



## **Fi3 Financial Advisors, LLC**

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**March 30, 2020**

### **FORM ADV PART 2A BROCHURE**

This Form ADV, Part 2A (the "Brochure") provides information about the qualifications and business practices of Fi3 Financial Advisors, LLC (hereinafter "Fi3" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at 317-426-8800 or [info@fi3advisors.com](mailto:info@fi3advisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Fi3 Financial Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Fi3 Financial Advisors, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the 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's fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4 Advisory Business

### Description of Services and Fees

Fi3 Financial Advisors, LLC is an independent, "fee-only" Registered Investment Advisor (RIA) and multi-family office based in Indianapolis, Indiana. We are organized as a Limited Liability Company formed under the laws of the State of Indiana. Fi3 is owned and managed by our members: Ivan D. Hoffman, Samuel D. Muse, and Matthew J. Simpson.

In addition to providing investment counsel, Fi3 is dedicated to adding value through effective financial planning, tax and fee minimization and estate planning advice. We take a client-focused, transparent approach to handling family wealth. To best serve clients, the Firm is committed to minimizing potential conflicts of interest and providing transparent pricing. Fi3 only receives compensation directly from its clients. We are "fee-only" advisors, which means that we only receive fees for the consulting advice we give.

Fi3 provides investment counsel utilizing both active and passive investment management. Our clients are focused on their passions, and often have complex estate and tax needs that they prefer to delegate to professional advisors. The Firm provides a wealth advisory overlay for the majority of our clients (see Family Chief Financial Officer overview) aimed at providing clients with clear, transparent and actionable advice. Where appropriate, we collaborate with a variety of trusted professionals. We believe that innovative financial planning and investment management should be integrated and centered on the achievement of goals. We work with our clients' other advisors, who share our commitment to excellent client service.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to our clients' individual needs. As used in this brochure, the words "we," "our," and "us" refer to Fi3 Financial Advisors, LLC and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### How We Help Our Clients

*We start by asking why.* We need to know your goals and challenges. You should understand we are fiduciaries, bound to our responsibility to act in your best interests.

*We serve as the Family CFO.* We act as the Chief Financial Officer, supporting the family. We are a multi-family office, with CPAs and CERTIFIED FINANCIAL PLANNER™ practitioners who understand the language of business. We recognize family dynamics. We collaborate with your other professional advisors to implement the plan.

*We bring ideas to make your situation better.* We perform the due diligence to bring you ideas and globally diversified investment solutions that we can execute and convert to results.

*We are "fee-only" advisors.* We only receive fees for the consulting advice we give. We don't sell a particular product. We don't have any revenue sharing arrangements. We don't receive kickbacks. We don't have any hidden revenue sources. Period.

### Overview – Family Chief Financial Officer

We serve as a family's Chief Financial Officer, or Family CFO, supporting the family. We identify, analyze, manage, and execute strategies and solutions to help families meet their financial and personal goals. We are a multi-family office, with CPAs and CERTIFIED FINANCIAL PLANNER™ practitioners who understand the language of business.

At Fi3, we recognize family dynamics. We collaborate with your other professional advisors to implement your plan. We integrate wealth planning, investment consulting and family leadership for a comprehensive approach to achieving your goals.

Your experience with F3 will be highly personalized. We'll ask thoughtful questions, listen to your perspective, and deliver the tools you need to make effective financial decisions for your family.

## **Wealth Planning Services**

### Liability Management

- Understand debt utilization and opportunities for arbitrage.
- Assist family with banking relationships and employing "Family Bank" concept.

### Insurance Evaluation

- Evaluate whether advanced life insurance planning could enhance overall family wealth strategy (i.e. Private Placement Life Insurance 'PPLI').
- Identify any gaps in insurance coverages, or opportunities to shift risk / enhance liability protection.
- Review whether long-term care or longevity income is appropriate.

### Tax Planning

- Coordinate efforts with the family CPA and team to monitor and enhance tax strategies.
- Plan for highly-appreciated individual stock investments, monitor the Family Holding Company cash flows, assist with entity tax planning, evaluate distributions from IRA accounts, charitable giving / charitable entity planning, etc.

### Estate & Wealth Transfer

- Review and document estate planning and wealth transfer objectives.
- Develop estate planning summary / flowchart for communication purposes.
- Create, track, and develop thorough understanding of consolidated balance sheet.
- Identify and model multi-generational wealth transfer opportunities.

## **Family CFO - Investments**

### Asset Allocation

- Collaborate with you to align the needs, risks and expectations for your investment portfolio.
- Analyze holdings and evaluation of asset allocation, as well as asset location.
- Assess alignment or dispersion between objectives, tolerance, and current portfolio.

### Manager Selection

- Communicate with you about public and private investment opportunities, provide entree to elite managers and top tier Venture Capital and Private Equity partners.

### Liquidity Management

- Assist with liquidity management and cash yield maximization.
- Review current invested assets, custodians, fees, and risk relative to benchmark.
- Continuously monitor for tax-efficient investing and other tax saving opportunities.

### Consolidated Financial Reporting

- Create unified view of entire, multi-generational family portfolio.
- Design integrated public / private report outlining key performance indicators.
- Create a consolidated monitoring report encompassing investment performance and allocation across all invested assets.

## **Family CFO - Family Leadership**

### Family Governance

- Facilitate the creation of a governance structure and process for decision-making in the family based on G1's vision and values.

- Provide a format for family meetings and leadership discussions that is interactive and meaningful in supporting the family's culture and multi-generational nature.

#### Stewardship

- Multi-generational coaching to guard against the dilution of wealth resulting from unnecessary expenses, income and estate transfer taxes, and feelings of entitlement.
- Bring clarity to investment opportunities, career choices, philanthropic activities, academic endeavors and political influence.
- Develop an integrated strategy that addresses what impact you want to have, where you want to have it and how you want to realize it.

#### Philanthropy

- Document current charitable giving and assist with funding mechanism of outstanding pledges.
- Develop future charitable giving plan to include gifting of appreciated equities and potential qualified charitable distributions from IRAs.
- Evaluate strategies for achieving charitable goals.

#### Family Education

- Cultivate direct relationships with G1, G2 and G3 for effective coaching and legacy planning.
- Inform and educate family members on the estate plan and on the management of inherited wealth.

### **Overview - Pension Consulting Services**

We offer pension consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include non-discretionary investment advice about alternative investment options, development of an investment policy statement, performance reporting, advice on the selection of qualified default investment alternatives and education and enrollment services to plan participants. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary. We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

### **Overview - Advisory Services to Retirement Plans**

As disclosed above, we offer pension consulting services designed to assist plan sponsors in meeting their management and fiduciary obligations to participants under the Employee Retirement Income Securities Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor under ERISA Section 408(b)(2), we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to Plans are described above, and in the service agreement that you have signed with our firm. Our compensation for these services is described below, and also in the service agreement. Our firm does not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan or Participants.

In providing services to the Plan and Participants, our status is that of an investment adviser registered under applicable state law, and we are not subject to any disqualifications under Section 411 of ERISA. In performing ERISA fiduciary services, we are acting as a fiduciary of the Plan as defined in ERISA Section 3(21).

## **Types of Investments**

Our firm develops asset allocation models and provides investment management services, generally through no load mutual funds, exchange traded funds, and money managers across the following asset classes:

- Large Cap Equities
- Mid Cap Equities
- Small Cap Equities
- International Developed Equities
- Emerging Market Equities
- Absolute Return Focused Strategies (Long/Short Equities, Futures, etc.)
- Fixed Income
- Covered Call Options
- Private Equity
- Master Limited Partnerships (MLP's)
- Real Estate

Our primary focus is on wealth accumulation and capital preservation while attempting to minimize volatility and risk. Our firm does not use market timing as an investment strategy and we limit rebalancing activities (prompted by economic changes and market forces).

## **Assets Under Management**

As of December 31, 2019, we managed \$235,996,960 in client assets on a discretionary basis, and \$47,585,432 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **Family Chief Financial Officer (Includes Investment Management Services and Planning)**

The cost of our Family Chief Financial Officer services is a fixed consulting cost based on the scope and complexity of the agreed upon services. This cost is derived from various components, including assets under advisements and the total net worth of the family. The cost set on an annual retainer basis based upon your December 31<sup>st</sup> assets under advisement, family's net worth, and if additional concierge projects are required. Our annual consulting fee will be charged quarterly in advance. With clients' consent, our default billing method is to deduct our fees from an account of their choosing. However, clients may elect to have their fees invoiced and subsequently paid by check. Our minimum annual fee for our Family Chief Financial Officer services is \$15,000.

### **Investment Management Services (Standalone) Customized**

The cost of standalone investment management services is based on the following tiered fee schedule. This fee is charged quarterly in advance based on the value of a client's assets under our management at the end of the previous quarter. Our minimum annual fee for standalone investment management services is \$15,000.

<b>Account Value</b>	<b>Annual Fee*</b>
First \$5,000,000	0.75%
Next \$5,000,000	0.45%
Next \$15,000,000	0.35%
Next \$25,000,000	0.25%
Above \$50,000,000	0.15%

\*\*The value of nontraditional assets such as real estate, private equity, hedge funds and other alternative investments may be included for purposes of calculating our advisory fee.

## Private Fund Fair Value Assessments – Conflict of Interest

With respect to valuation of private investments, the firm, depending on specific client or fund circumstances, receives the following information and has the following practices with respect to valuation:

1. In many instances, clients provide Fi3 the valuation of their private investment fund holdings to the firm for purposes of net worth reporting and the firm's calculation of its fees. Bear in mind that the firm bases its fees for private funds on the value you provide to us. The higher the value, the higher our fees. Clients should ensure the private fund investment values provided to Fi3 represent the current fair value of the investment taking into account any impairments imposed by the private fund issuer.
2. In other instances, the private fund issuer provides a valuation statement to Fi3 no less frequently than annually. The firm reviews any correspondence from the issuer to identify any instances in which there may be a distribution of capital or an impairment to the private fund's value. In either scenario, the firm shall reduce the valuation by the amount of the distribution or impairment so that the client's net worth statements accurately reflect the current valuation and that the fees are correctly calculated on a prospective basis. With respect to an impairment, if the effective date of the impairment precedes the notification by the issuer, the firm shall credit the fee difference for the next billing period after receipt of the notification.
3. Absent the instances identified in items 1 or 2 above, the firm shall carry the private fund investment at cost subject to the impairment procedures described in item 2 above.

The firm will not attempt to establish or quote fair values for Private Client Investments or other securities and investments constituting Level 1 – Level 3 assets as defined in FASB Accounting Standards Codification 820 (formerly Statements of Financial Accounting Standards No. 157). The valuation of such investments will be handled as stated above in items 1 through 3.

## Pension Consulting Services

Our annual fee for pension consulting services is based on the following tiered fee schedule and is charged quarterly in advance based on the value of plan assets at the end of the previous quarter (without adjustment for anticipated withdrawals by Plan participants or scheduled transfers or distributions of assets) and will be billed directly to the client.

Plan Assets	Annual Fee
First \$1,000,000	0.50%
Over \$1,000,000	0.25%

\*\*There is a minimum annual fee of \$2,500.

If the client agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which the client engages our firm. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values or net worth of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values or net worth for a client and the client's minor children, joint accounts with spouse, and other types of related accounts.

We will either send the client an invoice for the payment of our advisory fee or we will deduct our fee directly from the client's investment account through the qualified custodian holding the client's funds and securities. We will deduct our advisory fee only when clients have given our firm written authorization permitting the



fees to be paid directly from the client's account. Further, the qualified custodian will deliver an account statement at least quarterly. These account statements will show all disbursements from the client's account. We recommend clients review all statements for accuracy.

### **Termination**

Clients may terminate the client agreement based on the terms set forth in their agreement. Clients will incur a pro rata charge for services rendered prior to the termination of the agreement, which means clients will incur advisory fees only in proportion to the number of days in the quarter for which they were a client.

### **Fee Discretion**

Fi3, in its sole discretion, may negotiate to charge a greater or lesser fee based upon certain criteria, such as the complexity of the client's portfolio, the level of expertise required to service the client, the staff time involved in servicing the client, anticipated future additional assets, dollar amount of assets to be managed, among other factors. Related client accounts may be aggregated for purposes of calculating fees. Fi3 may waive its advisory fee at any time when it deems it appropriate and/or necessary.

### **Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

*Limitation on Mutual Fund Universe for Custodian Investment Programs:* There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

*Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:* Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

*Additional Disclosure Concerning Wrap Programs:* To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs

and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

### **Selection of Other Advisers**

Advisory fees charged by MMs are separate and apart from our advisory fees. Assets managed by MMs will be included for purposes of calculating our advisory fee. Advisory fees that clients pay to the MM are established and payable in accordance with the brochure provided by each MM to whom the clients are referred. These fees may or may not be negotiable. Clients should review the recommended MM's brochure and take into consideration the MM's fees along with our fees to determine the total amount of fees associated with this program.

Clients may be required to sign an agreement directly with the recommended MM(s). Clients may terminate the advisory relationship with the MM according to the terms of the agreement with the MM. Clients should review each MM's brochure for specific information on how one may terminate the advisory relationship with the MM and how to receive a fee refund, if applicable. Clients should contact the MM directly for questions regarding the advisory agreement with the MM.

### **Additional Fees and Expenses**

As part of our investment advisory services, we may invest, or recommend that clients invest, in mutual funds and exchange traded funds. The fees that are paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Clients may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom the account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost which will incur, clients should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.

We may trade client accounts on margin. Each client must sign a separate margin agreement before margin is extended to that client account. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. This creates a potential conflict of interest where we have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's

account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

While we occasionally offer investment advisory services to pension and profit sharing plans, charitable organizations, corporations and other business entities, our primary service offering is targeted at high net worth individuals and their families.

- For our family Chief Financial Officer services, we seek a target minimum net worth of \$5 million.
- For standalone investment management services, we seek a target minimum investment portfolio of \$2 million.
- For both offerings, we generally impose a minimum annual fee outlined in Section 5.

At our discretion, we may waive these minimums. For example, we may waive these minimums if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

### Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you.

**Charting Analysis** - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

- **Risk:** Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Technical Analysis** - involves studying past price patterns, trends, and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

- **Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

- **Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions.

- **Risk:** The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**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.

- **Risk:** 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.

- **Risk:** 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.

**Short Sales** - securities transaction in which an investor sells securities that were borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future.

- **Risk:** A short seller will profit if the stock goes down in price, but if the price of the shares increase, the potential losses are unlimited.

**Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

- **Risk:** If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

**Options Trading/Writing** - a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value

of the security at expiration of the option.

- **Risk:** The trading of options may be highly speculative and may entail more risk than those present when investing in other types of securities. Prices of options are generally more volatile than prices of other types of securities. When trading in options, you may run the risk of losing the entire investment in a relatively short period of time. In more risky options strategies, an investor could theoretically have an unlimited risk of loss.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. Our investment approach seeks to minimize risks; nevertheless, investors also face the following investment risks or losses:

- **Interest Rate Risk:** The risk that an investment's value will change due to a change in the absolute level of interest rates.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- **Inflation Risk:** This is the risk that inflation will undermine the performance of your investment. Results without taking into account inflation is the nominal return. The real return is measured as the growth of your purchasing power.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. Business risk is influenced by numerous factors, including sales, per-unit price, input costs, competition, overall economic climate and government regulations.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash.
- **Financial Risk:** The possibility that shareholders will lose money when they invest in a company that has debt, if the company's cash flow proves inadequate to meet its financial obligations. When a company uses debt financing, its creditors will be repaid before its shareholders if the company

becomes insolvent.

### **Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section in this brochure, we primarily recommend no load mutual funds and exchange traded funds.

Mutual funds and exchange traded funds (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.

Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stocks and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

Risks associated with mutual funds and/or ETFs, like all securities, include relying on historical performance, when it certainly does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

## **Item 9 Disciplinary Information**

Fig Financial Advisors, LLC has been registered and providing investment advisory services since 2013. Neither our firm nor any of our management persons has any reportable disciplinary information.

## Item 10 Other Financial Industry Activities and Affiliations

Neither the firm nor its affiliates or employees are registered broker-dealers and do not have an application to register pending.

Neither the firm nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### Our Relationship with DiMeo Schneider & Associates

Fiz engages the services of DiMeo Schneider & Associates ("DiMeo") for economic, market and specific manager due diligence and modeling. DiMeo is an investment consulting firm focused exclusively on providing objective, sophisticated, detailed research and investment advice to a select group of endowments, financial institutions and family offices. DiMeo was founded in 1995, has more than 70 professionals and advises on assets in excess of \$75 billion.

- DiMeo is a registered investment adviser specializing in assisting financial institutions and family offices with a variety of investment consulting and money management needs.
- Fiz uses DiMeo's in-depth capital market research and proprietary economic and risk management models to develop the customized allocations that serve as the basis for each of our client's Investment Policy Statement.
- We rely on DiMeo's rigorous investment manager selection and evaluation process to identify the best available money managers for each sub-class of investment.
- DiMeo develops customized asset allocation models, recommends the best managers for each sub-asset class, and provides ongoing performance monitoring, review and recommendations for rebalancing of model portfolios.

Fiz pays for DiMeo's services directly; there is no additional charge to our clients for the information DiMeo provides.

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

### Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### Participation or Interest in Client Transactions

Neither our firm nor any persons associated with our firm has any material financial interest in client

transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell/recommend securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

### **Factors Used to Select Broker-Dealers for Client Transactions**

Our firm may recommend that clients establish brokerage accounts with TD Ameritrade Institutional, a division of TD Ameritrade, Inc.; Schwab Institutional, a division of Charles Schwab & Co., Inc.; or Fidelity Investments (collectively herein "custodian"), FINRA registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. Our firm is independently owned and operated and not affiliated with custodian. For client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

We consider the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients. In certain instances and subject to approval by our firm, we will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by our firm will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

### **How We Select Brokers/Custodians to Recommend**

Our firm seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (etfs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services



- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) And willingness to negotiate them
- Reputation, financial strength, and stability of the provider
- Their prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below

### **Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the amount of client assets at the custodian (i.e., Schwab and TD Ameritrade) generally based on a commitment to a certain level of aggregate client assets. In the case of Fidelity, Schwab, and TD Ameritrade, there are no minimum asset requirements. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

### **Soft Dollar Arrangements**

Our firm does not utilize soft dollar arrangements. We do not direct brokerage transactions to executing brokers for research and brokerage services.

### **Institutional Trading and Custody Services**

The custodian provides us with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. In the case of Fidelity, Schwab, and TD Ameritrade, there are no minimum asset requirements. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

### **Other Products and Services**

Custodian also makes available to us other products and services that benefit our firm but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of client accounts, including accounts not maintained at custodian. The custodian may also make available to us software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of fees from clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help us manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of personnel. In evaluating whether to recommend that clients custody their assets at the custodian, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

### **Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to our firm. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to us.

### **Additional Compensation Received from Custodians**

We may participate in institutional customer programs sponsored by broker-dealers or custodians. We may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between our participation in such programs and the investment advice we give to clients, although our firm receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may 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 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
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third-party vendors

The custodian may also pay for business consulting and professional services received by our firm's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit our firm but may not benefit client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help us manage and further develop its business enterprise. The benefits received by our firm or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Our firm also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require us to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, our firm will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, our firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or its related persons in

and of itself creates a potential conflict of interest and may indirectly influence our recommendation of broker-dealers for custody and brokerage services.

### **The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. In the case of Fidelity, Schwab, and TD Ameritrade, there are no minimum asset requirements. These services are not contingent upon the firm committing any specific amount of business to the custodian in trading commissions or assets in custody. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "block trading"). Accordingly, especially for significantly different sized transactions, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher or lower commissions, fees, and/or transaction costs than other clients.

### **Order Aggregation**

In the event the firm engages in a block trade, orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if we believe that a larger

size block trade would lead to best overall price for the security being transacted.

### **Allocation of Trades**

In the event the firm engages in a block trade, all allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Our firm acts in accordance with its duty to seek best price and execution and will not continue any arrangements if we determine that such arrangements are no longer in the best interest of its clients.

## **Item 13 Review of Accounts**

### **Overview**

Client accounts are reviewed by a Partner of the firm on a quarterly basis, or when changes in client circumstances or market conditions dictate (see list below). Subsequent to this review, the overall financial plan will be update annually and modular plan will be updated quarterly. Customized accounts are reviewed on an ongoing basis and are conducted at the client's preference either in person or over the phone.

Additional reviews may be conducted based on various circumstances, including, but not limited to:

- Contributions and withdrawals
- Year-end tax planning
- Market moving events
- Security specific events, and/or
- Changes in your risk/return objectives

### **Reports to Clients**

Clients who retain us for wealth management services or customized asset management will receive performance reports and investment review packets on at least a quarterly basis. Wealth management clients will additionally receive updated net worth statements on an annual basis. Performance reports are used as a scorecard of individual security, account and total portfolio performance. Oftentimes, performance is compared to indexes and/or benchmarks determined to be appropriate for each client. Investment review packets compare the client's current portfolio allocation to a target portfolio allocation. Net worth statements reflect client assets, liabilities and related holdings and may contain estimates of bank account balances provided by the client, as well as the value of hard-to-price real estate or other illiquid investments.

In addition, clients will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

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

Fi3 may enter into agreements with solicitors who will refer prospective advisory clients to Fi3 in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with Fi3. The solicitor must provide the client with a disclosure document describing the fees it receives from Fi3, whether those fees represent an increase in fees that Fi3 would otherwise charge the client, and whether an affiliation exists between Fi3 and the solicitor.

## Item 15 Custody

Fig is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to access client passwords for securities, bank and related accounts, direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to engage an independent public accountant to annually conduct a surprise custody exam audit.

Individual advisory clients will receive at least quarterly account statements directly from their securities custodian, and if applicable bank custodian, containing a description of all activity, cash balances, and for securities accounts, portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary client agreement, and the appropriate trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction.

You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or impose restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case we would forward to you any electronic solicitation to vote proxies.

Except as required by applicable law, we will not be obligated to render advice or take any action on behalf of

clients with respect to assets presently or formerly held in their accounts that become subject of any legal proceedings, including bankruptcies.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities or serve as trustee or signatory for client accounts and we do not require the prepayment of more than \$1,200 in fees six or more months in advance nor have we filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.

## **Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **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, you will keep the profit.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.