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Principly, Inc. (Principly) is an investment adviser that is registered with the U.S. Securities and Exchange Commission (SEC). Registration of an investment adviser does not imply a certain level of skill or training.

This brochure (Brochure) provides information about the qualifications and business practices of Principly. If you have any questions about the contents of this brochure, please contact us at [hello@principly.com](mailto:hello@principly.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Principly is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

Because Principly is newly formed and is a newly-registered investment adviser, it has no material changes to report.

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## Item 4: Advisory Business

### *Introduction to Principly's Business*

Principly is a newly formed investment adviser that is registered with the SEC as an internet adviser. That means that Principly provides investment advice to our clients exclusively through an interactive website, which is located at [www.principly.com](http://www.principly.com). On this website, interactive computer software-based applications receive the information that you submit through the website and help us provide an investment advisory service that is based on the personal information a client inputs but does not otherwise purport to meet the overall objectives or needs of a specific client. Rather, Principly's intent is to encourage 529 Plan investing as further outlined below. Principly does not plan to provide any investment advice through other means, such as in person, by telephone, or via email. If you require investment advice other than through an interactive website, Principly is not the adviser for you.

Principly was founded in mid-2015 by Jordan Lee. Jordan Lee has passed the Series 65 regulatory examination. Jordan Lee's background is in technology, rather than in recommending investments for other people, and on that basis he has developed a technology solution for 529 Plan investing and has kept the investment side of the business simple.



He believes that 529 Plan investing is under-utilized, in part because of the complexities in:

- ❖ Opening accounts,
- ❖ Accessing account information,
- ❖ Settling on an investment option, and
- ❖ Sharing goals and progress with family and friends.

The mission of Principly is to further popularize 529 Plan investing by making it easier to understand and simpler to invest on behalf of the 529 Plans' beneficiaries (the Students).

*As background, 529 Plans are tax-advantaged investment plans adopted in accordance with Section 529 of the Internal Revenue Code. Withdrawals from*

*529 Plans for qualified education expenses remain free of federal income tax, among other benefits, terms, and conditions. The 50 states and several territories have adopted various kinds of 529 Plans, which commonly offer various investment options, or prepaid tuition plans. Principly does not advise on prepaid tuition plans.*

### ***Principly's Focus***

Details about each of the following elements of Principly's focus, such as how to open an account and what investments are recommended, are available at our website.

#### ***Opening accounts***

Principly has a philosophy that simplicity can go a long way to encouraging a Student's family and friends to invest on behalf of the Student. We offer a way for you to open an account for your Student, and to publicize that account to family and friends along with a user-friendly way to begin adding investments on behalf of the Student. Finding out that a Student has an existing 529 Plan investment becomes much easier. If an account has been opened for a Student, family and friends no longer have to pull together the Student's personal information in order to complete an account application, but can move right into investing.

#### ***Accessing account information***

Principly has implemented a technology solution to make accessing account information, and adding investments, easy and intuitive. You can access information about your investments, and track a Student's fundraising progress, on our website or our apps. We anticipate further developments in the future, such as customization.

#### ***Settling on an investment option***

The 50 states and several territories have adopted various kinds of 529 Plans, prepaid tuition plans, or other vehicles for college savings, which offer various investment options. Cumulatively, all of these options can be intimidating or confusing, and might deter a Student's family or friends from making the effort to invest in a 529 Plan for the Student. Principly keeps it simple and will recommend one or a few options.

Principly's focus is on encouraging your saving and investing on behalf of a Student, and helping you do so alongside family and friends, rather than on chasing specific kinds of investment returns. Note that by investing through Principly, you might sacrifice certain tax benefits (such as state tax deductions or credits) that might be available to you, which could be material. You should investigate your other options before investing with Principly. You may determine that it is most advantageous to max out contributions to a 529 Plan from your state of residence before utilizing a Principly fund.

Depending on the structure of the account, you may only be able to withdraw assets from Principly in order to pay for a Student's qualified educational expenses (with limited exceptions).

If so, this would be different from what happens if you invest directly in a 529 Plan rather than through Principly -- in that case, withdrawals that are not used for qualified education expenses are allowed (though they would tend to be subject to certain penalties and other ramifications).

### ***The Investment Choices***

Principly provides investing advice on only certain 529 Plans, and on only certain of the investment options available in those 529 Plans. This Brochure refers to those investment options as Investment Choices. Principly's recommendation as to a particular Investment Choice will depend on the information you provide during the account-opening phase. In that sense, Principly's advice is tailored, but it remains impersonal, and Principly will not provide investment advice on other securities besides the Investment Choices or respond to specific requests for advice or to purchase other securities. Other 529 Plans that are not offered as Investment Choices may be more suitable for you.

Principly will offer Investment Choices based on various factors, including ease of administration, the ability of Principly to coordinate its technological processes with the 529 Plan, the level of fees charged by the 529 Plan, the reputation of the investment managers of the 529 Plan's investment options, the overall terms, and the available investment options, among other factors. Principly may begin with a single 529 Plan or few 529 Plans, and reserves the right to add or subtract 529 Plans from its recommendations from time to time. Principly receives no fees or other compensation from the 529 Plans; it receives fees solely as described in Item 5 below.

Principly offers advice on investing in Investment Choices and, as part of its services to investment advisory clients, provides technology and account-opening solutions intended to make it easier for family and friends to support the Students in their life by funding 529 Plans for them.

All of Principly's clients are advised on a non-discretionary basis, which means that you, rather than Principly, will select your investment. Upon selecting an Investment Choice, you will complete any documentation that the Investment Choice requires (and which our process may help out with).

Principly has \$ 104,427 in discretionary assets under management.

### **Item 5: Fees and Compensation**

When you invest in a 529 Plan through Principly, you choose a beneficiary, the Student. We calculate our fees based on the account size of that beneficiary (Account), including based on contributions to that Student from other friends and family members and taking account of the investment growth or losses in the account, commonly referred to as an asset-based fee. The standard annual fee rate is 0.25% of the net asset value of an Account (or \$1 per month if the Account's net asset value is below \$5,000), and it is paid upon various events or at the end of certain periods, depending on the circumstances, such that the final amount paid through year-end may be somewhat higher or lower than 0.25% of the net asset value of the Account. Fractions of a penny will be rounded down. Initially or during any period, we reserve the right to charge 0%. We also may charge an amount such that our fee plus the 529 Plan's disclosed fees

total 0.5% or some other total fee level. We will agree on the fee when taking on a particular client. The fee rate is subject to negotiation.

Investment advisers commonly charge an asset-based investment advisory fee by deducting the amount of an advisory account. However, due to the difficulties and disadvantages to you if we access our asset-based fee by deducting assets in your account (because assets are held in a 529 Plan), we ordinarily seek to apply our asset-based investment advisory fee by causing investors placing money into an account to divert part of their contribution to pay the account's investment advisory fee to Principly.

*Payment upon investment.* When an Account is first opened for a Student and when subsequent contributions are made for the Student, one quarter's fee is paid out of the amount being invested. That is, an investment advisory fee of 1/4 of 0.25% is deducted before it reaches the Account -- or \$0.63 out of each \$1,000 invested. This is the case whether the investment was made mid-calendar-quarter or otherwise.

*For example, if an Account is opened with a \$5,000 contribution, \$3.13 (that is, 1/4 of 0.25% of the contribution) is paid as an investment advisory fee to Principly, and the remainder is invested in the Account.*

*Payment from subsequent investments.* Each subsequent investment into that Account, from any contributor (not just the original contributor who opened the Account) will be subject to an investment advisory fee that is either 1/4 of 0.25% of the contribution, or, if larger, the amount of additional advisory fees accumulated to date with respect to the Account (but no more than 20% of any one contribution).

*For example, if the \$5,000 contribution (\$4996.83 invested and \$3.13 paid as a fee) described above was made mid-quarter, and as of that first calendar quarter's end the net asset value of the Account is \$5,050 due to capital appreciation, the next contribution made by any person to the Student during the following quarter will be deducted by 3 cents (1/4 of 0.25% of the extra \$50 in the Account, or 3 cents), in addition to 1/4 of 0.25% of the amount being contributed. Thus, if the next contribution is \$20, \$19.96 will be invested and 4 cents will be applied to the investment advisory fee.*

*As another example, if at calendar quarter end a Student's Account has a net asset value of \$40,000 and has paid no investment advisory fees from contributions during that quarter (which means that Principly is owed \$25.00 in investment advisory fees for that quarter, based on 1/4 of the annual 0.25% rate), and during the next quarter only one contribution of \$100 is made, the fee deducted from that contribution will be \$20 (that is, the maximum 20% of any one contribution) rather than the full \$25. In that case, \$5 in investment advisory fees remains owed to Principly with respect to the Account, to be paid (without interest) to Principly from future contributions from supporters of the Student.*

In addition, Principly may implement a process whereby at the end of any quarter in which deductions from contributions are insufficient to pay the fee owed with respect to the Account, an escrow agent (which may be pursuant to an agreement with the contributor) shall be entitled

to withdraw each contributor's pro rata share of the fee owed, calculated based on the contributions made by the contributor as a percentage of the overall contributions made to the Account, not taking account of investment growth or loss in the Account. These withdrawals will only be made if the outstanding fee owed is \$50 or greater. No withdrawal will be made from an account having insufficient funds.

*For example, in the example above, \$5 remains owed. In such a case, no withdrawals will be made from a contributor's bank account. If, instead, \$100 remains owed as of a particular quarter end, and one contributor had contributed 80% of the amounts contributed, and a second contributor had contributed 20% of the amounts contributed, the appropriate pro rata amount (\$80 from one, and \$20 from the other) may be withdrawn from each contributor's bank account by an escrow agent, and each contributor will be alerted upon such withdrawal.*

If Principly's fee cannot be paid from contributions or from bank account withdrawals as described above, such as in the case that contributions are too small or bank accounts have insufficient funds or are closed, Principly may invoice a contributor or otherwise take steps to remove its fee from the 529 Plan in a way that does not constitute fee deduction authority for purposes of the Advisers Act's custody rule. In such a case, the Account would be reduced by the fee, as well as by penalties and other economic ramifications of early withdrawals that are not for qualified educational purposes.

Principly's investment advisory fee is exclusive of, and in addition to, any distribution or transaction fees charged by a 529 Plan or intermediary, the 529 Plan's fees and expenses, and the Investment Choices' fees and expenses. Information about those other fees and expenses is disclosed in the disclosure documents relating to the Investment Choices.

An investment account agreement may be terminated upon 60 days' written notice to us, after which (beginning at quarter end) the Account will stop being charged the fee, but at that time the Account and its contributors will lose access to our technology solutions that support investments by family and friends.

Principly does not receive revenue from any 529 Plan, any funds that make up the Investment Choices, or any fund manager.

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

Principly does not charge performance-based fees, which are fees that are based on a share of the capital appreciation of an account.

#### **Item 7: Types of Clients**

Principly's clients are expected to be individuals of all income ranges who have an important Student in their life, or who are themselves Students. Principly expects that its typical client will be the person who signs on to establish and initially contributes to an Account for a Student. Other contributors to the Account will not formally be considered Principly's clients for most purposes, although they will help the Account pay the investment advisory fees as discussed in Item 5 above. Principly is excited to require no minimum investment size. However, as Principly



provides in its standard investment agreement, Principly reserves the right to implement a minimum investment or balance if the costs make small balances uneconomical in a way that harms Principly's business.

Principly views its investor base to include those who, alongside other family and friends, want to get started on investing in a 529 Plan for the Students in their life, or those who are not capable or interested in conducting research into other investment alternatives that are available, including other 529 Plans that may be more appropriate to a particular investor.

Because the Investment Choices are expected to offer the benefits of tax exemption or deferral, it is not recommended that you invest through a vehicle that also offers tax exemption or deferral, such as an individual retirement account (sometimes called an IRA). Trusts and entities can also offer challenges in determining whether an investment in the Investment Choices is appropriate, and you should seek your own tax, legal, or financial guidance before causing a trust or entity to invest.

Due to anticipated regulatory burdens, at this time, Principly does not anticipate allowing ERISA investors to become clients. An ERISA investor is one that is subject to the Employee Retirement Income Security Act of 1974, an investor that seeks for Principly to agree to conduct its operations as if ERISA applied, or an investor that Principly otherwise determines to potentially implicate ERISA and Department of Labor rules and regulations.

Principly currently limits its investors to U.S. persons but may allow non-U.S. persons to invest in the future.

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

### *Methods of Analysis and Investment Strategies*

In determining what Investment Choices to offer, Principly conducts "operational due diligence" (ODD) by engaging in the following process. Since every 529 Plan is different, not every part of the process will be used in every case, but the following is intended to provide an illustrative example of the kinds of steps that are typically taken. Certain elements of the typical ODD include:

- Review of the 529 Plan's formal disclosure documentation, including with respect to fees and expenses, the investment programs offered, principal risks, and other key terms.
- Consideration of the 529 Plan's history, stability (including from a legislative and political standpoint), and custodial arrangements.
- Consideration of the investment advisory firms that will manage the assets of the Investment Choices.
- Evaluation of the 529 Plan's types of accounts, willingness to cooperate, flexibility in administering accounts, and compatibility with the technology and account-opening solutions that are part of Principly's investment advisory services.

- Telephone discussions with personnel at the 529 Plan to cover topics that Principly deems appropriate.
- Review of other information as Principly deems relevant.

Principly has conducted ODD only on a limited number of Investment Choices and has not completed a comprehensive review of all information that an investor may deem material. In particular, Principly has not conducted ODD on the many 529 Plans in which you may decide to invest instead of following Principly's investment advice. You are encouraged to research other 529 Plans, some of which have lower fees for certain of their investment options, better investment performance during certain periods, and other elements that you may consider material to your investment decision. Importantly, some 529 Plans or their home states offer significant tax benefits to investors who are resident in their states or otherwise. You are encouraged to research whether those, or other investment vehicles, are a better investment for you and your Student. Principly views its investor base to include those who are not capable or interested in conducting that research, or those who simply want to get started on investing alongside other family and friends in a 529 Plan for the Student in their life.

Principly does not provide a comparison of the many 529 Plans that are available for you to invest in. Instead, Principly currently provides advice on investing in one 529 Plan or a few 529 Plans. Principly reserves the right to add or subtract 529 Plans from its recommendations from time to time. Before you invest in any 529 Plan based on Principly's advice, you will be provided the 529 Plan's disclosure documents, which you should read carefully.

Many 529 Plans offer numerous investment options, either in the form of a long list of specific investment funds or in categories such as "aggressive," "moderate," "conservative" and "cash." Principly has a philosophy that simplicity can go a long way in encouraging a Student's family and friends to invest on behalf of the Student, as compared with offering a wide menu of options that can be intimidating or confusing. For that reason and for ease of administration, Principly does not expect to make recommendations about all of the possible investment options available to you when you invest in a particular 529 Plan, but instead Principly expects to recommend one or a few options. Principly's focus is on encouraging your saving and investment for a Student, and helping you do so alongside family and friends, rather than on chasing specific kinds of investment returns.

### *Risk of Loss*

Principly recommends a particular type of security as its Investment Choices, which are investments in a 529 Plan. The Investment Choices are subject to various risks that are disclosed in the Investment Choices' prospectuses or similar disclosure documents. These documents describe the fees and expenses, investment objective and strategies, and other terms applicable to the Investment Choices. Importantly, these disclosure documents include a summary of the risks of investing in the Investment Choice, and you should carefully read and understand those risks before you invest any money or select a particular Investment Choice. Past performance is not necessarily an indicator of future performance. Investments using Principly's processes, and investments in a 529 Plan generally, are subject to specific risks, in addition to those disclosed in the Investment Choice's disclosure documents, and include:

- Principly is newly formed and, through the third quarter of 2015, has no operating history. New companies tend to be more susceptible to disruptions than companies with a long history of operations. Investing in a 529 Plan is a relatively long-term investment, and significant changes in Principly's operations may affect the continuing maintenance of your investment.
- Principly relies on its principal, Jordan Lee, particularly early on before it has increased its staffing and developed a long-established automated process for directing your investments into your chosen Investment Choices. Although Jordan Lee has passed the Series 65 regulatory examination, Jordan Lee has a background in technology rather than in recommending investments for other people.
- Principly is subject to management risk, which is the risk that its management does not effectively implement its business model or achieve its business objectives.
- Principly's technology may not work as intended, and its relationships with selected 529 Plans may not offer the anticipated compatibility with Principly's technology.
- As with all investments, the Investment Choices are subject to market risk (meaning that, as the markets rise and fall, the value of your investment will fluctuate), equity markets risk (such as volatility, particularly in market crises), and interest rate risk (particularly if the Investment Choices invest in fixed income securities such as bonds). There is no guarantee that an Account's money will grow, and the Account could lose a major part of its money.
- An investment will be subject to layering of fees. You or the Account will pay Principly a fee, and the investment will also be subject to the fees and expenses of both the 529 Plan and, if charged separately, the funds that make up the Investment Choices. The funds that make up the Investment Choices might engage in frequent trading, which would increase brokerage and other transaction costs and taxes that would be borne indirectly by the Student's Account and reduce the value of the investments in the Account.
- The Investment Choices that Principly recommends will be a limited selection and, during some (and potentially many) periods, will underperform other options that the particular 529 Plan offers or that are available through other 529 Plans, mutual funds, stocks, bonds, and other investments that are not part of Principly's investment recommendations.
- The Student might not attend college, or the Student might not need to use all of the money invested for him or her. In that case, alternatives include designating another recipient such as certain relatives who are students. Principly does not provide advice about designating other recipients of 529 Plan funding. You should review the IRS rules that apply or consult your tax advisor.

- Even if investments in a 529 Plan grow, the costs of education might be so great that your Student is unable to attend the college of his or her choice.
- Depending on how the Account is opened, you may not be able to access the money that is invested through Principly. That is, the terms of your investment could be such that your contribution will be used only for the beneficiary, or an alternative beneficiary should that become necessary. If instead you were to invest directly in a 529 Plan, you could access the money before it is used for the Student, although such access would be subject to penalties and taxation.
- By investing through Principly, you might sacrifice certain tax benefits (such as state tax deductions or credits that may be available to you) that might be available to you, which could be material. You should investigate your other options before investing with Principly. You may determine that it is most advantageous to max out contributions to a 529 Plan from your state of residence before utilizing a Principly fund.
- Gift tax rules apply when you invest in a 529 Plan, so keep that in mind, particularly when investing larger amounts or after having given sizable gifts. Tax benefits and other benefits might vary depending on the time of year you invest in a 529 Plan. In addition, tax laws can change, including the laws under which 529 Plans operate, and some or all tax benefits could be changed or eliminated. Principly does not give tax or financial planning advice. Consult the IRS rules, your tax advisor, or your personal financial planner if you have questions.

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

Principly has no disciplinary events to report.

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

Principly and its personnel currently engage in no other financial activities besides the investment activities described in this Brochure. Principly and its personnel also have no employment or similar relationship that Principly would view as creating an affiliation with a company in a financial industry or any related conflict of interest.

Principly does not receive compensation from the Investment Choices it recommends and does not otherwise receive economic benefits for doing so, other than the investment advisory fees discussed in Item 5 above. Certain benefits, such as ease of administration, responsiveness, cooperation, and transparent disclosure, which Principly views as important for Investment Choices to offer, benefit both Principly and its clients, and are not viewed by Principly as representing a conflict of interest.

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

Principly is subject to a fiduciary duty to act in the best interests of its clients. Consistent with that duty and government regulations, Principly has adopted a Code of Ethics applicable to its

personnel describing its high standard of business conduct with respect to its clients. This fiduciary duty is the core principle underlying the Code of Ethics and represents the expected basis of all our dealings with our clients. The Code of Ethics includes internal reporting, recordkeeping and other obligations regarding our personal securities transactions. The Code of Ethics requires that any violations of these obligations and any outside complaints be escalated, addressed promptly and appropriately, and recorded in the company's books and records.

Principly's personnel and their families may invest in the Investment Choices or in the funds that make up the Investment Choices. The investment advice that Principly provides with respect to Investment Choices offers little or no opportunity for a conflict of interest to arise, given that the advice is expected to relate to well-established mutual funds or similar vehicles unaffiliated with Principly that sell shares at net asset value. Those facts about what Principly's clients invest in indicate that Principly's personnel will not be in a position to benefit from influencing the issuers of shares, trading ahead of clients, or trading on nonpublic information. In the event that a conflict of interest is perceived to exist, Principly will seek to eliminate or mitigate that conflict of interest, such as by prohibiting or monitoring trading that is identified as potentially representing a conflict of interest.

Principly will provide a copy of the Code to any client or prospective client upon written request.

#### **Item 12: Brokerage Practices**

Principly does not select brokers through which you trade. Any investment on which Principly advises you is subject to the applicable brokerage charges or distribution fees that the particular Investment Choice or its distributor charges. These charges and fees are disclosed to you in the disclosure documentation provided by each Investment Choice.

You can pay smaller brokerage charges and distribution fees by investing in certain other securities in which other advisers may help you invest. Principly does not advise on those other investments, but rather only advises on investments in the Investment Choices.

Principly does not advise on investments in scarce opportunities or in securities that change their price throughout the day. Instead, Principly advises as to Investment Choices that, in all cases, Principly expects will stand ready to accept the entire amount of investments by Principly's clients. The investments are made based on the price next determined by each investment fund that makes up the Investment Choices, which is usually determined as of the closing of that day's stock exchange trading. For those reasons, although Principly may (but is not required to) aggregate several clients' trades in one order, Principly anticipates that no client will be disadvantaged, whether or not trades are aggregated.

Principly does not receive "soft dollars" or other economic benefits from any brokerage arrangement.

### **Item 13: Review of Accounts**

Each quarter, Principly reviews some or all accounts for any manifest error, such as an asset change that cannot easily be accounted for, to confirm that investment changes that clients have requested are made, and to check that Age-Based Investment Choices appropriately reflect the age of the Student.

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

Principly does not receive or pay compensation for making client referrals, but may implement referral arrangements in the future, at which time it will make appropriate disclosures.

### **Item 15: Custody**

Principly does not hold custody of your assets. Instead, your assets are held in custody by your Investment Choices or the investment funds that make up your Investment Choices. Be sure to carefully review your account statements and alert Principly or your Investment Choices in the event you believe there may be an error.

### **Item 16: Investment Discretion**

Principly does not exercise investment discretion for any clients. That means that you, rather than Principly, decide when and how to invest. Principly expects to implement an auto-invest option, in which you can arrange for repeat investments to be made periodically, but these are subject to your instruction rather than being in Principly's discretion.

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

From time to time, you will be entitled to participate in shareholder votes, such as votes on matters relating to investment funds that make up your Investment Choices. Votes are held on various matters, such as the election of the fund's directors, modifications of investment programs, changes in management fees, or selecting a new investment adviser for the fund, among other matters. In such an instance, if the 529 Plan will not exercise the vote, the investment fund will solicit your proxy, which means that it will seek your instruction on how to vote your shares. Principly does not vote your shares, and does not provide you advice on how you should instruct your shares to be voted. You will receive proxy materials directly from your Investment Choices, unless Principly has arranged to receive proxy materials and deliver them to you. Some of these votes can be particularly material to your interests. You should read any proxy materials and you will need to make your own decision on how to vote your securities, in consultation with your professional advisor or upon doing your own research, should you so desire.

### **Item 18: Financial Information**

Because Principly does not accept six months' prepayment of fees, does not hold custody of your assets, and does not exercise discretion in investing your assets in Investment Choices, this disclosure item is not applicable.