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**August 7, 2020**

**Form ADV Part 2A Brochure  
For  
Automated Advisory Services**

This brochure provides information about the qualifications and business practices of Pathways Financial Partners, Inc. If you have any questions about the contents of this brochure, please contact us at (520) 299.5875. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Pathways Financial Partners, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The terms "registered investment adviser" or "registered" do not imply a specific level of skill or training.

## Material Changes - Item 2

The purpose of this page is to inform you of any material changes since the previous version of this brochure.

On March 12, 2020, we submitted our annual updating amendment filing for fiscal year 2019 and updated Item 4 of our Form ADV Part 2A Brochure to disclose discretionary assets under management of approximately \$126,372,751 and non-discretionary assets under management of \$0.

We review and update our brochure at least annually to make sure that it remains current.

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#### **Advisory Business - Item 4**

Pathways Financial Partners (hereafter “Pathways”) was formed on June 1, 1998 and is based in the State of Arizona. Pathways' principal owner is Brian Murphy. Mr. Murphy owns 100 percent of Pathways Financial Partners.

Pathways is a fee-based investment adviser that offers investment advisory services to individuals and ERISA Plan investment advisor services for corporations.

##### **Automated Advisory Services**

Our firm offers discretionary portfolio management services through our website at [www.2mypathway.com](http://www.2mypathway.com). Discretionary portfolio management means we will make investment decisions and place buy or sell orders in your account without contacting you. These decisions would be made based upon your stated goals and investment objectives.

The portfolio management process begins with the completion of an online volatility tolerance questionnaire that provides relevant suitability information about the Client and helps us determine the Client's risk tolerance and tax bracket. Once we analyze this information, we contact the Client and suggest a portfolio allocation model that, in our opinion, is most suitable for the Client. Our portfolio allocations primarily consist of mutual funds and exchange traded funds. We monitor the portfolio's performance on a continuous basis, and rebalance the portfolio whenever necessary, as changes occur in market conditions, the Client's financial circumstances, or both.

##### **Assets Under Management**

As of February 28, 2020, we manage \$126,372,751 in client assets on a discretionary basis and \$0 in client assets on a non-discretionary basis

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

##### **Advisory Services Fees**

For portfolio management services, Pathways charges a non negotiable annual fee of 0.45% of the market value of assets under management (including cash). TD Ameritrade Institutional, the broker dealer and custodian of the account charges a fee of 0.25% of assets under management. In addition, AdvisorEngine, our web based platform provider charges a fee of 0.10% of assets under management.

Portfolio management fees are billed quarterly, in arrears and are based on the value of your portfolio at the end of the preceding quarter. The custodian holding the Client's account will deduct the fees directly from the account provided the Client has given written authorization. The qualified custodian will send all Clients an account statement on at least a quarterly basis. This statement will detail all account activity. The custodian will usually deduct the fee from a designated account to facilitate billing.

At the inception of investment management services, the first pay period's fees will be calculated on a pro-rata basis. The Advisory Agreement between Pathways and the Client will continue in effect until either party terminates the Agreement in accordance with the terms of the Agreement. Pathways'

annual fee will be pro-rated through the date of termination. Refunds are not applicable since all portfolio management fees are payable in arrears.

#### **Additional Compensation**

All fees paid to Pathways for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. We generally seek to avoid funds with sales charges. However, some funds may have early redemption fees if sold prior to the expiration of their holding periods.

A client could invest in a mutual fund directly, without the services of Pathways. In that case, the client would not receive the services provided by Pathways which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by Pathways to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

All conflicts of interest between you and our firm, and the Associated Persons of our firm, are outlined in this Disclosure Brochure. If additional conflicts arise in the future, we will notify you in writing or supply you with an updated Disclosure Brochure.

#### **General Information on Advisory Services and Fees**

We do not represent, guarantee, or imply that the services or methods of analysis employed by our firm can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

We shall never have custody of any Client funds or securities, as the services of a qualified and independent custodian will be used for these asset management services. We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

The fees charged are calculated as described above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory Client (15 U.S.C. §80b-5(a)(1)).

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

Pathways and its Associated Persons do not accept performance-based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets.

#### Types of Clients - Item 7

Pathways provides automated advisory services primarily to Individuals who do not have sufficient assets to qualify for a traditional advisory relationships.

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

Pathways has developed a number of model portfolios primarily using exchange traded funds (ETFs), exchange traded notes (ETNs), and, when deemed advantageous, mutual funds and bonds. Our model portfolios are designed to address client risk tolerance levels and management styles, and range from conservative to aggressive strategies. Conservative portfolios tend to invest heavily in fixed income funds while aggressive portfolios are heavily invested in funds that are own equity securities. Our website utilizes software services provided by AdvisorEngine Inc. AdvisorEngine provides our clients with a unified view of their accounts, provides analytical tools, allows for integration with model portfolios created by other investment advisers, provides performance reports and assists us with account trading and rebalancing.

We use one or more of the following investment strategies when advising you on investments:

- *Long Term Purchases* – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. Using a

long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

- *Short Term Purchases* – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

**Investing in securities involves risk of loss that clients should be prepared to bear.**

The investment advice provided along with the strategies suggested by Pathways will vary depending on each client's specific financial situation and goals. These brief statements do not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed would be appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments in which you intend to invest.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and governmental economic or monetary policies.

**Risks Associated with Investing in Mutual Funds and Exchange Traded Funds (ETFs):** Mutual funds and ETFs are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a

significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. In addition, while some mutual funds are “no load” and charge no fee to buy into, or sell out of, other types of mutual funds do charge such fees which will also reduce returns.

**Interest Rate Risk:** Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer-term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Algorithmic Trading** – Pathways relies on computer models, data inputs and assumptions in generating trade orders or recommendations (as applicable). These types of investment models generally rely on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur, and, accordingly, may generate losses another manager could have been able to avoid. Likewise use of algorithms may result in a recommendation of a portfolio that may be more aggressive or more conservative than necessary or incorrectly trigger or fail to initiate rebalancing. Changes to algorithmic code may materially affect a Client's portfolio and may not have the desired effect over time with respect to the clients accounts.

**Cybersecurity Risks** – Pathways, AdvisorEngine and our service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, however, unintentional events may have similar effects. Cyber-attacks may cause losses to Clients by interfering with the processing of transactions, affecting the ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose our firm to civil liability as well as regulatory inquiry and/or action. In addition, Clients could be exposed to additional losses as a result of unauthorized use of their personal information. While AdvisorEngine and other technology vendors for our firm have established business continuity plans, incident response plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers and may cause a Client's investment in such securities to lose value.



**Technology Risk** – Pathways depends heavily on information technology, telecommunication and other operational systems. These systems may fail to operate properly or become disabled because of events for circumstances beyond our control. In this event it may be possible that access to the system will be limited.

#### Disciplinary Information - Item 9

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. There is no history of material legal or disciplinary events by our firm or our management persons.

#### Other Financial Industry Activities or Affiliations - Item 10

Pathways and its Associated Persons have no other reportable financial industry activities or affiliations.

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

##### **Description of Our Code of Ethics**

Pathways' Code of Ethics is based on the principle that Pathways and each of its owners, employees, and representatives owe a fiduciary duty to its Clients. All owners, employees, and representative must sign the Pathways Code of Ethics at least annually. All Pathways owners and representative are expected to act in a manner that fully complies with these standards and the federal and state securities laws at all times and that otherwise is premised on fundamental principles of openness, honesty, integrity, fairness, trust and professionalism.

As a Firm, Pathways places an extremely high value on ethical conduct and challenges all owners, employees, and representatives to live up to not only the letter of the law, but also to the spirit thereof and the ideals of our organization.

##### **Personal Trading Practices**

One of the areas that Pathways imposes its highest level of ethical expectations is through personal securities transactions. From time to time, owners, employees, and representatives may purchase securities for themselves or family members that they also recommend to their Clients. Owners and representatives and their family members may also own securities that they recommend to Clients. It is the responsibility of the firm to closely monitor this activity to ensure that the Client's interests are always placed ahead of the owners, employees, and representatives of Pathways. Pathways' has obtained from Pathways' owners, employees, and representative when trading the same security and assess whether any individual's personal security holdings may present a conflict of interest.

For a complete copy of Pathways' Code of Ethics, please contact Pathways at (520) 299-5875.

#### **Brokerage Practices - Item 12**

We utilize the services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") for our portfolio management program. TD Ameritrade is a member of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC").

TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Pathways receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

#### **Research and Other Soft Dollar Benefits**

Although not considered "soft dollar" compensation, we may receive benefits from TD Ameritrade for research services that include reports, software, and institutional trading support.

In selecting a broker dealer based on discretionary authority, Pathways will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker, a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. In addition, Pathways may cause the account to pay a higher commission in recognition of the value of "research services" and additional brokerage products and services a broker-dealer has provided or may be willing to provide.

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

We do not receive Client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for Client referrals.

#### **Directed Brokerage**

We do not permit directed brokerage in our automated advisory services accounts.

#### **Trade Aggregation**

The aggregation or blocking of Client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to Clients. Because we manage Client's assets on an account by account basis, Pathways normally does not aggregate Client transactions. In the event aggregation does occur, Clients participating in any aggregated transactions would receive an average share price and transaction costs will be shared

equally and on a pro-rata basis.

As a matter of policy, an adviser's allocation procedures must be fair and equitable to all Clients with no particular group or Client(s) being favored or disfavored over any other Clients. Pathways' policy prohibits any allocation of trades in a manner that Pathways' proprietary accounts, affiliated accounts, or any particular Client(s) or group of Clients receive more favorable treatment than other Client accounts. Clients participating in a block trade will receive a weighted-average allocation of the securities subject to the trade subsequently upon delivery of the securities. In the event that any block order is not completely filled, a weighted-average allocation will be made first to those Clients that were a part of the original order, then an allocation will subsequently be made to each Client that was not a part of the original order, and such allocation will be made on an equitable basis.

#### Review of Accounts - Item 13

We monitor our portfolio models on a continuous basis and offer clients a formal account review on an annual basis. Accounts are reviewed by the Associated Person delegated to the Client relationship. Clients are free to call or email our firm at any time to ask questions and request updates on their account performance.

Clients will receive statements directly from their account custodian(s) on at least a quarterly basis.

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

As disclosed under Item 12. above, Pathways participates in TD Ameritrade's institutional customer program and Pathways will use TD Ameritrade for custody and brokerage services. There is no direct link between Pathways' participation in the program and the investment advice it gives to its Clients, although Pathways receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

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 Pathways 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 Pathways by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Pathways' related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit Pathways but may not benefit its Client accounts. These products or services may assist Pathways in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Pathways manage and further develop its business enterprise. The benefits received by Pathways or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to Clients, Pathways endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by Pathways or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Pathways' choice of TD Ameritrade for custody and brokerage services.

Pathways and its related persons do not compensate, either directly or indirectly, any person or entity who is not our supervised person for client referrals.

#### Custody - Item 15

Pathways' utilizes qualified custodians for the custody of Client funds or securities. The qualified custodian will prepare and provide transaction confirmations and summary periodic statements to Clients. Should Pathways mail account information, copies of confirmations, or copies of statements to the Client, a disclosure stating that the Client should compare the information on the documents received from Pathways to the custodian provided statement or document must be included. We encourage Clients to immediately contact Pathways if any inaccurate information is found on a document sent by the custodian.

#### Investment Discretion - Item 16

Automated Advisory Services are offered on a discretionary basis. Clients grant discretionary authority in the Client's investment advisory agreement. Discretionary authority extends to the type and amount of securities to be bought and sold and do not require advance Client approval. However, Pathways does not have the ability to withdraw funds or securities from the Client's account. Due to the nature of the service, the Client cannot limit the scope of discretionary authority.

#### Voting Client Securities - Item 17

##### **Proxy Voting**

Pathways does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. Questions about proxies may be made via the contact information on the cover page.

#### Financial Information - Item 18

We are required in this Item to provide you with certain financial information or disclosures about Pathways', financial condition. Pathways does not require the prepayment of over \$1,200, six or more months in advance. Additionally, Pathways has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

#### Requirements of State-Registered Advisers - Item 19

**This section is not applicable because our firm is SEC registered**

#### Miscellaneous

##### **Confidentiality**

Pathways views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

Pathways does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a client account, Pathways may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

Pathways restricts internal access to nonpublic personal information about its clients to those employees who need to know that information in order to provide products or services to the client. Pathways maintains physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of the firm's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the Advisory Agreement. If you have any questions on this policy, please contact Pathways at (520) 299-5875.

##### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective

actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, such profit will be donated to Desert Christian Schools in Tucson, AZ.