



# CUSTOS

## FAMILY OFFICE

AUSTIN · DENVER

### Part 2A of Form ADV: Firm Brochure

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April 25, 2018

This brochure provides information about the qualifications and business practices of Custos Family Office, LLC ("Custos"). If you have any questions about the contents of this brochure, please contact us at 712-898-3929 or [chase@rodawig.com](mailto:chase@rodawig.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. Custos is a Registered Investment Adviser. Registration as an Investment Adviser with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Custos 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 IARD number. The IARD number for Custos is 294025.

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## ITEM 2 – MATERIAL CHANGES

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This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). This is our initial 2A Brochure and, therefore there are no material changes to report.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Chase Rodawig at 712-898-3929 or [chase@rodawig.com](mailto:chase@rodawig.com).

We encourage you to read this document in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

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This Disclosure document is being offered to you by Custos Family Office, LLC (“Custos” or “Firm”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

We are an investment management firm located in Denver, Colorado. We specialize in investment advisory services for individuals, high net worth individuals, charitable organizations, foundations, trusts and estates. Our Firm became a registered investment adviser in April 2018. Anthony Lopiccolo, Mitchell Herr and Chase Rodawig have ownership in the Firm.

We are committed to helping clients build, manage, and preserve their wealth, and to provide assistance that helps clients to achieve their stated financial goals. We will offer an initial complimentary meeting upon our discretion; however, investment advisory services are initiated only after you and Custos execute an Investment Management Agreement.

### **Investment Management Services**

We manage advisory accounts on a discretionary basis and non-discretionary basis. For discretionary accounts, once we have determined a profile and investment plan with a client, we will execute the day-to-day transactions without seeking prior client consent. Account supervision is guided by the written profile and investment plan of the client. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various equities, Exchanged Traded Funds (“ETFs”), mutual funds and debt securities in accordance with their stated investment objectives.

During personal discussions with clients, we determine the client’s objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also review a client’s prior investment history, as well as family composition and background. Based on client needs, we develop a client’s personal profile and investment plan. We then create and manage the client’s investments based on that policy and plan. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

Once we have determined the appropriate strategy for you and your family and executed the strategy, we will provide ongoing investment review and management services. This approach requires us to periodically review your portfolio.

With our discretionary relationship, we will make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We trade these portfolios based on the combination of our market views and your objectives, using our investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have

the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

We do have limited authority to direct the Custodian to deduct our investment advisory fees from your accounts, but only with the appropriate written authorization from you.

Where appropriate, we provide advice about concentrated stock positions held in client portfolios. Typically, these are assets that are ineligible to be custodied at our primary custodian. Clients will engage us to advise on certain investment products that are not maintained at their primary custodian, such as annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans).

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account's performance. This could result in capital losses in your account.

### **Financial Planning**

Through the financial planning process, our team strives to engage our clients in conversations around the family's goals, objectives, priorities, vision, and legacy – both for the near term as well as for future generations. With the unique goals and circumstances of each family in mind, our team will offer financial planning ideas and strategies to address the client's holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer and family legacy objectives. Our team partners with our client's other advisors (CPA, estate attorney, insurance broker, etc.) to ensure a coordinated effort of all parties toward the client's stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets and periodic updates.

Our specific services in preparing your plan may include:

- Review and clarification of your financial goals;
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management and estate planning;
- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession and other personal goals;
- Development of a goal-oriented investment plan, with input from various advisors to our clients around tax suggestions, asset allocation, expenses, risk and liquidity factors for each goal. This includes IRA and qualified plans, taxable and trust accounts that require special attention;

- Design of a risk management plan including risk tolerance, risk avoidance, mitigation and transfer, including liquidity as well as various insurance and possible company benefits; and
- Crafting and implementation of, in conjunction with your estate and/or corporate attorneys as tax advisor, an estate plan to provide for you and/or your heirs in the event of an incapacity or death.

A written evaluation of each client's initial situation or Financial Plan is provided to the client. The recommendations will not be reviewed nor updated, unless requested by the client at which point a new Agreement between Client and Adviser may be executed.

### **Referrals to Third Party Money Managers**

Our firm utilizes the services of a third-party money manager for the management of client accounts. Investment advice and trading of securities will only be offered by or through the chosen third party money manager. Our firm will not offer advice on any specific securities or other investments in connection with this service. Prior to referring clients, our firm will provide initial due diligence on third party money managers and ongoing reviews of their management of client accounts. In order to assist in the selection of a third-party money manager, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third party money manager. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

### **Consulting Services**

We also provide clients investment advice on a more-limited basis on one-or-more isolated areas of concern such as small business consulting, real estate, retirement planning, or any other specific topic. Additionally, we provide advice on non-securities matters about the rendering of estate planning, insurance, real estate, and/or annuity advice.

In these cases, you will be required to select your own investment managers, custodian and/or insurance companies for the implementation of consulting recommendations. If your needs include brokerage and/or other financial services, we will recommend the use of one of several investment managers, brokers, banks, custodians, insurance companies or other financial professionals. You must independently evaluate these firms before opening an account or transacting business, and you have the right to effect business

through any firm you choose. Also note, you have the right to choose whether to follow the consulting advice that we provide.

### **Wrap Fee Program**

We also provide services on a wrap fee basis as a wrap program sponsor. Under our wrap program, you will receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the client more or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in our Wrap Fee Program Brochure. Because wrap program transaction fees and/or commissions are being paid by our firm to the account custodian, we have an economic incentive to minimize the number of trades in the client's account. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interests and have established policies to mitigate the conflict of interest a wrap fee arrangement will create. Additionally, we adhere to our fiduciary duty when trading your accounts. We will only trade accounts on the basis of the stated investment objectives of the account and without concern to the firm's trading costs and firm's expenses that trading the accounts will create.

### **Assets**

Because this is our initial filing of the Part 2A Brochure, we have no assets under discretionary or non-discretionary management.

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## **ITEM 5 - FEES AND COMPENSATION**

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### **Investment Management Fees and Compensation**

Our Firm charges a fee as compensation for providing Investment Management services on your account. These services include advisory services, trade execution, investment supervision, and other account-maintenance activities. Our custodian charges transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

The fees for investment management are based on an annual percentage of assets under management and are applied to the household asset value on a pro-rata basis and billed monthly in arrears. The monthly fee will be calculated on the average monthly balance of the account. The value will be determined as reported by the Custodian. Fees are assessed on all assets under management, including securities, cash and money market balances. Margin account balances are not included in the fee billing.

Our maximum investment advisory fees as a percentage of assets under management is 1.00%. Our annual fixed fees range from \$1,000 to \$500,000 depending on the level of engagement. The specific advisory fees are set forth in your Investment Advisory Agreement.

We may negotiate a lower advisory fee or have the right to waive the minimum fee. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as “householding” portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of householding accounts for fee purposes looks at the overall family dynamic and relationship. When applicable and noted in the Investment Management Agreement, concentrated stock positions will also be excluded from the fee calculation.

The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement to you on a monthly basis indicating all the amounts deducted from the account including our advisory fees.

Either Custos or you may terminate the Investment Advisory Agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination, for the month in which the cancellation notice was given and the unearned fee refunded to your account as indicated in your Agreement. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client’s death or disability, Custos will continue management of the account until we are notified of client’s death or disability and given alternative instructions by an authorized party.

### **Financial Planning Fees**

Custos will negotiate the planning fees with you. Fees may vary based on the extent and complexity of your individual or family circumstances and the amount of your assets under our management. We will determine your fee for the designated financial advisory services based on a fixed fee or hourly arrangement described below.

Under our fixed fee arrangement, any fee will be agreed in advance of services being performed. The fee will be determined based on factors including the complexity of your financial situation, agreed upon deliverables, and whether or not you intend to implement any recommendations through Custos. Fixed fees for financial plans range from \$1,000 to \$100,000. The specific fixed fee for your financial plan is specified in your planning agreement with Custos.



Under our hourly arrangement, financial planning fees are billed at an hourly rate up to \$500.00 per hour depending on the complexity of the client's financial situation. Prior to beginning service, Custos will provide an estimate of the approximate hours necessary to complete the plan. If we anticipate exceeding the estimated hours, your IAR will contact you to request authorization to provide additional services. Upon delivery of the plan and billing invoice, the hourly fees will be deducted from any retainer you paid, and any hourly fee balance remaining will be billed.

Typically, we complete a plan within a month and will present it to you within 90 days of the contract date, if you have provided us all information needed to prepare the financial plan. Fees are billed in with one half (50%) of the estimated fee due and payable at the midway point of the project, with the balance due and payable at the time the financial plan is delivered. You may terminate the financial planning agreement by providing us with written notice. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you based on an hourly rate of \$500.00. Services provided up to date of termination but not yet paid to Custos will be billed to you based on the hourly rate of \$500.00. We will not require prepayment of more than \$1,200 in fees per client, six (6) or more months in advance of providing any services.

In no case are our fees based on, or related to, the performance of your funds or investments.

When both investment management or plan implementation and investment management services are offered, there is a conflict of interest since there is an incentive for us offering investment management services to recommend products or services for which Custos receives compensation. However, Custos will make all recommendations independent of such considerations and based solely on our obligations to consider your objectives and needs. As an investment management client, you have the right not to act upon any of our recommendations and not affect the transaction(s) through us if you decide to follow the recommendations.

### **Third Party Money Manager ("TPMM") Fees**

Fees and billing methods are outlined in each respective TPMM's Brochure and Advisory Contract. The Client pays an on-going fee directly to the TPMM based upon a percentage of your assets under management with respect to each TPMM. You will receive disclosure of all fees by the TPMM, which include the terms of the compensation arrangement and a description of the compensation paid, at the time of signing an advisory agreement with the TPMM.

The minimum account size for will vary from TPMM to TPMM. All such minimums will be disclosed in the respective TPMM's Brochure. Custos may have the ability to negotiate such minimums for you.

You may terminate your relationship in accordance with the respective TPMMs' disclosure documents.

We may recommend you terminate the relationship with a TPMM. Factors involved in the termination of a TPMM may include a failure to adhere to their stated management style or your objectives, a material change in the professional staff of the TPMM, unexplained poor performance, unexplained inconsistency of account performance, or our decision to no longer include the TPMM on our list of approved TPMMs.

Account custodial services may be provided by several account custodians depending on the investment management program offered. Programs may have higher or lower fees than other programs available through Custos or available elsewhere. Investment management programs may differ in the services provided and method or type of management offered, and each may have different account minimums. Client reports will depend upon the management program selected. Please see complete details in the program brochure and custodial account agreement for each program recommended and offered. Because managers pay different fees to the referring party, there is a conflict of interest when referring to various TPMMs. We recognize the fiduciary responsibility to act in your best interest and have established policies in this regard to mitigate any conflicts of interest. You, the Client, always has right to decide to engage the TPMM that Custos recommends to you.

### **Consulting**

We provide consulting services for clients who need advice on a limited scope of work. We will negotiate consulting fees with you. Fees may vary based on the extent and complexity of the consulting project. Fees will be billed as services are rendered. Either party may terminate the agreement. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you as described in the Agreement and our hourly rate described above.

### **Additional Fees and Expenses:**

In addition to the advisory fees paid to our Firm, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities, transaction fees, custodial fees, fees charged by the Independent Managers, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Custos' brokerage practices are described at length in Item 12, below. Neither our Firm nor its supervised persons accept compensation for the sale of securities or other investment products. Further, our firm does not share in any of these additional fees and expenses outlined above.

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**ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees) nor engage side by side management.

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**ITEM 7 - TYPES OF CLIENTS**

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We provide investment advice to individuals, high-net worth individuals, charitable organizations, foundations, trusts and estates. Our minimum initial account value is \$1,000,000; however, we may accept accounts for less than the minimum at our sole discretion.

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**ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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**Methods of Analysis**

At Custos we pride ourselves in being experts in risk management. We believe far too often the investment community, comprised of both professionals and individuals, make investment decisions based on future expected returns or emotion. Rather, we focus on balancing the risk and liquidity across the entire balance sheet. Indeed, most capital market assumptions utilized in industry models rely on historical returns with small adjustments based on current macroeconomic factors. Every model we have seen relies on historical correlations to continue into the future. We have an acute awareness of the evolution and timing of a given economic cycle and the market's potential downside risk.

For these reasons we spend a tremendous amount of time with clients at the initiation of a relationship understanding both their financial goals and more importantly their willingness and ability to assume financial risk. Often, we find these two factors are at odds. At this point we work closely with clients on the trade-offs generally associated with risk and return. We help clients understand the impact to their portfolios and futures.

**Investment Philosophy**

- Concentration Risk Is Real
- Asset Allocation Drives 85-90% of Portfolio Returns
- Asset Class Returns Should Be Captured Efficiently
- Taxes Are the Enemy of Returns
- Performance Matters

## Investment Process

- 1) Fully understand a client's current balance sheet, goals & ability to withstand market volatility
- 2) Determine the optimal asset allocation strategy
- 3) Diversify away or hedge unacceptable risks
- 4) Implement strategy via the most efficient investment vehicles
- 5) Consistently measure net performance against benchmarks
- 6) Adjust strategy to meeting financial goals or a change in risk tolerance

## Investment Strategies

Custos' investment strategies are unconstrained by traditional asset classes and investment vehicles. We allocate client capital across cash, fixed income, ETFs, mutual funds, separately managed accounts, options, private investments, real estate, commodities.

## Risk of Loss

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

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investors should be aware that accounts are subject to the following risks:

**Market Risk** — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.

**Foreign Securities and Currency Risk** — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

**Capitalization Risk** — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.

**Interest Rate Risk** — In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.

**Credit Risk** — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.

**Securities Lending Risk** — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.

**Exchange-Traded Funds** — ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

**Performance of Underlying Managers** — We select the mutual funds and ETFs in the asset allocation portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.

**Liquidity Risk** - Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

**Options Risk** - Transactions in options carry a high degree of risk. Options are securities which derive their value from the value of underlying securities in which they track. Options can be used to hedge or to speculate on price changes in the underlying security. The value of an option contract is a function of the price of the underlying security, implied volatility, time to expiration and to a lesser extent market interest rates. At Custos we use options to hedge against adverse market moves or to gain exposure to securities we do not currently own. While investing in options always carries the risk of experiencing a loss our option strategies are not designed to leverage portfolios which would inherently increase the risk of investing. Option strategies will only be used in client portfolios with client consent

and we will continually review asset allocation and the appropriateness of using option strategies to achieve client risk and return goals.

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**ITEM 9 - DISCIPLINARY INFORMATION**

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We do not have any legal, financial or other “disciplinary” item to report.

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**ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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We have no industry activities or affiliations to disclose.

IARs of our Firm do not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

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**ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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Our Firm and persons associated with us are allowed to invest for their own accounts or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information.

The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the firm’s expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of Custos, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm’s ethical principles.

We have established the following restrictions in order to ensure our firm’s fiduciary responsibilities:

1. A director, officer or employee of Custos shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No supervised employee of Custos

shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.

2. We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Custos.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
4. We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any supervised employee not in observance of the above may be subject to termination.

You may request a complete copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Part 2; Attn: Chief Compliance Officer.

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#### **ITEM 12 - BROKERAGE PRACTICES**

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We participate in the Pershing LLC Advisor program. Pershing, LLC is a division of The Bank of New York Mellon Corporation. Pershing, LLC ("Pershing") is a member of FINRA, NYSE and SIPC. Pershing is an independent and unaffiliated SEC-registered broker-dealer. Pershing offers services to independent investment advisors that include custody of securities, trade execution, clearance and settlement of transactions.

There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent investment advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. Pershing may also have paid for business consulting and professional services

received by some of our related persons. Some of the products and services made available by Pershing through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at Pershing. Other services made available by Pershing are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to Pershing. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of Pershing for custody and brokerage services.

In the event you request us to recommend a broker/dealer custodian for execution and/or custodial services, we generally recommend your account to be maintained at Pershing. We may recommend that you establish accounts with Pershing to maintain custody of your assets and to effect trades for your accounts. You are under no obligation to act upon any recommendations, and if you elect to act upon any recommendations, you are under no obligation to place the transactions through any broker/dealer we recommend. Our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability and compatibility with the client. You may be able to obtain lower commissions and fees from other brokers and the value of products, research and services given to us is not a factor in determining the selection of broker/dealer or the reasonableness of their commissions.

#### Aggregation and Allocation of Transactions

We may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client Investment Advisory Agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

We will aggregate trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully-disclosed separately to our existing clients (if any) and the broker/dealer(s) through which such transactions will be placed;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best



price) for you and is consistent with the terms of our Investment Advisory Agreement with you for which trades are being aggregated.

3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;
4. We will prepare a written statement ("Allocation Statement") specifying the participating client accounts and how to allocate the order among those clients;
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, the accounts that did not receive the previous trade's positions should be "first in line" to receive the next allocation.
6. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is reviewed by our compliance officer. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
7. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
8. Individual advice and treatment will be accorded to each advisory client.

#### **Brokerage for Client Referrals**

Our Firm does not receive client referrals from any custodian or third party in exchange for using that broker-dealer or third party.

#### **Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the Custodian, the Custodian will be responsible for covering

all trade error costs. The CCO conducts a quarterly review of trade errors that may have occurred during the quarter. If investment gains (net any losses) result from the correcting trade(s), the total gain will be donated to charity. We will never benefit or profit from trade errors.

#### **Directed Brokerage**

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

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### **ITEM 13 - REVIEW OF ACCOUNTS**

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#### **Account Reviews and Reviewers – Investment Supervisory Services**

Our Investment Adviser Representatives will monitor client accounts on a regular basis and perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Geopolitical and macroeconomic specific events may also trigger reviews.

#### **Statements and Reports**

The custodian for the individual client's account will provide clients with an account statement at least monthly. Reports may also be provided at every client meeting. Communication to clients will be done on an as needed basis with a minimum of 1 contact per calendar year. You are urged to compare the reports provided by Custos against the account statements you receive directly from your account custodian.

Those clients who are exclusively Consulting or Financial Planning clients (i.e. those who have no assets under management with us in our advisory program) will receive no regular reports from the Firm.

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### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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Custos does not pay referral fees or receive compensation for referrals.

As disclosed under Brokerage Practices, we participate in Pershing's institutional customer program and we may recommend Pershing to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent Investment Advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and

confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. Pershing may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by Pershing through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at Pershing. Other services made available by Pershing are intended to help us manage and further develop our business enterprise. The benefits received by our Firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to Pershing. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of Pershing for custody and brokerage services.

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#### **ITEM 15 – CUSTODY**

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We do not have physical custody, as it applies to investment advisors. Custody has been defined by regulators as having access or control over client funds and/or securities.

#### **Deduction of Advisory Fees**

For all accounts, our firm has the authority to have fees deducted directly from client accounts. Our firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from Custos. When you have questions about your account statements, you should contact Custos or the qualified custodian preparing the statement. Please refer to Item 5 for more information about the deduction of adviser fees.

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#### **ITEM 16 – INVESTMENT DISCRETION**

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For discretionary accounts, prior to engaging Custos to provide investment advisory services, you will enter a written Agreement with us granting the firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. In addition, you will need to execute additional documents required by the Custodian to authorize and enable Custos, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment and brokerage discretion held by Custos for you are:

1. For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
2. Any limitations on this discretionary authority shall in writing as indicated on the investment advisory Agreement, Appendix B. You may change/amend these limitations as required.

In some instance, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

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#### **ITEM 17 – VOTING YOUR SECURITIES**

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We will **not** vote proxies on your behalf. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients can contact our office with questions about a particular solicitation by phone at 712-898-3929.

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#### **ITEM 18 – FINANCIAL INFORMATION**

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We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.