

# **Oak City Consulting, LLC**

**1532 Fountainview Drive**

**Wake Forest, NC 27587**

**919-844-6450**

**April 2, 2020**

This Brochure provides information about the qualifications and business practices of Oak City Consulting, LLC. If you have any questions about the contents of this Brochure, please contact us at 919- 844-6450. 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.

Oak City Consulting, LLC is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them. Additional information about Oak City Consulting, LLC is also available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

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Since our last annual filing on February 6, 2019, we had the following material change to our ADV Part 2A.

- Our office has moved. The new office is located at 1532 Fountainview Drive, Wake Forest, NC 27587. The mailing address is P.O. Box 841, Wake Forest, NC 27588.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year, which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide you with a new Brochure, as necessary, based on changes or new information. Currently, our Brochure may be requested at any time, without charge, by contacting Oak City Consulting, LLC at 919-844-6450.

Additional information about Oak City Consulting, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Oak City Consulting, LLC is 162220. The SEC's web site also provides information about any persons affiliated with Oak City Consulting, LLC who are registered, or are required to be registered, as investment adviser representatives of Oak City Consulting, LLC.

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## Item 4 - Advisory Business Introduction

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Oak City Consulting, LLC is a Registered Investment Adviser (“Adviser”) which offers wealth management and investment management for clients using primarily separately managed accounts (SMA). We also provide management services on an individual basis with Oak City Consulting providing advisory services. We are registered through and regulated by the Security and Exchange Commission’s (SEC).

Oak City Consulting, LLC was founded by Ross Roggensack in 2012. Ross Roggensack serves as Managing Member, Chief Executive Officer and Chief Investment Officer. Melissa Clapp Smith serves as Managing Member and Chief Compliance Officer. We provide investment advisory services to individuals, high net worth individuals, charitable organizations, Christian foundations, endowments, and businesses.

We provide investment advice through investment adviser representatives (“advisor”) associated with us. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on our behalf. In addition, all advisors are generally required to have experience in the financial services industry.

Our mission is to provide professional financial and investment advisory services to our clients. We accomplish this mission by utilizing a single, uncompromising focus on meeting or exceeding our client's expectations and specific longer-term investment objectives through the use of appropriate investment strategies and investment asset classes. We believe the long-term success of our firm hinges on our integrity, our professionalism, and our ability to consistently focus on our goal of meeting our clients' present and evolving investment and financial needs. We are committed to the precept that by placing the clients’ interests first, we will add value to the asset management process and earn the client’s trust and respect. We value long term relationships with our clients whom we regard as strategic partners in our business.

Our purpose is to provide institutional investment consulting to Christian endowments, foundations, and families in order to build His Kingdom by submitting to proper stewardship, practicing humility, and becoming good servants to our clients. As a registered investment adviser, Oak City complies by the “Investment Advisers Act of 1940”, which compels advisors to be subject to fiduciary duty by putting client’s best interest ahead of their own. We have worked with Christian institutions and families for over 20 years, Oak City will synchronize best in class services to create true institutional quality in the delivery of custody services, performance reporting, manager selection, due diligence, investment policy narration and review, and constant asset allocation advice.

### Services

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We provide various investment advisory services, primarily through Separately Managed Accounts (SMA), with an emphasis on asset allocation. SMAs are typically individual managed investment portfolios managed by independent investment management companies (money managers). Unlike a mutual fund, where the funds are commingled, a separately managed account is a portfolio of individually owned securities that can be tailored to fit the client’s investing preferences.

### **Oak City Consulting as Manager**

We may serve as the investment adviser for your individual Separately Managed Account. This is a program that allows us to create an investment model portfolio and manage it within your investment guidelines and financial parameters. This Program enables you to pursue your investment objectives with us as manager all in one consolidated portfolio. We may serve as the investment adviser to manage only one asset class (e.g., large capitalization common stock portfolio or duration-limited fixed income portfolio) or one investment style from its investment product offering. In such an investment advisory relationship, the portfolio's investment strategy is more limited by the specific product or investment style being sought by the client.

We can also tailor our advisory services to your individual needs based upon your goals and objectives for overall portfolio returns, cash flow, and volatility/risk. To meet such customized needs, your goals and objectives may incorporate rate of return expectations, volatility tolerance, and diversification goals for their overall combined investment program including assets not managed by us or may only incorporate such goals for the account(s) or portfolio(s) managed by us.

We may manage assets on both a discretionary and non-discretionary basis. The decision as to whether to grant us discretionary authority over your accounts is made by you at the time of account opening and is detailed in the Advisory Agreement. In addition, you shall have the ability to impose reasonable restrictions on the management of your account, including the ability to instruct us not to purchase certain mutual funds, stocks or other securities. These restrictions may be a specific company security, industry sector, asset class, or any other restriction you request.

We will meet with you regarding your investment experience, investment objectives, risk tolerance and general financial condition in order to create an investment profile, Investment Policy Statement (IPS), and to identify investment strategies and managers. We will ask you to provide statements summarizing current investments, income and other earnings, recent tax returns, retirement plan information, other assets and liabilities, wills and trusts, insurance policies, and other pertinent information. Your IPS will incorporate different aspects of your financial status into an overall policy statement to meet your goals and objectives. In creating your IPS, we typically examine and analyze your overall financial situation, issues such as taxes, business planning, retirement savings, and your current investment program.

You will be provided with recommendations for the appropriate SMA account. Our recommendations and ongoing management is based upon your investment goals and objectives, risk tolerance, and the investment portfolio you have selected.

### **Third Party Manager**

We may determine that it is in your best interest to work with an established SMA Manager. With our assistance, you will select one or more third-party money managers for your portfolio. The manager is selected by matching their investment strategy and risk profile with your risk profile and stated investment needs and objectives. The money managers selected under these programs will have discretion to determine the securities they buy and sell within the account, subject to reasonable restrictions imposed by you. The selection of the securities and the investment decisions are made in accordance with the Investment Policy Statement (IPS) we complete with you and your objectives and risk tolerance. The

investments in the portfolio account may include stocks, bonds, equity options, futures, mutual funds, etc. We do not impose a minimum dollar value on the size of account we will accept, however, the SMA manager may impose a minimum dollar value. Each program can be tailored to meet the needs of the individual client by varying the percentages of the client's total assets invested in each program. In addition, the client may place restrictions on the purchase of certain securities; however, placing too many restrictions could potentially negate the benefits of the program and therefore may be impractical.

We actively monitor the performance of the selected manager and may recommend a change in the manager when and if we believe such a change would be in your best interests. You must approve any change before it will be implemented. The SMA manager will select the securities bought and sold and the amount to be bought and sold, within the parameters of the objectives and risk tolerance of your account. You will have the opportunity to meet with us periodically to review the assets in your account.

Due to the nature of these programs, each of the independent money managers is obligated to provide you with a separate disclosure document. You should carefully review this document for important and specific program details, including pricing.

Your circumstances shall also be monitored in at least annual account reviews. These reviews will be conducted in person, by telephone conference, and/or via a written inquiry/questionnaire.

You must notify us promptly when your financial situation, goals, objectives, or needs change.

We will conduct and/or participate in:

- Investment policy planning
- Development of an asset allocation strategy designed to meet the Client's objectives
- Recommendations on suitable style allocations
- Identification of appropriate managers and investment vehicles suitable to the Client's goals
- Evaluation of asset managers and investment vehicles meeting style and allocation criteria
- Engagement of selected asset managers and investment vehicles on behalf of the Client
- Ongoing monitoring of individual asset manager's performance and management
- Review of Client accounts to ensure adherence to policy guidelines and asset allocation
- Recommendations for account rebalancing, if necessary
- Online reporting of Client account's performance and progress

You will enter into a separate management agreement with the SMA manager. The agreement you enter into with the SMA manager will disclose the fees you will pay to them for the management of your account. These fees are separate and in addition to the fees you pay us for investment advisory services.

We will help you open the SMA account with the selected manager and a custodial account(s). The funds in your account will generally be held in a separate account, in your name, at an independent custodian, not with us. We generally recommend using Fidelity Brokerage Services, LLC (Fidelity); however, if you are using an independent SMA manager, they may have arrangements with other custodial firms or may allow you to use anyone you wish. The identity of your custodian will be communicated to you before the

account is opened.

You will enter into a separate custodial agreement with the custodian. This agreement, among other things, authorizes the custodian to take instructions from the SMA account manager and us regarding investment decisions for your account. The custodian will effect transactions, deliver securities, make payments and do as instructed. You are notified of any purchases or sales through trade confirmations and monthly statements that are provided by the Custodian. You will at all times maintain full and complete ownership rights to all assets held in your account, including the right to withdraw securities or cash, proxy voting and receiving transaction confirmations.

You will receive, at least quarterly, a statement containing a description of all the activity in your account from the custodian. This statement lists the total value at the start of the quarter, itemizes all transaction activity during the quarter, and lists the types, amounts, and total value of securities held as of the end of the quarter. Your statement may be in either printed or electronic form based upon your preferences.

You will receive, at least quarterly, a statement from the Separate Account manager, containing a description of the activity in your account. Your statement may be in either printed or electronic form based upon your preferences.

We will also provide you with a quarterly performance statement starting at the end of the first full calendar quarter after signing the Client Advisory Agreement. These statements give you additional feedback regarding performance, educate you about our long-term investment philosophy, and describe any changes in current strategy and allocation along with the reasons for making these changes.

We are available during normal business hours either by telephone, fax, email, or in person by appointment to answer your questions.

Please note that the manager may be required to trade to meet initial allocation targets, after substantial cash deposits that require investment allocation, and/or after a request for a withdrawal that requires liquidation of a position. Additionally, your account may be rebalanced or reallocated periodically in order to reestablish the targeted percentages of your initial asset allocation. This rebalancing or reallocation will occur on the schedule we have determined together. You will be responsible for any and all tax consequences resulting from any rebalancing or reallocation of the account.

Your account can be managed in a tax aware manner; however, we do not provide tax advice or tax management services. However, we will work with your tax professionals to assist you with tax planning.

As of December 31, 2019, we provided asset management services for 80 accounts on a discretionary basis totaling \$10,126,211, and 118 accounts on a non-discretionary basis totaling \$502,240,569.

## **ERISA Fiduciary**

Oak City Consulting, LLC understands and attests that they are an ERISA fiduciary as defined in the Fiduciary Rule under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986. Oak City Consulting, LLC adheres to the Impartial Conduct Standards (including the “best interest” standard, reasonable compensation, and no misrepresented information).

Oak City Consulting, LLC does not act as a discretionary investment manager of any Plan as defined in Section 3(28) of the Employee Retirement Income Security Act of 1974.

Oak City Consulting, LLC does not act as a non-discretionary investment manager of any Plan as defined in Section 3(21) of the Employee Retirement Income Security Act of 1974.

## **Item 5 - Fees and Compensation**

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We provide investment advisory services for a fee. Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. Our fees do not include the asset management fees charged by the money manager(s) selected for your SMA. You may incur certain charges imposed by custodians, third party investment companies and other third parties. These include fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, money market funds and exchange traded funds also charge internal management fees, which are disclosed in the fund’s prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. We do not receive any compensation from these fees. All of these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge.

You could invest in a managed account, equities, or mutual fund directly, without our services. In that case, you would not receive the services provided by us which are designed, among other things, to assist you in determining which manager, securities, or funds are most appropriate to your financial condition and objectives.

Our Advisory Agreement defines what fees are charged and their frequency. We usually bill fees in advance on a quarterly basis. If requested, clients may be billed on a monthly basis, in advance. You will authorize the custodian to directly debit fees from your account held at the custodian and to pay us. Management fees are prorated for each contribution and withdrawal made during the applicable billing period (with the exception of small inconsequential contributions and withdrawals). The custodian will provide quarterly statements reflecting the deduction of the advisory fees.



Either party may terminate the initial agreement at any time by providing written notice to the other party within five (5) business days of signing the agreement. You will incur charges for advisory services rendered up to the point of termination and such fees will be due and payable by you within five business days of being billed. Refunds will be given on a pro-rata basis within five business days of cancellation. Accounts opened or terminated during a calendar billing period will be charged a prorated fee. Once an account is established, either party may terminate the relationship with a 30-day written notice. Upon termination of any account, any prepaid fees that are in excess of the management services performed will be promptly refunded to you. Any fees that are due, but have not been paid, will be billed to you and are due immediately.

## **Investment Advisory Fee Schedule**

We do not have a minimum account balance. The fee charged is based upon the amount of money you invest, or assets under management (AUM). Generally, you will pay fees quarterly, in advance. Payments are due and will be assessed on the first day of each quarter, based on the ending balance of the account under management for the preceding quarter. Clients may request to pay fees monthly. Monthly payments are due and will be assessed on the first day of each month, based on the ending balance of the account under management for the preceding month. Investment Advisory Fees will be calculated as follows:

Percentage	Portfolio Size (AUM)
1.00%	\$0 - \$500,000
0.5%	\$500,000 - \$5 million
Negotiable	\$5 million +

The fees shown above are annual fees. You will be billed one quarter or month of this amount on a quarterly or monthly basis. No increase in the annual fee shall be effective without prior written notification to you. We believe our advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs. All advisory fees are negotiable.

Our fees will not be based upon a share of capital gains or capital appreciation of the funds or any portion of your funds. In no event shall we charge advisory fees that are both in excess of twelve hundred dollars and more than six months in advance of advisory services rendered.

You may also pay additional advisory fees to the SMA money manager. These management fees are separate and in addition to the fees disclosed above. You will receive information relating to the management fees charged by the SMA money manager upon selection and entering into the management agreement.

The fees we charge can be deducted directly from your account at the custodian. We will instruct the Custodian to deduct the fees from your account at the beginning of the calendar quarter or month. This fee will show up as a deduction on your following account statement from the Custodian.

## Item 6 - Performance Based Fee and Side by Side Management

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We do not charge any performance-based fees. These are fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7 - Types of Client(s)

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We provide investment advisory services to individuals, high net worth individuals, charitable organizations, Christian endowments, and foundations. We do not require a minimum account balance. Certain SMA Managers may require minimum balances.

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

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We analyze investment programs and separate account managers by reviewing the background of the managers, their investment process, investment philosophy, methodology, stability of the managers, referrals, historical performance, and disclosure documents. We may perform research on various programs through third-party resources such as PSN Enterprises, a research solution offered through Informa Investment Solutions. PSN is a comprehensive data base comprising the universe of separately managed accounts, which provides us with research tools we use in our selection and recommendation of managers. We also perform our own due diligence on managers and may use publicly available resources as sources of information while conducting our research.

### Methods of Analysis

The third party SMA Managers and Oak City Consulting may use fundamental analysis as part of the overall investment management discipline.

#### 1. Fundamental Analysis

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

Fundamental analysis serves to answer questions, such as:

- Is the company's revenue growing?
- Is it actually making a profit?
- Is it in a strong-enough position to beat out its competitors in the future?
- Is it able to repay its debts?

One of the primary assumptions of fundamental analysis is that the price on the stock market does not fully reflect a stock's "real" value. SMA managers and our firm may use a combination of qualitative and quantitative factors to try and find stocks that are undervalued. We look at both macroeconomic

factors such as the overall economy and industry conditions and company-specific factors such as financial condition and management. When examining a stock, we might look at the stock's annual dividend payout, earnings per share, Price to Earnings ratio and many other quantitative factors. However, no analysis is complete without taking into account brand recognition and other qualitative factors.

The end goal of performing fundamental analysis is to produce a value that can be compared with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

## **2. Modern Portfolio Theory (MPT)**

The SMA Manager may also use publically available research and reports regarding individual securities, issuers, investment strategies and performance of asset classes to select the funds they will offer. They may use Modern Portfolio Theory to help them select the funds they offer. Modern Portfolio Theory was created by some of the world's leading academic economist. They conducted extensive research, demonstrating that asset class selection (such as small-cap vs. large-cap, value vs. growth and U.S. vs. international)-not stock selection or market timing-is the most important determinant of portfolio performance.

Modern portfolio theory tries to understand the market as a whole, rather than looking for what makes each investment opportunity unique. Investments are described statistically, in terms of their expected long-term return rate and their expected short-term volatility. The volatility is equated with "risk", measuring how much worse than average an investment's bad years are likely to be. The end goal is to identify your acceptable level of risk tolerance, and then to find a portfolio with the maximum expected return for that level of risk

## **3. Technical Analysis**

The SMA Managers may also use Technical Analysis which is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

## **Investment Strategies**

In order to perform technical analysis, the SMA Managers may use the following techniques:

- Calculate moving averages
- Stochastic oscillators, which incorporate support and resistance levels to determine momentum.
- Charting and chart patterns
- Supply and demand indicators
- Investor behavior and psychology

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

In order to perform this fundamental analysis, SMA Managers and us may use, but are not limited to many resources, such as:

- Morningstar
- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.)
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Research materials prepared by others
- Company press releases
- Corporate ratings services
- Timing Services
- Company websites
- Inspections of corporate activities

The investment strategies used to implement any investment advice given to you include, but are not limited to:

- Long term purchases - securities held at least a year
- Short term purchases - securities sold within a year
- Trading - securities sold within 30 days
- Short sales
- Margin Transactions
- Option writing, including covered options, uncovered options or spreading strategies

## **Risks**

We cannot guarantee any analysis methods will yield a return. In fact, a loss of principle is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle. You need to understand that investment decisions made for your account by us are subject to various market, currency, economics, political and business risks. The investment decisions we make will not always be profitable nor can we guarantee any level of performance. For a more comprehensive description of all the risks associated with our strategies, methodology, and products please refer to the glossary under Risks.

## **Item 9 - Disciplinary Information**

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Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information to disclose here about the firm or any of our investment advisors. We adhere

to high ethical standards for all advisors and associates. We strive to do what's in your best interests.

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

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Neither our firm, nor its advisors, is registered as a broker-dealer or representatives of a broker-dealer. We are not registered as and do not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. We do not have arrangements that are material to our advisory business or our clients with a related person who is a: broker-dealer, accounting firm, investment company, law firm, other investment adviser, insurance company or agency, financial planning firm, pension consultant, commodity pool operator, commodity trading, real estate broker or dealer, advisor or futures commission merchant, banking or thrift institution, or an entity that creates or packages limited partnerships.

We do not solicit, sell, or offer other financial services products such as insurance or annuities.

We do recommend and assist you in the selection of other investment managers. This may pose a conflict of interest as we may have financial incentive to recommend one adviser over another. We have policies and procedures in place to address this conflict and as part of our fiduciary duty to you, will place your best interest paramount. We will assist you in the selection of the most appropriate investment manager according to your objectives and unique situation.

Melissa Clapp Smith does not participate in other business activities or have any outside affiliations at this time.

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

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### **1. General Information**

We have adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct, and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All our supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

### **2. Participation or Interest in Client Accounts**

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business

- Engaging in any manipulative practices
- Participating in Client accounts

You may request a copy of the firm's Code of Ethics by contacting Melissa Clapp Smith.

### **3. Personal Trading**

We have established the following restrictions in order to ensure our fiduciary responsibilities to you are met:

- We shall not buy or sell securities for our personal portfolio(s) where this decision is substantially derived, in whole or in part, from our role as an investment Advisory Representative of Oak City Consulting, LLC unless the information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.
- We emphasize your unrestricted right to decline to implement any advice rendered.

However, some securities trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with our records as required.

### **4. Responsibility**

It is the responsibility of all supervisory personnel to ensure that we conduct business with the highest level of ethical standards and in keeping with our fiduciary duties to you. We must put your interests first and refrain from having outside interests that conflict with your interests.

### **5. Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to it in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal with to restrict the use of your information. You will receive our Privacy Policy when you enter into an investment advisory relationship with us. Additionally, you will receive our Privacy Policy on an annual basis and our Privacy Policy is always available upon request.

### **6. Conflicts of Interest**

We have a duty to disclose potential and actual conflicts of interest. We have a duty to report potential and actual conflicts of interest to management.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interest of all the accounts we advise.

We act in a fiduciary capacity as required by SEC and state Regulations. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest

may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We also adhere to the fiduciary standards of ERISA for all ERISA accounts. We adhere to the Impartial Conduct Standards which includes the “best interest” standard, reasonable compensation and no misrepresentation of information. We have policies and procedures in place to monitor our adherence to our fiduciary obligation. We strive to do what is in the best interests of all the accounts we advise.

## **7. Use of Disclaimers**

We shall not attempt to limit liability for willful misconduct or gross negligence through the use of disclaimers.

## **Item 12 - Brokerage Practices**

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We do not maintain custody of client assets. Client assets are maintained in an account with a qualified custodian or broker-dealer. When recommending any broker-dealer to clients, we consider a number of factors including the broker-dealer’s financial strength, reputation, execution, pricing, research and services. The commissions paid by you shall comply with our duty to obtain “best execution”. However, you may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client transactions.

### **1. Soft Dollars**

Clearing, custody, or other brokerage services may be provided by Fidelity Brokerage Services, LLC (Fidelity), member of the NYSE, SIPC. Fidelity provides specialized services to us through their Fidelity Institutional Wealth Services (FIWS) program. This program offers a dedicated team to us which enables us to better service client needs. As part of the program we receive some economic benefits referred to as soft dollar arrangements.

Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits. Generally, such benefits will be used to service all of our clients. The receipt of these soft dollar benefits may pose a conflict of interest. Oak City Consulting, LLC does not receive soft dollar benefits from anyone other than Fidelity.

Fidelity Brokerage Services, LLC (Fidelity) and other third party managers may provide us with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"). These research products and/or services will assist the Advisor in its investment decision making process. Such research generally will be used to service all of the

Advisor's clients, but brokerage commissions paid by the client may be used to pay for research that is not used in managing the client's account. The account may pay to a Broker-Dealer a commission greater than another qualified Broker-Dealer might charge to effect the same transaction where the Advisor determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

There may other benefits from recommending Fidelity or other third party managers such as software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Other services may include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Oak City Consulting, LLC may contract directly.

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

We do not receive any compensation or incentive for referring you to broker-dealers for brokerage trades.

## **3. Directed Brokerage**

We generally recommend and utilize Fidelity Brokerage Services, LLC as your custodian or broker/dealer. The Separate Account manager may also recommend and utilize a specific broker/dealer for the execution of transactions in your account. Fidelity Institutional Wealth Services provides custody for over 3300 advisors, with over \$500 billion in assets. Fidelity Investments provides custody for over \$1.5 trillion on managed assets, and assets under administration of over \$3 trillion. Institutional web services to be used for secure web site, with complete access, and full service support (via Lightport). Additionally, you may direct us to utilize a broker/dealer of your choice; however, the Separate Account manager may not offer this option.

Not all advisory firms require you to direct brokerage to a specific broker/dealer. We have an obligation to seek best execution for you. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Broker-Dealer's services including the value of research provided, execution capability, commission rates, and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

By directing brokerage to Fidelity, you may pay higher fees or transaction costs than those obtainable by other broker-dealers. In most cases, we believe you are paying a discounted and reasonable rate. We believe that these firms pay industry standard commissions on transactions they handle for us. These commissions are reasonable and customary.



You may pay higher or lower fees if you select another broker-dealer. Generally, we will not negotiate lower rates below the rates established by the executing broker-dealer for this type of directed brokerage account, unless we believe that such rate is unfair or unreasonable for the size and type of transaction.

Transactions placed in a separately managed account by the manager will be executed through the broker-dealer or custodian determined at the time the account is established. In determining best execution for these transactions, the manager is looking at whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services including the value of research provided, execution capability, commission rates, and responsiveness. While they look for competitive commission rates, they may not obtain the lowest possible commission rates for account transactions. The aggregation and allocation practices of managers that we recommend to you are disclosed in the respective manager disclosure documents which will be provided to you.

We do not aggregate or "bunch" client transactions. Transactions for each client account generally will be executed, by the SMA manager, independently. There may be occasions when the SMA manager will bunch or aggregate client orders. These practices will be disclosed in the SMA Manager's disclosure brochure. We encourage you to review the SMA Manager's disclosure brochure closely for an understanding of their trading practices.

We do not receive client referrals from Fidelity or other broker/dealers.

## **Item 13 - Review of Accounts**

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### **1. Reviews**

Institutional accounts will be reviewed quarterly either via an in person meeting or conference call. We will review all other accounts at least annually and discuss any necessary information with you via a conference call or in person. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, we will monitor for changes and shifts in the economy, changes to the management and structure of a fund or company in which client assets are invested, and market shifts and corrections. You should notify us promptly of any changes to your financial goals, objectives or financial situation as such changes may require us to review your portfolio and make recommendations for changes.

### **2. Reports**

Bi-directional data integration is used daily to monitor performance, and to constantly reconcile all accounts, regardless of custodian choice. Clients will have the freedom to view performance on demand from our website, and all reporting is custom built via third party performance software vendors.

You will be provided with account statements reflecting the transactions occurring in the account on at least a quarterly basis. These statements will be written or electronic depending upon what you selected when you opened the account. You will be provided with statements from the custodian, the manager, and a performance report. The custodial statements and manager statements will be delivered directly from the custodian and manager. You will be provided with paper confirmations, unless you have chosen to receive confirmations electronically, for each securities transaction executed in the account. We encourage you to review your statements closely. You must notify us of any discrepancies in the account

or any concerns you have about the account.

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

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We do not receive any compensation for referring clients to another advisor nor do we pay any compensation from another advisor for them referring clients to us.

## **Item 15 - Custody**

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We do not have physical custody of any accounts or assets. However, we may be deemed to have custody of your accounts if we have the ability to deduct your quarterly or monthly fees from the custodian. We use Fidelity Brokerage Services, LLC, Regions Bank and/or US Bancorp as the custodian and/or broker-dealer for all your accounts. You should receive at least quarterly statements from the broker-dealer or custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare this official custodial record to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you notice any discrepancies, please contact Oak City Consulting, LLC.

We do not debit the client fees directly from your advisory account. Only the custodian has the authority to directly charge and debit the advisory fee to your account and then pay us. The Custodian will provide you immediate transaction confirmations and monthly statements, either by mail or electronically per your request. Monthly statements list the total value of the account at the start and end of the month and itemize all transactions and security positions. For taxable accounts, the Custodian will provide you consolidated year-end summary statements including IRS forms 1099 and other tax-related forms, as applicable. We are not allowed to make alterations or amendments to the custodian's statement. This preserves the integrity of the Custodian's statement and provides you with an independent appraisal of the account.

## **Item 16 - Investment Discretion**

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We manage assets on a discretionary and non-discretionary basis. If you provide discretionary authority, as evidenced via the written, discretionary agreement between the client and the Adviser, we will have the authority to determine the following without your consent:

- Securities to be bought or sold for your account
- Amount of securities to be bought or sold for your account

In all cases this discretion is exercised in a manner consistent with your stated investment objectives for your account and in accordance with any restrictions placed on the account(s).

When active asset management services are provided on a discretionary basis the client will enter into a separate custodial agreement with the custodian. The custodian agreement will include a limited power

of attorney to trade in the client's account(s) which authorizes the custodian to take instructions from us regarding all investment decisions for your account.

If you do not give us the authority to manage your account on a discretionary basis, as evidenced via the written, non-discretionary agreement between the client and the Adviser, then we cannot buy or sell any security in your account without your prior, express permission. Please be advised that this could adversely affect the Adviser's ability to take advantage of price swings when attempting to purchase or sell securities in the client's account, especially in instances where the Adviser is not able to contact the client in a timely manner.

When active asset management services are provided on a non-discretionary basis the client will enter into a separate custodial agreement with the custodian. The custodian agreement will include a limited power of attorney to trade in the client's account(s) which authorizes the custodian to take instructions from us regarding trades approved by the client.

The third-party money manager and/or custodians may have discretion over your account. The Advisory Agreement and ADV Part 2 of the third-party money manager and the custodial new account documentation will detail this in full.

## **Item 17 - Voting Client Securities**

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As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. The managers of the Separately Managed Accounts you are invested with may vote proxies on your behalf according to their policies, procedures, and your authorization. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. We may provide advice to you regarding your voting of proxies. We are authorized to instruct the Custodian to forward you copies of all proxies and shareholder communications relating to your account assets.

## **Item 18 - Financial Information**

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We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings. We do not charge fees that are both \$1200 and more than six months in advance.

# Glossary of Key Terms

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**Adviser** – Oak City Consulting, LLC

**Advisor** – Your individual representative at Oak City Consulting, LLC

**Asset Allocation** – The process of dividing investments among different kinds of assets, such as stocks, bonds, real estate and cash, to optimize the risk/reward tradeoff based on an individual's or institutions specific situation and goals; a key concept in financial planning and money management.

**Asset-class investment portfolios** – An asset class is a grouping of similar investments whose prices tend to move together. Asset classes can be defined on a very general level, such as stocks or on a more specific level, such as American silver producing companies. The concept of asset classes is important because one of the goals when building an investment portfolio is to use different asset classes which are not correlated with each other.

**Diversification** – a portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds, and real estate, which are unlikely to all move in the same direction. The goal of diversification is to reduce the risk in a portfolio. Volatility is limited by the fact that not all asset classes or industries or individual companies move up and down in value at the same time or at the same rate. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

**Expense Ratio** — the fund's total annual operating expenses (including management fees, distribution (12b-1) fees, and other expenses) expressed as a percentage of average net assets.

**Fees** — a list of all fees associated with different products we offer are listed below:

1. **12b-1 Fees** — Fees paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services. "Distribution fees" include fees to compensate brokers and others who sell fund shares and to pay for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. "Shareholder Service Fees" are fees paid to persons to respond to investor inquiries and provide investors with information about their investments.
2. **Account Fee**— A fee that some funds separately impose on investors for the maintenance of their accounts. For example, accounts below a specified dollar amount may have to pay an account fee.
3. **Distribution Fees** — Fees paid out of fund assets to cover expenses for marketing and selling fund shares, including advertising costs, compensation for brokers and others who sell fund shares, and payments for printing and mailing prospectuses to new investors and sales literature prospective investors. Sometimes referred to as "12b-1 fees."
4. **Management Fee** — fee paid out of fund assets to the fund's investment adviser or its affiliates for managing the fund's portfolio, any other management fee payable to the fund's investment adviser or its affiliates, and any administrative fee payable to the investment adviser that are

not included in the "Other Expenses" category. A fund's management fee appears as a category under "Annual Fund Operating Expenses" in the Fee Table.

5. Operating Expenses — the costs a fund incurs in connection with running the fund, including management fees, distribution (12b-1) fees, and other expenses.
6. Purchase Fee — a shareholder fee that some funds charge when investors purchase mutual fund shares. Not the same as (and may be in addition to) a front-end load.
7. Redemption Fee — a shareholder fee that some funds charge when investors redeem (or sell) mutual fund shares. Redemption fees (which must be paid to the fund) are not the same as (and may be in addition to) a back-end load (which is typically paid to a broker). The SEC generally limits redemption fees to 2%.
8. Sales Charge (or "Load") — the amount that investors pay when they purchase (front-end load) or redeem (back-end load) shares in a mutual fund, similar to a commission. The SEC's rules do not limit the size of sales load a fund may charge, but FINRA rules state that mutual fund sales loads cannot exceed 8.5% and must be even lower depending on other fees and charges assessed.
9. Shareholder Service Fees — fees paid to persons to respond to investor inquiries and provide investors with information about their investments. See also "12b-1 fees."

**Index Fund** — describes a type of mutual fund or Unit Investment Trust (UIT) whose investment objective typically is to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, the Russell 2000 Index, or the Wilshire 5000 Total Market Index.

**Investment Adviser** — generally, a person or entity who receives compensation for giving individually tailored advice to a specific person on investing in stocks, bonds, or mutual funds. Some investment advisers also manage portfolios of securities, including mutual funds.

**Investment Goals** — objective or target, usually driven by specific future financial needs. Some common goals for an individual are: saving for a comfortable retirement, saving to send children to college, managing finances to enable a home purchase, minimizing taxes, and maximizing return on investments given a certain risk tolerance, and estate or trust planning.

**Investment Objectives** — The financial goal or goals of an investor. An investor may wish to maximize current income, maximize capital gains, or set a middle course of current income with some appreciation of capital. Defining investment objectives helps to determine the investments an individual should select.

**Mutual Fund** — the common name for an open-end investment company. Like other types of investment companies, mutual funds pool money from many investors and invest the money in stocks, bonds, short-term money-market instruments, or other securities. Mutual funds issue redeemable shares that investors purchase directly from the fund (or through a broker for the fund) instead of purchasing from investors on a secondary market.

**Portfolio** — an individual's or entity's combined holdings of stocks, bonds, or other securities and assets.

**Profile** — summarizes key information about a mutual fund's costs, investment objectives, risks, and

performance. Although every mutual fund has a prospectus, not every mutual fund has a profile.

**Risks** – a list of all risks associated with the strategies, products and methodology we offer are listed below:

### 1. Alternative Investment Risk

Investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices
- Lack of liquidity in that there may be no secondary market for the fund and none expected to develop
- Volatility of returns
- Restrictions on transferring interests in the fund
- Absence of information regarding valuations and pricing
- Delays in tax reporting
- Less regulation and higher fees than mutual funds

### 2. Bond Fund Risk

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields of the risks associated with bond funds include:

- Call Risk - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.
- Credit Risk — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.
- Interest Rate Risk — the risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- Prepayment Risk — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### 3. Fundamental Analysis Risk

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- When using this method with mutual funds, the funds are composed of many companies and not all of them will be undervalued
- The data used may be at least six months out of date.
- It is difficult to give appropriate weightings to the factors.
- In the early 1970s and 1980s price/earnings multiples of 80 or 90 were considered acceptable by some for 'blue chip' stocks in the United States.
- In the 1980s in the United States some biotechnology stocks sold at '50 times sales'. The companies had no earnings and paid no dividend. The new yardstick to value these became 'products in the pipeline'. By the late 1980s most had lost three-quarters of their stock price.
- It assumes that the analyst is competent.
- A fundamental analyst assumes that other fundamental analysts will form the same view about the company and buy the stock, thus restoring its value and returning the trader or investor a capital gain. In practice, an undervalued company's stock price can stay at approximately the same level (or decline) for years.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- Even when fundamental analysis reveals an undervalued company, or a stock with high growth prospects, it does not tell us anything about the timing of the purchase of the stock. In other words, we may have discovered a grossly undervalued stock whose price has been falling for some time, and may well continue falling.

#### 4. Mutual Funds Risk

Mutual funds can offer the advantages of diversification and professional management. But, as with other investment choices, investing in mutual funds involves risk and fees and taxes will diminish a fund's returns.

But mutual funds also have features that some clients might view as disadvantages, such as:

- **Costs despite Negative Returns** — Clients must pay sales charges, annual fees, and other expenses) regardless of how the fund performs. And, depending on the timing of their investment, clients may also have to pay taxes on any capital gains distribution they receive — even if the fund went on to perform poorly after they bought shares.
- **Lack of Control** — Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Price Uncertainty** — with an individual stock, you can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling your advisor. You can also monitor how a stock's price changes from hour to hour. But with a

mutual fund, the price you purchase or redeem shares for will typically depend on the fund's NAV, which the fund might not calculate until many hours after you've placed your order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

The following is a list of some general risks associated with investing in mutual funds.

- **Country Risk** - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Currency Risk** - The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- **Manager Risk** - The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk** - The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** - The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

## 5. Overall Fund Risk

- Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.
- Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.

While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.



## 6. Stock Fund Risk

Although a stock fund's value can rise and fall quickly over the short term, historically stocks have performed better over the long term than other types of investments — including corporate bonds, government bonds, and treasury securities.

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services.

Not all stock funds are the same. For example:

- Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.
- Income funds invest in stocks that pay regular dividends.
- Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Index, by investing in all — or perhaps a representative sample — of the companies included in an index.
- Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks.

**Risk Tolerance** — the extent to which an investor is willing to accept more risk in exchange for the possibility of a higher return. An investor with a high risk tolerance is likely to invest in securities, such as stocks in startup companies, and is willing to accept the possibility that the value of his/her portfolio will decline, at least in the short-term. An investor with a low risk tolerance, on the other hand, tends to invest predominantly in stable stocks and/or highly-graded bonds. One's risk tolerance is subjective and may vary according to age, needs, goals, and even personal dispositions

**Separately Managed Account**- A managed account wherein the assets are directly owned by an investor which is professionally managed

**Third Party Money Manager**— the professional management of various securities (shares, bonds and other securities) and assets (e.g., real estate), to meet specified investment goals for the benefit of the investors. The managers are not the actual advisers working with the investor. Investors may be institutions (insurance companies, pension funds, corporations, individuals etc.)

**You** — the client