

# Running Oak Capital LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Running Oak Capital LLC. If you have any questions about the contents of this brochure, please contact us at (919) 656-3712 or by email at: [seth@runningoak.com](mailto:seth@runningoak.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Running Oak Capital LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Running Oak Capital LLC's CRD number is: 286656.*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Running Oak Capital LLC has not yet filed an annual updating amendment using the Form ADV Part 2A. Therefore there are no material changes to report.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Running Oak Capital LLC (hereinafter “ROC”) is a Limited Liability Company organized in the State of Minnesota. The firm was formed in July 2012, and the principal owner is Seth L Cogswell.

### **B. Types of Advisory Services**

#### ***Portfolio Management Services***

ROC offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. ROC creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

ROC evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. ROC will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

ROC seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of ROC’s economic, investment or other financial interests. To meet its fiduciary obligations, ROC attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, ROC’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is ROC’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

#### ***Subadvisor Services***

ROC may also act as a subadvisor to advisers unaffiliated with ROC. These third-party advisers would outsource portfolio management services to ROC. This relationship will be memorialized in each contract between ROC and the third-party adviser.

### *Services Limited to Specific Types of Investments*

ROC generally limits its investment advice to equities, although ROC primarily recommends equities. ROC may use other securities as well to help diversify a portfolio when applicable.

#### **C. Client Tailored Services and Client Imposed Restrictions**

ROC offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

#### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. ROC does not participate in any wrap fee programs.

#### **E. Assets Under Management**

ROC has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$2,700,000	\$0	January 2017

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

#### **A. Fee Schedule**

##### *Portfolio Management Fees*

Total Assets Under Management	Annual Fees
All Assets	1.00%

The advisory fee is calculated using the value of the assets in the Account on the last business day of the prior billing period.

These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Clients may terminate the agreement without penalty for a full refund of ROC's fees within five business days of signing the Investment

Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 30 days' written notice.

### ***Subadviser Services Fees***

ROC may also act as a subadviser to unaffiliated third-party advisers and ROC would receive a share of the fees collected from the third-party adviser's client. The fees charged will not exceed any limit imposed by any regulatory agency. The notice of termination requirement and payment of fees for subadviser services will depend on the specific third-party investment adviser engaging ROC as subadviser. This relationship will be memorialized in each contract between ROC and each third-party adviser. The fees will not exceed any limit imposed by any regulatory agency.

## **B. Payment of Fees**

### ***Payment of Portfolio Management Fees***

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a monthly basis. Fees are paid in advance.

### ***Payment of Subadviser Fees***

Subadviser fees may be withdrawn from clients' accounts or clients may be invoiced for such fees, as disclosed in each contract between ROC and the applicable third-party adviser.

## **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by ROC. Please see Item 12 of this brochure regarding broker-dealer/custodian.

## **D. Prepayment of Fees**

ROC collects fees in advance. Refunds for fees paid in advance will be returned within fourteen days to the client via check, or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate\* times the number of days elapsed in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee rate by 365.)

## **E. Outside Compensation For the Sale of Securities to Clients**

Neither ROC nor its supervised persons accept any compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

ROC does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

ROC generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Banks and Thrift Institutions
- ❖ Pooled Investment Vehicles
- ❖ Pension and Profit Sharing Plans
- ❖ Charitable Organizations
- ❖ Corporations or Business Entities
- ❖ Other Investment Advisers
- ❖ Insurance Companies

There is no account minimum for any of ROC's services.

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

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

#### ***Methods of Analysis***

ROC's methods of analysis include Fundamental analysis and Quantitative analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

#### ***Investment Strategies***



ROC uses long term trading.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Quantitative analysis** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

### *Investment Strategies*

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither ROC nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither ROC nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Seth Lawrence Cogswell acts as a sponsor, general partner, or managing member of Efficient Growth Fund I and from time to time, may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. ROC always acts in the best interest of the client and clients are in no way required to utilize the services of any representative of ROC in connection with such individual's activities outside of ROC.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

ROC does not utilize nor select third-party investment advisers. All assets are managed by ROC management.

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

### **A. Code of Ethics**

ROC has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. ROC's Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

ROC and its associated persons may have material financial interests in issuers of securities that ROC may recommend for purchase or sale by clients. For example, Seth Lawrence Cogswell acts as a sponsor, general partner, or managing member of Efficient Growth Fund I. Running Oak Capital GP runs the Efficient Growth Fund I. This presents a conflict of interest in that ROC or its related persons may receive more compensation from investment in a security in which in which ROC or a related person has a material financial interest than from other investments. Client approval will be sought for client investment in such recommendations and, if granted, such approval will be binding. ROC always acts in the best interest of the client consistent with its fiduciary duties and clients are not required invest in such investments if they do not wish to do so.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of ROC may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of ROC to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. ROC will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of ROC may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of ROC to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, ROC will never engage in trading that operates to the client's disadvantage if representatives of ROC buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on ROC's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and ROC may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in ROC's research efforts. ROC will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

ROC recommends Schwab Institutional, a division of Charles Schwab & Co., Inc..

#### ***1. Research and Other Soft-Dollar Benefits***

While ROC has no formal soft dollars program in which soft dollars are used to pay for third party services, ROC may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). ROC may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and ROC does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. ROC benefits by not having to produce or pay for the research, products or services, and ROC will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that ROC's acceptance of soft dollar benefits may result in higher commissions charged to the client.

#### ***2. Brokerage for Client Referrals***

ROC receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

ROC may permit clients to direct it to execute transactions through a specified broker-dealer. If a client directs brokerage, then the client will be required to acknowledge in writing that the client's direction with respect to the use of brokers supersedes any authority granted to ROC to select brokers; this direction may result in higher commissions, which may result in a disparity between free and directed accounts; the client may be unable to participate in block trades (unless ROC is able to engage in "step outs"); and trades for the client and other directed accounts may be executed after trades for free accounts, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. Not all investment advisers allow their clients to direct brokerage.

#### **B. Aggregating (Block) Trading for Multiple Client Accounts**

If ROC buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, ROC would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. ROC would determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any).

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

#### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for ROC's advisory services provided on an ongoing basis are reviewed at least Annually by Seth L Cogswell, Founder, with regard to clients' respective investment policies and risk tolerance levels. All accounts at ROC are assigned to this reviewer.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client of ROC's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian. ROC will also provide at least quarterly a separate written statement to the client.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

ROC receives compensation via its arrangement with its underlying subadvisers, but otherwise does not receive any economic benefit from any other third party for advice rendered to ROC's clients.

With respect to Schwab, ROC receives access to Schwab's institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For ROC client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to ROC other products and services that benefit ROC but may not benefit its clients' accounts. These benefits may include national, regional or ROC specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of ROC by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist ROC in managing and administering clients' accounts. These include software and other technology (and related technological training) 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, if applicable), provide research, pricing information and other market data, facilitate payment of ROC's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of ROC's accounts. Schwab Advisor Services also makes available to ROC other services intended to help ROC manage and further develop its business enterprise. These services may include professional

compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to ROC by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to ROC. ROC is independently owned and operated and not affiliated with Schwab.

#### **B. Compensation to Non – Advisory Personnel for Client Referrals**

ROC does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, ROC will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

ROC may be deemed to have custody over the funds and securities invested in pooled investment vehicles that ROC manages.

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

ROC provides discretionary investment advisory services to clients. The advisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, ROC generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share.

### **Item 17: Voting Client Securities (Proxy Voting)**

ROC will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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

### **A. Balance Sheet**

ROC neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither ROC nor its management has any financial condition that is likely to reasonably impair ROC's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

ROC has not been the subject of a bankruptcy petition in the last ten years.