able to sell at a given moment; and not participating in other, better performing opportunities. There is also a risk that our recommendations may have different risk or return characteristics than the Client desired. As with any investment, there is the risk that our timing with respect to transactions may be less than ideal or result in unfavorable tax events such as short term or long term losses and gains.

A mutual fund, ETF or Independent Manager who has been successful in the past may not be able to replicate success in the future. Past performance does not guarantee future results. Since we don't control the underlying investments in a mutual fund, ETF or Independent Manager, it is possible that a mutual fund, ETF or Independent Manager may purchase essentially the same securities that a Client may already own. This overlap may reduce the benefits of diversification. There is also a risk that a mutual fund, ETF or Independent Manager may deviate from their stated investment strategy which may make the investment less suitable for a Client.

Please refer to **Item 13 Review of Accounts** for more information on how we monitor accounts.

## **Item 9 DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of our business or the integrity of our management. We don't have any reportable disciplinary events to disclose.

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

We are not affiliated, through common control, ownership, or otherwise with any other financial industry entity.

Our employees may be separately licensed as insurance agents for various insurance companies. As such, these employees may facilitate the purchase of insurance products for Clients. In this case, these employees may receive separate, yet customary, compensation in their separate capacities as insurance agents. Clients should be aware that the receipt of additional compensation creates a conflict of interest. Clients are not obligated to use our employees when purchasing insurance. The implementation of recommendations is solely at the discretion of the Client. These employees may spend as much as 5% of their time with these related activities.

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

### **Code of Ethics**

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We have a Code of Ethics which sets forth high ethical standards of conduct required of our employees, including compliance with applicable securities laws. Our firm and employees owe a duty of loyalty, fairness and good faith towards our Clients and we have an obligation to adhere to the general principles and specific provisions of our Code. You may request a copy of our Code of Ethics by phone at 425-643-1800.

### **Participation or Interest in Client Transactions and Personal Trading**

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Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees do not interfere with making decisions in the best interest of our Clients. Our Code provides for oversight, enforcement and recordkeeping of employee transactions.

Our Code includes policies and procedures for the review of quarterly securities transactions as well as initial and annual securities holdings reports that must be submitted by our employees. Our Code further includes our policy prohibiting the use of material non-public information.

Our firm and employees may buy or sell securities for their own accounts that are also recommended to or owned by Clients; however, a conflict may occur if an employee wishes to place a trade in the same (or related) security that a Client may own or purchase. Our code prevents our firm and employees from trading securities in a manner that disadvantages Clients and we review all employee transactions quarterly.

Any employee not in observance of our Code of Ethics is subject to disciplinary action and termination.

## Item 12 BROKERAGE PRACTICES

### Investment Management Solutions

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We require our Clients to select the broker dealer for their accounts, although not all advisory firms do. In directing the use of a particular broker dealer, Clients may not achieve the best price or lowest possible commission rates on trades since we don't aggregate orders or negotiate rates on a trade by trade basis. This practice may cost Clients more money. We also require **Investment Management Solution** Clients to use a broker dealer that is compatible with Envestnet. We reserve the right to decline acceptance of any account, if we believe that the Client's selection of a broker dealer may hinder our fiduciary duty or ability to service the Client.

We provide Clients with recommendations to help them choose a broker dealer. We generally recommend Pershing Advisor Solutions LLC ("PAS") or the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab). PAS and Schwab are broker dealer members of Financial Industry Regulatory Authority, Inc. (FINRA) and Securities Investor Protection Corporation (SIPC). These broker dealers are unaffiliated with our firm. Clients are not under any obligation to use these companies and should evaluate them carefully and independently.

We recommend broker dealers based on many factors including the quality and cost of their services and their ability to connect electronically with Envestnet. We determine the reasonableness of a broker dealer's compensation by comparing their costs to others of similar size and service. Other factors considered may include the following: capability to execute, clear, and settle trades (buy and sell securities for your account); capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.); breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.); availability of investment research and tools that assist us in making investment decisions; reputation, financial strength, and stability; and, prior service to us and our other clients. Clients should be aware that broker dealers provide us with different levels and cost of service that may create a conflict of interest. Broker dealer services may be contingent upon us committing a specific amount of business to the broker dealer; e.g., Schwab requires that we have at least \$10 million worth of Client assets maintained in accounts at Schwab for us to use their institutional platform.

Broker dealers may offer us additional services intended to help us manage and develop our business. These may include services such as: consulting (compliance, legal, and business), practice management advice, and access to third party service providers. Broker dealers may discount or pay the costs of such third parties. Broker dealers may also provide other benefits such as educational events and occasional business entertainment of our employees. Broker-dealers also make available to us software and other technology that: provides access to client account data (such as duplicate trade confirmations and account statements); facilitates trade execution; provides pricing and other market data; facilitates payment of our fees from our clients' accounts; assists with back-office functions, recordkeeping, and client reporting. Such products or services made available to us may benefit us, but may not directly benefit you or your account. These additional services and benefits may create a conflict of interest that Clients should be aware of when considering our recommendations.

**Managed Program** accounts are typically "wrap fee programs" in which Clients pay a single fee for both investment advisory and brokerage services. As a result, Clients are not charged commissions and a portion of the wrap fee is generally considered to be in lieu of commissions. Clients should be aware that wrap fees may or may not exceed the aggregate costs of investment advisory and brokerage services if the services were provided separately. Clients should carefully review the disclosure documents of Envestnet and the

Independent Managers for more information regarding brokerage practices, including any policies regarding trade aggregation.

**CPC Model** accounts are generally invested in mutual funds purchased without sales commissions (net asset value) and may be subject to broker dealer transaction fees. Under an arrangement we negotiated for accounts held at Pershing, we do not anticipate that Clients will incur transaction fees until after December 31, 2018. Clients should refer to separate disclosures provided by their broker dealer, for the costs associated with transactions of securities. **CPC Models** are traded on an individual account basis and we don't aggregate trades. As a result, certain Client trades may be executed before others and at different prices. **CPC Model** Clients may not receive transaction fee discounts that might be available if we aggregated trades.

We generally arrange for clients investing with the CPC Strategy Model to enter into an asset based pricing agreement with their account custodian. Under an asset based pricing arrangement, the client pays the custodian for account transaction fees based upon a percentage (%) of the market value of their account. This differs from transaction-based pricing, where client's accounts are assessed a separate transaction fee for each transaction. When we negotiate an asset-based pricing arrangement with the account custodian, we do not receive any portion of the asset based transaction fees. We believe that an asset-based pricing arrangement is the most cost-efficient for this model.

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### Consulting Services

**Consulting Services** Clients can choose any broker dealer they wish.

## Item 13 REVIEW OF ACCOUNTS

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### Account Reviews

While we utilize a periodic review process, we may perform more frequent reviews due to changes in Client's individual circumstances, the market, or the political and economic environment. Clients should notify us immediately of any changes in their financial situation and investment objectives or if they wish to impose or modify their investment restrictions.

Our advisors endeavor to meet with Clients at least annually to review their financial status, investment objectives, account performance, and investment suitability. During these meetings we also review specific questions or concerns our Clients may have. As part of this process we review the Client's information in an effort to ensure that our recommendations continue to be suitable and that the Client's account is managed appropriately. If we determine that a change may be necessary, we will make appropriate recommendations to Client. More frequent reviews may be done at the Client's request.

At least quarterly, our advisors review **Investment Management Solution** accounts for imbalances related to market activity, investment performance, and other factors. If we determine that an account change may be necessary, we may rebalance the account or contact Clients in accordance with our discretionary authority.

At least quarterly, our Investment Policy Committee reviews results of the investments, mutual funds, ETF's and Independent Managers in our **Investment Management Solution** accounts. As part of this process we review the performance of mutual funds, ETFs and Independent Managers in an effort to determine whether our **Investment Management Solutions** are achieving their objectives. If we determine that a change is

necessary we may increase or decrease account allocations, change mutual fund(s), ETF(s) or Independent Managers, or contact the Client in accordance with our discretionary authority.

**Reporting Only and Consulting Services.** We review these Client accounts as contracted with Clients. Reviews are typically done with the Client and one of our advisers.

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### Account Reporting

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In addition to the reports described below we may employ various tools to generate reports that help us analyze Client's information and gain an understanding of their overall situation. These reports may be provided to Clients as part of our periodic review process. These reports typically contain information regarding the Client's investments, net worth, and cash flow. The reports help us evaluate our opinion regarding whether the Client's objectives can be met by the Client's resources and current course of action.

**Investment Management Solutions.** We generally use Envestnet to provide daily online account access and quarterly account reports for our Clients. These reports and online tools are typically designed to detail account holdings, account activity (including billing), and investment performance. Clients are also urged to compare any such reports with the statements provided by the custodian(s) that cover the same time period.

Clients should carefully review the disclosure documents of Envestnet, Independent Manager(s), and custodians for more information regarding the nature and frequency of reports.

**Consulting Services.** The content and frequency of reporting is individually negotiated with each Client.

## Item 14 CLIENT REFERRALS AND OTHER COMPENSATION

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### Client Referrals

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We do not compensate individuals or entities for prospective Client referrals.

We may refer our Clients to other professionals or firms when we believe it is in the best interest of our Clients. We are under no obligation to make referrals and we provide them as a professional courtesy and to help Clients toward their objectives. We do not receive any direct compensation for these referrals; however, we may receive other benefits that could be considered a form of non-cash compensation. The benefits we may receive include, but are not limited to, access to professionals for advice, speaking opportunities or reciprocal referrals from these professionals or firms. Our employees may also be invited to entertainment events or exchange de minimis gifts. This creates a conflict of interest as we have a desire to receive these referrals and other benefits from the professionals and firms. Clients, however, are under no obligation to use the services of any professional or firm we may recommend. The implementation of our recommendation is solely at the Client's discretion. As these situations present conflicts of interest, we have established appropriate policies and procedures including the monitoring of gifts we give and receive to protect the interest of our Clients.

We may also receive Client referrals from a not-for-profit charitable institution, foundation, or other organization which may itself be a Client or benefactor of our firm. As a part of our services we may, in some cases, assist Clients with charitable planning where we make a recommendation for the Client to include the referring organization in their planning efforts. This creates a conflict of interest as we have a desire to receive future Client referrals from the referring organization. Clients, however, are under no obligation to implement any recommendation we offer. The implementation of our recommendations is solely at the Client's discretion. As these situations present conflicts of interest, we have established appropriate policies and procedures



including the monitoring of employee charitable gifts to protect the interest of our Clients.

## Other Compensation

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As disclosed in **Item 10** of this brochure, certain employees of our firm are separately licensed as insurance agents with unaffiliated insurance companies. We may recommend the use of these employees to Clients for implementation of recommendations involving insurance products, provided that our recommendation is consistent with our fiduciary duty to our Client. Any commissions or other compensation received from the implementation of such recommendations is separate and distinct from our advisory fee. Our Clients are not obligated to use anyone associated with our firm to implement any recommended transactions.

Clients should be aware that lower commission costs may or may not be achieved if recommended transactions are placed through our employees in their separate capacity as insurance agents.

We receive an economic benefit from broker-dealers in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts at these broker-dealers. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices). The availability to us of such broker-dealers' products and services are not based on us giving particular investment advice, such as buying particular securities for our clients.

**Gifts to Non-Profit Organizations:** Employees of our firm may make monetary donations or gifts to non-profit organizations. Such non-profits may provide us with *Seminar* opportunities and prospective Client referrals. As we have a continuing interest in presenting *Seminars* and receiving Client referrals, a conflict of interest exists due to gifts made by our employees. We monitor employee gifts to non-profits to ensure that any such gift is reasonable and fair in light of our fiduciary duties to our Clients. See **Item 10** for additional information.

## Item 15 CUSTODY

We do not have actual custody of any Client's account. However, as disclosed at **Item 5**, we may directly debit our fees from Client accounts as authorized. Under applicable regulatory interpretations, as a result of this authority, we are deemed to have custody of Client assets. As part of our billing process, the Client's custodian is advised of the amount of our fee which the custodian then debits from Client's account. At least quarterly, the custodian will send a statement to the Client that shows all transactions in the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for Clients to carefully review their custodial statements to verify the accuracy of this calculation, among other things. Clients should contact us directly if he/she believes that there may have been an error in the calculation of their fee or any other information provided in their statement.

Also, as disclosed at **Item 13** of this brochure, we or Envestnet may prepare and send account statements directly to our Clients, as contracted for, in addition to the periodic statements that Clients receive directly from their custodians. We urge our Clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings, and values are correct and current.

We have also received from certain clients standing letters of authorization that permit us to instruct the account's custodian to transfer funds to other accounts. We are deemed to have custody of those client funds where we have the ability to transfer funds to a third party.



## Item 16 INVESTMENT DISCRETION

**Managed Programs.** We may request that Client give us written discretionary authority to move their assets between different Independent Managers and to hire and fire Independent Managers as we deem appropriate. We do not have discretionary authority over the securities Independent Managers select for Client accounts.

Any limitations on our discretionary authority shall be included in the written authority signed by Client. Clients may amend these limitations in writing.

**CPC Models.** We manage *CPC Models* on a discretionary basis, which means that we place trades in a Client's account as we deem appropriate without contacting Clients prior to trading. Our discretion includes the ability to determine the appropriate security and amounts to buy or sell in the Client's account.

Clients grant us discretionary authority in our written investment management agreement. Client may place reasonable limits on this authority and amend these limitations in writing.

**Tailored Accounts, Portfolio Reporting, Portfolio Reporting Plus, and Consulting Services.** Client retains full discretionary authority over any and all assets covered by these services; as such, we do not have discretion over these accounts.

## Item 17 VOTING CLIENT SECURITIES

We don't vote proxies or make elections on events pertaining to Client's investment assets; however, we may offer Clients consulting assistance regarding proxy issues. Proxies and elections include any mergers, acquisitions, tender offers, bankruptcy proceedings or other issues. Clients maintain exclusive responsibility for voting proxies and making elections for securities they beneficially own. Clients are also responsible for instructing custodians to forward to the Clients copies of all proxies and shareholder communications relating to their investment assets.

We will not be responsible and each client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the client's account or the issuers thereof.

## Item 18 FINANCIAL INFORMATION

We don't hold or solicit payment of fees in excess of \$1,200 per Client for more than six months in advance of services rendered; therefore, we are not required to include a financial statement.

We have not been the subject of any bankruptcy petition and have no additional financial circumstances to report.