

# **Palo Alto Wealth Advisors, LLC**

## **Form ADV Part 2A – Disclosure Brochure**

**Effective: March 27, 2020**

This Form ADV 2A (“Disclosure Brochure”) provides information about the qualifications and business practices of Palo Alto Wealth Advisors, LLC (“Palo Alto” or the “Advisor”). If you have any questions about the content of this Disclosure Brochure, please contact the Advisor at (650) 656-9800.

Palo Alto is a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”). The information in this Disclosure Brochure has not been approved or verified by the SEC or by any state securities authority. Registration of an investment advisor does not imply any specific level of skill or training. This Disclosure Brochure provides information through Palo Alto to assist you in determining whether to retain the Advisor.

Additional information about Palo Alto and its Advisory Persons is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with the Advisor’s firm name or CRD# 285326.

**Palo Alto Wealth Advisors, LLC**  
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## Item 2 – Material Changes

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Form ADV 2 is divided into two parts: *Part 2A (the "Disclosure Brochure")* and *Part 2B (the "Brochure Supplement")*. The Disclosure Brochure provides information about a variety of topics relating to an Advisor's business practices and conflicts of interest. The Brochure Supplement provides information about the Advisory Persons of Palo Alto. For convenience, the Advisor has combined these documents into a single disclosure document.

Palo Alto believes that communication and transparency are the foundation of its relationship with clients and will continually strive to provide you with complete and accurate information at all times. Palo Alto encourages all current and prospective clients to read this Disclosure Brochure and discuss any questions you may have with the Advisor.

### Material Changes

The following material changes have been made to this Disclosure Brochure since the last filing and distribution to Clients:

Nathan Blair has been appointed as Chief Compliance Officer of the Advisor.

### Future Changes

From time to time, the Advisor may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations or routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided you annually and if a material change occurs in the business practices of Palo Alto.

At any time, you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with the Advisor's firm name or CRD# 285326. You may also request a copy of this Disclosure Brochure at any time, by contacting the Advisor at (650) 656-9800.

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## **Item 4 – Advisory Services**

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### **A. Firm Information**

Palo Alto Wealth Advisors, LLC (“Palo Alto” or the “Advisor”) is a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”). The Advisor is organized as a Limited Liability Company (“LLC”) under the laws of the State of California. Palo Alto was founded in September 2016 and is owned and operated by Ryan K. Schmidt (Partner) and Nathan T. Blair (Partner and Chief Compliance Officer). This Disclosure Brochure provides information regarding the qualifications, business practices, and the advisory services provided by Palo Alto.

### **B. Advisory Services Offered**

Palo Alto offers investment advisory services to individuals, high net worth individuals, trusts, estates, small businesses and other types of clients (each referred to as a “Client”).

The Advisor serves as a fiduciary to Clients, as defined under the applicable laws and regulations. As a fiduciary, the Advisor upholds a duty of loyalty, fairness and good faith towards each Client and seeks to mitigate potential conflicts of interest. Palo Alto’s fiduciary commitment is further described in the Advisor’s Code of Ethics. For more information regarding the Code of Ethics, please see Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

#### Investment Management Services

Palo Alto provides customized investment advisory solutions for its Clients. This is achieved through continuous personal Client contact and interaction while providing discretionary investment management and related advisory services. Palo Alto works with each Client to identify their investment goals and objectives as well as risk tolerance and financial situation in order to create an investment strategy. Palo Alto will then design a portfolio tailored to the Client that will be primarily constructed with exchange-traded funds (“ETFs”) and mutual funds. The Advisor may also utilize individual stocks, individual bonds, options contracts and/or other types of investments, as appropriate, to meet the needs of certain Clients. The Advisor may retain certain legacy investments based on portfolio fit and/or tax considerations.

Palo Alto’s investment approach is primarily long-term focused, but the Advisor may buy, sell or re-allocate positions that have been held for less than one year to meet the objectives of the Client or due to market conditions. Palo Alto will construct, implement and monitor the portfolio to ensure it meets the goals, objectives, circumstances, and risk tolerance agreed to by the Client. Each Client will have the opportunity to place reasonable restrictions on the types of investments to be held in their respective portfolio, subject to acceptance by the Advisor.

Palo Alto evaluates and selects investments for inclusion in Client portfolios only after applying its internal due diligence process. Palo Alto may recommend, on occasion, redistributing investment allocations to diversify the portfolio. The Advisor may recommend employing cash positions as a possible hedge against market movement. Palo Alto may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position[s] in the portfolio, change in risk tolerance of Client, generating cash to meet the Client needs, or any risk deemed unacceptable for the Client’s risk tolerance.

At no time will Palo Alto accept or maintain custody of a Client’s funds or securities, except for the limited authority as outlined in Item 15 – Custody. All Client assets will be managed within the designated account[s] at the Custodian, pursuant to the terms of the agreement. Please see Item 12 – Brokerage Practices.

#### Donor Advised Fund Services

The Advisor provides the Pershing Donor Advised Fund (“DAF”) to clients via the American Endowment Foundation, a solution for charitable giving to philanthropic vehicle, for the purpose of managing charitable donations contributed by or on behalf of donor clients. The DAF allows the Advisor to actively manage assets that have been donated, while charging an investment management fee. The Advisor operates as an advisory manager on the platform. The American Endowment Foundation is an independent company and unaffiliated with the Advisor.

### Financial Planning Services

Palo Alto will typically provide a variety of financial planning services to individuals and families, pursuant to a written financial planning agreement. Services are offered in several areas of a Client's financial situation, depending on their goals and objectives.

Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation based on the Client's financial goals and objectives. This planning or consulting may encompass one or more areas of need, including, but not limited to investment planning, retirement planning, personal savings, education savings, and other areas of a Client's financial situation.

A financial plan developed for or financial consultation rendered to the Client will usually include general recommendations for a course of activity or specific actions to be taken by the Client. For example, recommendations may be made that the Client start or revise their investment programs, commence or alter retirement savings, establish education savings and/or charitable giving programs.

Palo Alto may also refer Clients to an accountant, attorney or another specialist, as appropriate for their unique situation. For certain financial planning engagements, the Advisor will provide a written summary of the Client's financial situation, observations, and recommendations. For consulting or ad-hoc engagements, the Advisor may not provide a written summary. Plans or consultations are typically completed within six months of contract date, assuming all information and documents requested are provided promptly.

Financial planning recommendations poses a potential conflict between the interests of the Advisor and the interests of the Client. For example, the Advisor has an incentive to recommend that Clients engage the Advisor for investment management services or to increase the level of investment assets with the Advisor, as it would increase the advisory fees paid to the Advisor. Clients are not obligated to implement any recommendations made by the Advisor or maintain an ongoing relationship with the Advisor. If the Client elects to act on any of the recommendations made by the Advisor, the Client is under no obligation to implement the transaction[s] through the Advisor.

### **C. Client Account Management**

Prior to engaging Palo Alto to provide investment advisory services, each Client is required to enter into one or more agreements with the Advisor that define the terms, conditions, authority and responsibilities of the Advisor and the Client. These services may include:

- Establishing an Investment Strategy – Palo Alto, in connection with the Client, will develop a strategy that seeks to achieve the Client's investment goals and objectives.
- Asset Allocation – Palo Alto will develop a strategic asset allocation that is targeted to meet the investment objectives, time horizon, financial situation and tolerance for risk for each Client.
- Portfolio Construction – Palo Alto will develop a portfolio for the Client that is intended to meet the stated goals and objectives of the Client.
- Investment Management and Supervision – Palo Alto will provide investment management and ongoing oversight of the Client's investment portfolio.

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

Palo Alto does not manage or place Client assets into a wrap fee program. Investment management services are provided directly by Palo Alto.

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

As of December 31, 2019, Palo Alto manages \$262,676,411 in Client assets, \$195,139,552 of which are managed on a discretionary basis and \$67,536,859 on a non-discretionary basis. Clients may request more current information at any time by contacting the Advisor.

## Item 5 – Fees and Compensation

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The following paragraphs detail the fee structure and compensation methodology for services provided by the Advisor. Each Client engaging the Advisor for services described herein shall be required to enter into a written agreement with the Advisor.

### A. Fees for Advisory Services

#### Investment Management Services

Investment advisory fees are paid quarterly, in advance of each calendar quarter, pursuant to the terms of the investment advisory agreement. Investment advisory fees are based on the market value of assets under management at the end of the prior quarter. The Advisor's minimum annual fee is \$8,000.

The annual investment advisory fees are based on the following schedule:

Assets Under Management (\$)	Standard Fee
Up to \$1,000,000	0.90%
\$1,000,001 to \$2,000,000	0.80%
\$2,000,001 to \$4,000,000	0.70%
\$4,000,001 to \$8,000,000	0.60%
\$8,000,001 to \$15,000,000	0.50%
\$15,000,001 to \$25,000,000	0.40%
Over \$25,000,000	0.30%

The investment advisory fees in the first quarter of service are prorated from the inception date of the account[s] to the end of the first quarter. Fees may be negotiable at the sole discretion of the Advisor. Certain Clients may also be offered a fixed dollar fee arrangement. The Client's fees will take into consideration the aggregate assets under management with the Advisor. For Clients who engage the Advisor for DAF, Palo Alto will waive the fees of up to \$500,000 placed under the DAF platform. All securities held in accounts managed by Palo Alto will be independently valued by the Custodian. Palo Alto will not have the authority or responsibility to value portfolio securities.

The Advisor's fee is exclusive of, and in addition to any applicable securities transaction and custody fees, and other related costs and expenses described in Item 5.C below, which may be incurred by the Client. However, the Advisor shall not receive any portion of these commissions, fees, and costs.

#### Financial Planning Services

Palo Alto offers financial planning services based on a fixed engagement fee of \$4,000. Fees may be negotiable depending on the nature and complexity of each Client's circumstances and the experience of the personnel providing services. A cost estimate will be provided to the Client in advance of engaging for these services. If a Client engages the Advisor for investment management services within 2 years of the financial planning engagement, Palo Alto may offset all or a portion of its fees for those services based upon the amount paid for the financial planning services.

### B. Fee Billing

#### Investment Management Services

Investment advisory fees will be calculated by the Advisor or its delegate and deducted from the Client's account[s] at the Custodian. The Advisor or its delegate shall send an invoice to the Custodian indicating the amount of the fees to be deducted from the Client's account[s] at the respective quarter-end date. The amount due is calculated by applying the quarterly rate (annual rate divided by 4) to the total assets under management with Palo Alto at the end of the previous quarter. Clients will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the investment advisory fee. It is the responsibility of the Client to verify the accuracy of these fees as listed on the Custodian's statement as the Custodian does not assume this responsibility. Clients provide written authorization permitting advisory fees to be deducted by Palo Alto directly from their accounts held at the Custodian as part of the investment advisory agreement and separate account forms provided by the Custodian.

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The Client may make additions or withdrawals from the account[s] at any time, subject to the Advisor's right to terminate an account or the overall relationship. Additions may be in cash or securities provided that the Advisor reserves the right to liquidate any transferred securities or decline to accept particular securities into a Client's account[s]. Clients may withdraw account assets on notice to Palo Alto, subject to the usual and customary securities settlement procedures. However, the Advisor typically designs its investment portfolios as long-term investments and the withdrawal of assets may impair the achievement of a Client's investment objectives. Palo Alto may consult the Client about the implications of such transactions. Clients are advised that when such securities are liquidated, they may be subject to securities transaction fees, short-term redemption fees, and/or tax ramifications. If assets in excess of \$50,000 are deposited into or withdrawn from the Client's account[s], an adjustment will be made in the next billing period to reflect the fee difference. The Advisor may negotiate a fee that differs from the schedule above for certain account[s] or holdings.

#### Financial Planning Services

Financial planning fees are invoiced up to fifty percent (50%) upon execution of the financial planning agreement and with the balance due upon receipt of the agreed upon deliverable[s].

### **C. Other Fees and Expenses**

Clients may incur certain fees or charges imposed by third parties, other than Palo Alto, in connection with investments made on behalf of the Client's account[s]. The Client is responsible for all securities execution and custody fees charged by the Custodian, if applicable. The investment advisory fee charged by Palo Alto is separate and distinct from these custody and execution fees.

In addition, fees paid to Palo Alto for investment advisory services are generally separate and distinct from the expenses charged by mutual funds and ETFs to their shareholders, if applicable. These fees and expenses are described in each fund's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. A Client may be able to invest in these products directly, without the services of Palo Alto, but would not receive the services provided by Palo Alto which are designed, among other things, to assist the Client in determining which products or services are most appropriate for each Client's financial situation and objectives. The Client should review both the fees charged by the fund[s] and the fees charged by Palo Alto to fully understand the total fees to be paid. Please refer to Item 12 – Brokerage Practices for additional information.

### **D. Advance Payment of Fees and Termination**

#### Investment Management Services

Palo Alto is compensated for its services in advance of the quarter in which investment advisory services are rendered. Either party may terminate the investment advisory agreement with Palo Alto, at any time, by providing advance written notice to the other party. The Client shall be responsible for investment advisory fees up to and including the effective date of termination. Upon termination, the Advisor will refund any unearned, prepaid investment advisory fees from the effective date of termination to the end of the quarter. The Client's investment advisory agreement with the Advisor is non-transferable without the Client's prior consent.

#### Financial Planning Services

Palo Alto may be partially compensated for its financial planning services at the start of the engagement. Either party may terminate the financial planning agreement, at any time, by providing written notice to the other party. Upon termination, the Client shall be billed for the percentage completion for a fixed fee engagement. The Advisor will refund any unearned, prepaid financial planning fees from the effective date of termination. The Client's financial planning agreement with the Advisor is non-transferable without the Client's prior consent.

### **E. Compensation for Sales of Securities**

Palo Alto does not buy or sell securities to generate commission revenue and is solely compensated through the investment advisory fees noted above.



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

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Palo Alto does not charge performance-based fees for its investment advisory services. The fees charged by Palo Alto are as described in Item 5 above and are not based upon the capital appreciation of the funds or securities held by any Client.

Palo Alto does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its Clients.

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## **Item 7 – Types of Clients**

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Palo Alto offers investment advisory services to individuals, high net worth individuals, trusts, estates, small businesses and other types of clients. The amount of each type of Client is available on the Advisor's Form ADV Part 1A. These amounts may change over time and are updated at least annually by the Advisor. Palo Alto does not impose a minimum relationship size, however, the Advisor does impose a minimum of \$8,000 which can be waived at the sole discretion of the Advisor.

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

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### **A. Methods of Analysis**

Palo Alto primarily employs a fundamental analysis method in developing investment strategies for its Clients, but may employ other methods. Research and analysis from Palo Alto is derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and research prepared by others.

*Fundamental analysis* utilizes economic and business indicators as investment selection criteria. These criteria are generally ratios and trends that may indicate the overall strength and financial viability of the entity being analyzed. Assets are deemed suitable if they meet certain criteria to indicate that they are a strong investment with a value discounted by the market. While this type of analysis helps the Advisor in evaluating a potential investment, it does not guarantee that the investment will increase in value. Assets meeting the investment criteria utilized in the fundamental analysis may lose value and may have negative investment performance. The Advisor monitors these economic indicators to determine if adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included below in Item 13 – Review of Accounts.

As noted above, Palo Alto generally employs a long-term investment strategy for its Clients, as consistent with their financial goals. Palo Alto will typically hold all or a portion of a security for more than a year, but may hold for shorter periods for the purpose of rebalancing a portfolio or meeting the cash needs of Clients. At times, Palo Alto may also buy and sell positions that are more short-term in nature, depending on the goals of the Client and/or the fundamentals of the security, sector or asset class.

### **B. Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. Palo Alto will assist Clients in determining an appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a Client's account[s]. The Advisor shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in financial condition, goals or other factors that may affect this analysis.



The risks associated with a particular strategy are provided to each Client in advance of investing Client accounts. The Advisor will work with each Client to determine their tolerance for risk as part of the portfolio construction process. Following are some of the risks associated with the Advisor's investment approach:

#### Market Risks

The value of a Client's holdings may fluctuate in response to events specific to companies or markets, as well as economic, political, or social events in the U.S. and abroad. This risk is linked to the performance of the overall financial markets.

#### Options Contracts

Investments in options contracts have the risk of losing value in a relatively short period of time. Option contracts are leveraged instruments that allow the holder of a single contract to control many shares of an underlying stock. This leverage can compound gains or losses.

**Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with the Advisor.**

### **Item 9 – Disciplinary Information**

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**There are no legal, regulatory or disciplinary events involving Palo Alto or its management persons.** Palo Alto values the trust Clients place in the Advisor. The Advisor encourages Clients to perform the requisite due diligence on any advisor or service provider that the Client engages. The backgrounds of the Advisor and its Advisory Persons are available on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with the Advisor's firm name or CRD# 285326.

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

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Neither Palo Alto nor its Supervised Persons have any registrations or affiliations with a broker-dealer, futures commission merchant, commodity pool operator, or commodity-trading advisor.

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

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

Palo Alto has implemented a Code of Ethics (the "Code") that defines the Advisor's fiduciary commitment to each Client. This Code applies to all persons associated with Palo Alto ("Supervised Persons"). The Code was developed to provide general ethical guidelines and specific instructions regarding the Advisor's duties to the Client. Palo Alto and its Supervised Persons owe a duty of loyalty, fairness and good faith towards each Client. It is the obligation of Palo Alto Supervised Persons to adhere not only to the specific provisions of the Code, but also to the general principles that guide the Code. The Code covers a range of topics that address ethics and conflicts of interest. To request a copy of the Code, please contact the Advisor at (650) 656-9800.

#### **B. Personal Trading with Material Interest**

Palo Alto allows our Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients. Palo Alto does not act as principal in any transactions. In addition, the Advisor does not act as the general partner of a fund, or advise an investment company. Palo Alto does not have a material interest in any securities traded in Client accounts.

#### **C. Personal Trading in Same Securities as Clients**

Palo Alto allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients. Owning the same securities that are recommended (purchase or sell) to Clients presents a potential conflict of interest that, as fiduciaries, must be disclosed to Clients and mitigated through policies and procedures. As noted above, the Advisor has adopted the Code to address insider trading (material non-public information controls) and personal securities reporting procedures. When trading for personal accounts, Supervised Persons have a conflict of interest if trading in the same securities. The fiduciary duty to act in the best interest of its Clients can potentially be violated if personal trades are made with more

advantageous terms than Client trades, or by trading based on material non-public information. This risk is mitigated by Palo Alto requiring reporting of personal securities trades by its Supervised Persons for review by the Chief Compliance Officer ("CCO"). The Advisor has also adopted written policies and procedures to detect the misuse of material, non-public information.

#### **D. Personal Trading at Same Time as Client**

While Palo Alto allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients, such trades are typically aggregated with Client orders or traded afterward. **At no time will Palo Alto, or any Supervised Person of Palo Alto, transact in any security to the detriment of any Client.**

### **Item 12 – Brokerage Practices**

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#### **A. Recommendation of Custodian[s]**

Palo Alto does not maintain custody of Client assets and does not have discretionary authority to select the broker-dealer/custodian for custody and execution services. The Client will engage the broker-dealer/custodian (herein the "Custodian") to safeguard Client assets and authorize Palo Alto to trade within its account[s] at the Custodian, unless otherwise directed by the Client. Palo Alto will recommend the Custodian and assist with the paperwork for establishing account[s]. Through the investment advisory agreement and Custodian agreements, the Client shall authorize Palo Alto to access the Client's account[s] and effect securities trades.

Where Palo Alto does not exercise discretion over the selection of the Custodian, it may recommend the Custodian to Clients for custody and execution services. Palo Alto may recommend the Custodian based on criteria such as, but not limited to, reasonableness of commissions charged to the Client, services made available to the Client, and the Custodian's reputation. Palo Alto does not receive research services, other products, or compensation as a result of recommending a particular Custodian that may result in the Client paying higher commissions than those obtainable through other broker-dealers/custodians.

Palo Alto will generally recommend that Clients establish accounts at Pershing Advisor Solutions, a subsidiary of Pershing LLC, member FINRA, NYSE, SIPC, which is a wholly-owned subsidiary of The Bank of New York Mellon Corporation (herein "Pershing"). Clients are not obligated to use the recommended Custodian and will not incur any extra fee or cost associated with using a broker not recommended by Palo Alto. However, the Advisor may be limited in the services it can provide if the recommended Custodian is not utilized.

Following are additional details regarding the brokerage practices of the Advisor:

**1. Soft Dollars** - Soft dollars are revenue programs offered by broker-dealers/custodians whereby an advisor enters into an agreement to place security trades with a broker-dealer/custodian in exchange for research and other services. Palo Alto does not participate in soft dollar programs sponsored or offered by any broker-dealer/custodian. However, Palo Alto does receive economic benefits in connection with its institutional relationships. **Please see Item 14 below.**

**2. Brokerage Referrals** - Palo Alto does not receive any compensation from any third party in connection with the recommendation for establishing an account.

**3. Directed Brokerage** - Clients are generally serviced on a "directed brokerage basis," where Palo Alto will place trades within the established account[s] at the Custodian designated by the Client. Further, all Client accounts are traded within their respective account[s]. The Advisor will not engage in any principal transactions (i.e., trade of any security from or to the Advisor's own account) or cross transactions with other Client accounts (i.e., purchase of a security into one Client account from another Client's account[s]). Palo Alto will not be obligated to select competitive bids on securities transactions and does not have an obligation to seek the lowest available transaction costs. These costs are determined by the Custodian.

#### **B. Aggregating and Allocating Trades**

The primary objective in placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of the order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the Custodian. Palo Alto will execute its transactions through the Custodian as directed by the Client [or another broker-dealer/custodian as directed by the Client].

Palo Alto may aggregate orders in a block trade or trades when securities are purchased or sold through the Custodian for multiple (discretionary) accounts. If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This must be done in a way that does not consistently advantage or disadvantage particular Client accounts.

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## **Item 13 – Review of Accounts**

### **A. Frequency of Reviews**

Securities in Client accounts are monitored on a regular and continuous basis by Advisory Persons. Formal reviews are generally conducted at least annually or more or less frequently depending on the needs of the Client.

### **B. Causes for Reviews**

In addition to the investment monitoring noted in Item 13.A. above, each Client account shall be reviewed at least annually. Reviews may be conducted more or less frequently at the Client's request.

Accounts may be reviewed as a result of major changes in economic conditions, known changes in the Client's financial situation, and/or large deposits or withdrawals in the Client's account[s]. The Client is encouraged to notify Palo Alto if changes occur in the Client's personal financial situation that might adversely affect the Client's investment plan. Additional reviews may be triggered by material market, economic or political events.

### **C. Review Reports**

The Client will receive brokerage statements no less than quarterly from the Custodian. These brokerage statements are sent directly from the Custodian to the Client. The Client may also establish electronic access to the Custodian's website so that the Client may view these reports and their account activity. Client brokerage statements will include all positions, transactions and fees relating to the Client's account[s]. The Advisor may also provide Clients with periodic reports regarding their holdings, allocations, and performance.

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

### **A. Compensation Received by Palo Alto**

Palo Alto is a fee-only advisory firm, who, in all circumstances, is compensated solely by the Client. Palo Alto does not receive commissions from product sponsors, broker-dealers or any un-related third party. Palo Alto may refer Clients to various unaffiliated, non-advisory professionals (e.g. attorneys, accountants, estate planners) to provide certain financial services necessary to meet the goals of its Clients. Likewise, Palo Alto may receive referrals of new Clients from a third-party.

#### **Participation in Institutional Advisor Platform**

Palo Alto has established an institutional relationship with Pershing to assist the Advisor in managing Client account[s]. Access to the Pershing Institutional platform is provided at no charge to the Advisor. The Advisor receives access to software and related support without cost because the Advisor renders investment management services to Clients that maintain assets at Pershing. The software and related systems support may benefit the Advisor, but not its Clients directly. In fulfilling its duties to its Clients, the Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits from a Custodian creates a potential conflict of interest since these benefits may influence the Advisor's recommendation of this Custodian over one that does not furnish similar software, systems support, or services.

Additionally, the Advisor may receive the following benefits from Pershing: receipt of duplicate Client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the

appropriate shares to Client accounts; and access to an electronic communication network for Client order entry and account information.

#### **B. Client Referrals from Solicitors**

Palo Alto does not engage paid solicitors for Client referrals.

#### **Item 15 – Custody**

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All Clients must place their assets with a “qualified custodian.” Clients are required to engage the Custodian to retain their funds and securities and direct Palo Alto to utilize the Custodian for the Client’s security transactions. Palo Alto encourages Clients to review statements provided by the Custodian. For more information about custodians and brokerage practices, see Item 12 – Brokerage Practices.

If the Client gives the Advisor authority to move money from one account to another account, the Advisor may have custody of those assets. In order to avoid additional regulatory requirements in these cases, the Custodian and the Advisor have adopted safeguards to ensure that the money movements are completed in accordance with the Client’s instructions.

#### **Item 16 – Investment Discretion**

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Palo Alto generally has discretion over the selection and amount of securities to be bought or sold in Client accounts without obtaining prior consent or approval from the Client. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the Client and agreed to by Palo Alto. Discretionary authority will only be authorized upon full disclosure to the Client. The granting of such authority will be evidenced by the Client’s execution of an investment advisory agreement containing all applicable limitations to such authority. All discretionary trades made by Palo Alto will be in accordance with each Client’s investment objectives and goals.

#### **Item 17 – Voting Client Securities**

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Palo Alto does not accept proxy-voting responsibility for any Client. Clients will receive proxy statements directly from the Custodian. The Advisor will assist in answering questions relating to proxies, however, the Client retains the sole responsibility for proxy decisions and voting.

#### **Item 18 – Financial Information**

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Neither Palo Alto, nor its management, have any adverse financial situations that would reasonably impair the ability of Palo Alto to meet all obligations to its Clients. Neither Palo Alto, nor any of its advisory persons, has been subject to a bankruptcy or financial compromise. Palo Alto is not required to deliver a balance sheet along with this Disclosure Brochure as the Advisor does not collect fees of \$1,200 or more for services to be performed six months or more in advance.

# **Form ADV Part 2B – Brochure Supplement**

**for**

**Ryan K. Schmidt  
Partner**

**Effective: March 27, 2020**

This Form ADV 2B (“Brochure Supplement”) provides information about the background and qualifications of Ryan K. Schmidt (CRD# 4024403) in addition to the information contained in the Palo Alto Wealth Advisors, LLC (“Palo Alto” or the “Advisor”, CRD # 285326) Disclosure Brochure. If you have not received a copy of the Disclosure Brochure or if you have any questions about the contents of the Palo Alto Disclosure Brochure or this Brochure Supplement, please contact the Advisor at (650) 656-9800.

Additional information about Mr. Schmidt is available on the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with his full name or his Individual CRD# 4024403.

## Item 2 – Educational Background and Business Experience

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Ryan K. Schmidt, born in 1978, is dedicated to advising Clients of Palo Alto as its Partner. Mr. Schmidt earned his Masters of Business Administration from Stanford University Graduate School of Business in 2006 and a Bachelor of Administration degree in Economics and International Relations from Stanford University in 2000. Additional information regarding Mr. Schmidt's employment history is included below.

### Employment History:

Partner, Palo Alto Wealth Advisors, LLC	09/2016 to Present
Investment Advisor Representative, Schmidt Financial Group, Inc.	08/2006 to 12/2016
Product Manager, VMware	06/2005 to 08/2005
Associate, Advent International	07/2002 to 01/2004
Associate, The Boston Consulting Group	09/2000 to 06/2002

## Item 3 – Disciplinary Information

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***There are no legal, civil or disciplinary events to disclose regarding Mr. Schmidt.*** Mr. Schmidt has never been involved in any regulatory, civil or criminal action. There have been no client complaints, lawsuits, arbitration claims or administrative proceedings against Mr. Schmidt.

Securities laws require an advisor to disclose any instances where the advisor or its advisory persons have been found liable in a legal, regulatory, civil or arbitration matter that alleges violation of securities and other statutes; fraud; false statements or omissions; theft, embezzlement or wrongful taking of property; bribery, forgery, counterfeiting, or extortion; and/or dishonest, unfair or unethical practices. ***As previously noted, there are no legal, civil or disciplinary events to disclose regarding Mr. Schmidt.*** The Advisor encourages you to independently view the background of Mr. Schmidt on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with his full name or his Individual CRD# 4024403.

## Item 4 – Other Business Activities

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Mr. Schmidt is dedicated to the investment advisory activities of Palo Alto's Clients. Mr. Schmidt does not have any other business activities.

## Item 5 – Additional Compensation

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Mr. Schmidt is dedicated to the investment advisory activities of Palo Alto's Clients. Mr. Schmidt does not receive any additional forms of compensation.

## Item 6 – Supervision

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Mr. Schmidt serves as a Partner of Palo Alto and is Supervised by Nathan Blair, Chief Compliance Officer. Mr. Blair can be reached at (650) 656-9800.

Palo Alto has implemented a Code of Ethics, an internal compliance document that guides each Supervised Person in meeting their fiduciary obligations to Clients of Palo Alto. Further, Palo Alto is subject to regulatory oversight by various agencies. These agencies require registration by Palo Alto and its Supervised Persons. As a registered entity, Palo Alto is subject to examinations by regulators, which may be announced or unannounced. Palo Alto is required to periodically update the information provided to these agencies and to provide various reports regarding the business activities and assets of the Advisor.

# **Form ADV Part 2B – Brochure Supplement**

**for**

**Nathan T. Blair**  
**Partner and Chief Compliance Officer**

**Effective: March 27, 2020**

This Form ADV 2B (“Brochure Supplement”) provides information about the background and qualifications of Nathan T. Blair (CRD# 3130445) in addition to the information contained in the Palo Alto Wealth Advisors, LLC (“Palo Alto” or the “Advisor,” CRD# 285326) Disclosure Brochure. If you have not received a copy of the Disclosure Brochure or if you have any questions about the contents of the Palo Alto Disclosure Brochure or this Brochure Supplement, please contact the Advisor at (650) 656-9800.

Additional information about Mr. Blair is available on the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with his full name or his Individual CRD# 3130445.



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## Item 2 – Educational Background and Business Experience

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Nathan T. Blair, born in 1975, is dedicated to advising Clients of Palo Alto as a Partner and Chief Compliance Officer. Mr. Blair earned a Bachelor of Arts from Rice University in 1998. Mr. Blair also earned a Master of Business Administration from Stanford Graduate School of Business in 2006. Additional information regarding Mr. Blair's employment history is included below.

### Employment History:

Partner and Chief Compliance Officer, Palo Alto Wealth Advisors, LLC	03/2017 to Present
Director, Aetos Capital, LLC	09/2011 to 02/2017
Associate Director, Corporate Development, SVB Financial Group	06/2010 to 06/2011
Research Associate, Case Writer, Stanford University	10/2008 to 06/2010
Vice President, The CapStreet Group	09/2006 to 09/2008

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## Item 3 – Disciplinary Information

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***There are no legal, civil or disciplinary events to disclose regarding Mr. Blair.*** Mr. Blair has never been involved in any regulatory, civil or criminal action. There have been no client complaints, lawsuits, arbitration claims or administrative proceedings against Mr. Blair.

Securities laws require an advisor to disclose any instances where the advisor or its advisory persons have been found liable in a legal, regulatory, civil or arbitration matter that alleges violation of securities and other statutes; fraud; false statements or omissions; theft, embezzlement or wrongful taking of property; bribery, forgery, counterfeiting, or extortion; and/or dishonest, unfair or unethical practices. ***As previously noted, there are no legal, civil or disciplinary events to disclose regarding Mr. Blair.***

The Advisor encourages you to independently view the background of Mr. Blair on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with his full name or his Individual CRD# 3130445.

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## Item 4 – Other Business Activities

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Mr. Blair is dedicated to the investment advisory activities of Palo Alto's Clients. Mr. Blair does not have any other business activities.

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## Item 5 – Additional Compensation

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Mr. Blair is dedicated to the investment advisory activities of Palo Alto's Clients. Mr. Blair does not receive any additional forms of compensation.

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## Item 6 – Supervision

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Mr. Blair serves as a Partner and Chief Compliance Officer of Palo Alto. Mr. Blair can be reached at (650) 656-9800.

Palo Alto has implemented a Code of Ethics, an internal compliance document that guides each Supervised Person in meeting their fiduciary obligations to Clients of Palo Alto. Further, Palo Alto is subject to regulatory oversight by various agencies. These agencies require registration by Palo Alto and its Supervised Persons. As a registered entity, Palo Alto is subject to examinations by regulators, which may be announced or unannounced. Palo Alto is required to periodically update the information provided to these agencies and to provide various reports regarding the business activities and assets of the Advisor.

## Privacy Policy

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Effective: March 27, 2020

### Our Commitment to You

Palo Alto Wealth Advisors, LLC ("Palo Alto" or the "Advisor") is committed to safeguarding the use of personal information of our Clients (also referred to as "you" and "your") that we obtain as your Investment Advisor, as described here in our Privacy Policy ("Policy").

Our relationship with you is our most important asset. We understand that you have entrusted us with your private information, and we do everything that we can to maintain that trust. Palo Alto (also referred to as "we", "our" and "us") protects the security and confidentiality of the personal information we have and implements controls to ensure that such information is used for proper business purposes in connection with the management or servicing of our relationship with you.

Palo Alto does not sell your non-public personal information to anyone. Nor do we provide such information to others except for discrete and reasonable business purposes in connection with the servicing and management of our relationship with you, as discussed below.

Details of our approach to privacy and how your personal non-public information is collected and used are set forth in this Policy.

### Why you need to know?

Registered investment advisors ("RIAs") must share some of your personal information in the course of servicing your account. Federal and State laws give you the right to limit some of this sharing and require RIAs to disclose how we collect, share, and protect your personal information.

### What information do we collect from you?

Social security or taxpayer identification number	Assets and liabilities
Name, address and phone number[s]	Income and expenses
E-mail address[es]	Investment activity
Account information (including other institutions)	Investment experience and goals

### What Information do we collect from other sources?

Custody, brokerage and advisory agreements	Account applications and forms
Other advisory agreements and legal documents	Investment questionnaires and suitability documents
Transactional information with us or others	Other information needed to service account

### How do we protect your information?

To safeguard your personal information from unauthorized access and use we maintain physical, procedural and electronic security measures. These include such safeguards as secure passwords, encrypted file storage and a secure office environment. Our technology vendors provide security and access control over personal information and have policies over the transmission of data. Our associates are trained on their responsibilities to protect our Clients' personal information.

We require third parties that assist in providing our services to you to protect the personal information they receive from us.

### How do we share your information?

An RIA shares Client personal information to effectively implement its services. In the section below, we list some reasons we may share your personal information.

Basis For Sharing	Do we share?	Can you limit?
<b>Servicing our Clients</b> We may share non-public personal information with non-affiliated third parties (such as administrators, brokers, Custodians, regulators, credit agencies, other financial institutions) as necessary for us to provide agreed upon services to you, consistent with applicable law, including but not limited to: processing transactions; general account maintenance; responding to regulators or legal investigations; and credit reporting.	Yes	No
<b>Marketing Purposes</b> Palo Alto does not disclose, and does not intend to disclose, personal information with non-affiliated third parties to offer you services. Certain laws may give us the right to share your personal information with financial institutions where you are a customer and where Palo Alto or the client has a formal agreement with the financial institution. <b>We will only share information for purposes of servicing your accounts, not for marketing purposes.</b>	No	Not Shared
<b>Authorized Users</b> Your non-public personal information may be disclosed to you and persons that we believe to be your authorized agent[s] or representative[s].	Yes	Yes
<b>Information About Former Clients</b> Palo Alto does not disclose and does not intend to disclose, non-public personal information to non-affiliated third parties with respect to persons who are no longer our Clients.	No	Not Shared

### State-specific Regulations

California	In response to a California law, to be conservative, we assume accounts with California addresses do not want us to disclose personal information about you to non-affiliated third parties, except as permitted by California law. We also limit the sharing of personal information about you with our affiliates to ensure compliance with California privacy laws.
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### Changes to our Privacy Policy

We will send you a copy of this Policy annually for as long as you maintain an ongoing relationship with us.

Periodically we may revise this Policy, and will provide you with a revised policy if the changes materially alter the previous Privacy Policy. We will not, however, revise our Privacy Policy to permit the sharing of non-public personal information other than as described in this notice unless we first notify you and provide you with an opportunity to prevent the information sharing.

### Any Questions?

You may ask questions or voice any concerns, as well as obtain a copy of our current Privacy Policy by contacting us at (650) 656-9800.