

# Blakeslee & Blakeslee Financial Advisers, Inc.

## Firm Brochure Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Blakeslee & Blakeslee Financial Advisers, Inc. If you have any questions about the contents of this brochure, please contact us at (805) 543-4366 or by email at: [Deirdre@mybbfa.com](mailto:Deirdre@mybbfa.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 Blakeslee & Blakeslee Financial Advisers, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Blakeslee & Blakeslee Financial Advisers, Inc.'s CRD number is: 287683.*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Blakeslee & Blakeslee Financial Advisers, Inc. (BBFA) on 02/22/2019 are described below. Material changes relate to Blakeslee & Blakeslee Financial Advisers, Inc.'s policies, practices or conflicts of interests.

- Blakeslee & Blakeslee Financial Advisers, Inc. has transitioned to registration with the United States Securities and Exchange Commission from its prior registration at the state level.
- Blakeslee & Blakeslee Financial Advisers, Inc. has updated Item 15 to disclose "Custody is also disclosed in Form ADV because Blakeslee & Blakeslee Financial Advisers, Inc. has authority to transfer money from client account(s), which constitutes a standing letter of authorization (SLOA)."
- Items 5.E., 10.A, & 10.C., have been updated to remove reference to Kara Woodruff.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Blakeslee & Blakeslee Financial Advisers, Inc. (BBFA) is an S Corporation organized in the State of California. The firm was formed in November 2016, and registered in 2017 with the State of California, Department of Business Oversight. The principal owner is Dr. Sam Blakeslee CFP®. BBFA will provide Registered Investment Advisory (RIA) services in conjunction with the broker/dealer (BD) services provided by Blakeslee & Blakeslee, Inc. (B&B), which is a C Corporation organized in 1986 in the State of California. Collectively, BBFA and B&B will offer Clients the broadest possible range of investment and management options, i.e., both RIA and BD services, while economizing on expenses by operating with an overhead cost-sharing agreement. BBFA was registered in 2017 with the State of California, Department of Business Oversight.

### **B. Types of Advisory Services**

We provide three separate service models. Typically, a Client will choose only one of the following service models listed below:

- 1) Integrated Portfolio Management and Financial Planning
- 2) Financial Planning Services (Hourly)
- 3) Brokerage Facilitation Limited

#### ***1) Integrated Portfolio Management and Financial Planning***

This is the service model that is chosen by most of our Clients. It provides the Client with the ability to work closely with an Adviser in the development of both a financial plan and an investment plan. The investment plan is implemented on behalf of the Client through custodial services provided by TD Ameritrade (TDA). Ongoing portfolio management and asset rebalancing is handled directly by the firm using discretionary authority provided by the Client.

We offer these integrated services to individuals, families, trusts, non-profits, and businesses (Clients). For each Client an Investment Policy Statement is developed in order to document a Client's current financial situation including factors such as: current and anticipated retirement income levels, tax rates, investment experience, relevant time horizons, and overall risk tolerance. The Investment Policy Statement is used by the Adviser to develop a specific financial plan designed to help achieve the Client's goals. We implement elements of the financial plan by utilizing investment portfolios that may consist of mutual funds, exchange traded funds, stocks, bonds, and other financial instruments.

BBFA will request discretionary authority from clients in order to select securities and execute transactions without requiring pre-approval from the Client before each transaction. The portfolios will be held in custody by TD Ameritrade, which will provide the necessary brokerage services to buy, sell, and hold securities.

BBFA seeks to ensure that investment decisions are made in accordance with the fiduciary duties owed to its Clients and without consideration of BBFA's economic, investment, or other financial interests. To meet its fiduciary obligations, BBFA attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain Client portfolios. It is BBFA's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its Clients on a fair and equitable basis over time. Investment portfolios are reviewed quarterly using fundamental analysis, modern portfolio theory, and quantitative performance metrics, and are rebalanced as needed. The annual advisor fee for providing integrated service is based on the amount of assets being managed.

## ***2) Financial Planning (Stand Alone)***

In some cases a Client may seek only financial planning assistance. In those cases an ongoing annual asset-based advisory fee would not be appropriate. Therefore, we also offer hourly-based financial planning services to provide advice on topic areas such as investment planning, retirement planning, estate planning, tax planning, insurance planning, charitable planning, and education planning.

In offering financial planning, a conflict may exist between the interests of the investment adviser and the interests of the Client. The Client is under no obligation to act upon the investment adviser's recommendation, and, if the Client elects to act on any of the recommendations, the Client is under no obligation to effect the transaction through the investment adviser. This statement is required by California Code of Regulations, 10 CCR Section 260.235.2.

A conflict may exist between the interests of BBFA and the interests of the Client; the Client is under no obligation to act upon BBFA's recommendation and if the Client elects to act on any of the recommendations, the Client is under no obligation to effect the transaction through BBFA.

## ***3) Brokerage Facilitation***

In some cases, a Client may have a subset of their assets (for example, a few individual stocks or bonds) which need to be held long term, but will not be included in the portfolio management and financial planning services provided by BBFA. In such cases, and at BBFA's discretion, the firm may help facilitate the provision of custodial services by broker/dealer TD Ameritrade with no fees paid to BBFA. The Client will only pay TD Ameritrade fees for client-directed actions. This service is provided as a courtesy to Clients who receive other paid services through BBFA or B&B. BBFA will not hold discretionary authority over these assets. BBFA is not responsible for providing advice

on when or whether to buy, sell, or hold these assets. All such investment decisions for these assets will be the responsibility of the Client. The Client understands and agrees that BBFA is not responsible for the suitability of investment decisions and portfolio allocations made by the Client for these assets.

### ***Services Limited to Specific Types of Investments***

BBFA generally limits its investment advice to mutual funds, real estate investment funds, stocks, bonds, bank loan products, exchange traded funds, U.S. treasury securities, insurance products such as fixed and variable annuities, life insurance, and commodities. BBFA primarily recommends portfolios comprised of no-load mutual funds and ETFs. BBFA may use other securities to help diversify a portfolio when appropriate.

## **C. Client Tailored Services and Client Imposed Restrictions**

BBFA offers the same suite of services to all of its Clients. However, each Client's investment strategy and its implementation is designed based upon that specific Client's Investment Policy Statement, which outlines each Client's current situation (income, tax bracket, and risk tolerance).

Clients may be provided with the flexibility to impose certain restrictions and customization regarding investments in particular securities in accordance with the Client's values or beliefs. (For example, a Client may wish to avoid certain industry sectors that a Client may find objectionable or may wish to include some preferred investments that might not otherwise be included in BBFA portfolios.) However, we reserve the right to limit such flexibility if it impacts our fiduciary or professional standards, or prevents the proper servicing of the account.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program for which the investor pays one stated fee that includes advisor fees, custodial and trading costs, and other administrative fees. BBFA offers a wrap fee program.

## **E. Assets Under Management**

As of December 2019, BBFA manages \$ 114,155,051 assets on a discretionary basis and \$0.00 on a non-discretionary basis.

# **Item 5: Fees and Compensation**

## **A. Fee Schedule**

Lower fees for comparable services may be available from other sources.

## ***Integrated Portfolio Management and Financial Planning***

This service is provided to Clients through an annual advisory fee that is paid quarterly.

<b>Assets Under Management</b>	<b>Annual Advisory Fee (Wrapped)</b>
Under \$1,000,000	0.85%
Over \$1,000,000	0.65%
Over \$2,000,000	Negotiable

As an example of how the tiered fees operate, if a Client has \$900,000 of assets under management by BBFA the annual fee will be 0.85% per annum. If the Client increases the amount to \$1,000,000, the fee on the entire amount under management drops to 0.65% per annum, including the amount under \$1,000,000.

The fees shown in the table above are for providing wrap services to the Client. In this context, the term wrap refers to a charge that includes custodial and trading charges incurred through the custodian, TD Ameritrade, along with BBFA's adviser and other administrative fees.

Fees shown above may be reduced by 0.10% for non-wrap accounts if the Client prefers to pay all custodial and trading charges directly to TD Ameritrade. Clients should be aware that in some cases custodial and trading charges incurred through TD Ameritrade for actively managed accounts with quarterly rebalancing may exceed the 0.10%; however, in other cases the costs may be lower. The breakpoint is a complex function of the total size of the Client's assets under management and the total amount of annual trading. The wrap fee approach has the benefit of lowering price sensitivity to the trading costs associated with portfolio rebalancing, which may provide superior portfolio management benefits to the Client. In some cases, BBFA may receive a portion of the wrap fee.

Non-wrap custodial and trading fees are described by the final fee schedule which is attached as Exhibit II of the Investment Advisory Contract.

BBFA in its sole discretion may charge a lesser fee for Integrated Portfolio Management and Financial Planning Services based upon certain criteria (i.e. anticipated future asset management activities, related accounts, account composition, current client relationships, etc.).

### ***4) Financial Planning Services (Stand Alone)***

A detailed written financial plan may be developed and provided to the Client based on an hourly rate not to exceed \$250 per hour. No work shall be performed or billed without prior written authorization by the Client including an estimate of the scope of work to be performed and the estimate of time. BBFA may require 50% pre-payment upon mutual agreement to provide financial planning services and commence work.

The prorated fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination. If a 50% pre-payment is provided and 40% of the financial plan has been completed at the time the Client terminates service, then the Client will receive 20% of the prepaid fee as a refund. Fees are paid by the Client by check.

### ***5) Brokerage Facilitation***

The Client will only pay TD Ameritrade fees for client-directed actions. This service is provided as a courtesy to Clients who receive other paid services through BBFA or B&B. TD Ameritrade's custodial and trading fees are described by the final fee schedule which is attached as Exhibit II of the Investment Advisory Contract.

## **B. Payment of Fees**

### ***Integrated Portfolio Management and Financial Planning***

Annual advisory fees are incurred on a pro-rata basis and paid quarterly in arrears based on the average daily balance of the account for the quarter. The first advisory fee is based on the number of days in the quarter that services were provided. No increase in the annual advisory fee shall be effective without prior written notification to the Client. The fee shall be withdrawn directly from the Client's accounts with Client's written authorization on a quarterly basis at the end of each quarter. Fee payments will generally be assessed within 10 business days following each billing cycle.

Clients may terminate the agreement without penalty within 5 business days of signing the Investment Advisory Contract. Thereafter, Clients may terminate the Investment Advisory Contract with 5 days written notice. In such an event, the Client will need to contact BBFA in writing and state the intention to terminate services. Upon termination of the Advisory Contract, BBFA portfolio management services will no longer be provided and advisory fees will terminate. The final quarter's billing will be based on the pro-rata portion of the quarter for which services were provided and the value of the account on the earlier of either the day that services are formally terminated or the day direction is received that account assets are to be withdrawn from BBFA management.

### ***Financial Planning Services (Stand Alone)***

See A.2) above.

### ***Brokerage Facilitation***

See A.3) above.

## **C. Client Responsibility for Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees,



brokerage fees, mutual fund fees, transaction fees, etc.), unless such fees are covered by wrap services. Those fees are separate and distinct from the fees charged by BBFA. Please see Item 12 of this brochure regarding Brokerage Practices.

#### **D. Prepayment of Fees**

See B above.

#### **E. Compensation for the Sale of Securities or Other Investments to Clients**

Sam Blakeslee, Craig Darnell, David Cryden, Stephen Hiltcher, Tricee Wright, Christopher Coates, and Deirdre Torres are supervised persons and registered representatives of Blakeslee & Blakeslee, Inc. (B&B), a registered broker-dealer, member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC") and are also insurance agents. In these roles, they may accept compensation for the sale of investment products to B&B Clients. A Client may, in some cases, work with both BBFA and B&B if the Client receives both Registered Investment Adviser and Broker/Dealer Services.

##### ***1. This is a Conflict of Interest***

Persons supervised as registered representatives by B&B may accept compensation for the sale of investment products, including asset based sales charges or service fees from the sale of mutual funds and insurance products to Clients who are receiving services through BBFA. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the Client's needs. When recommending the sale of investment products through B&B for which the supervised persons receive compensation, BBFA will document the conflict of interest in the Client file and inform the Client of the conflict of interest. BBFA will principally recommend no-load mutual funds and other investments. B&B will disclose investment expenses and will provide the Client with a prospectus. BBFA regularly reviews Client portfolios in order to protect Clients against conflicts of interest.

##### ***2. Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase recommended products through other brokers or agents that are not affiliated with BBFA.

##### ***3. Commissions are not BBFA's primary source of compensation for advisory services***

Commissions are not BBFA's primary source of compensation for advisory services.

#### ***4. Advisory Fees in Addition to Commissions or Markups***

Advisory fees that are charged to Clients for BBFA services are reduced to offset any commissions received by BBFA for the sale of any investment products covered under an annual advisory fee.

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

BBFA does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a Client.

### **Item 7: Types of Clients**

BBFA generally provides advisory services to the following types of Clients:

- ❖ Individuals, Families, Estates, Trusts, and High Net Worth Individuals
- ❖ Charitable Organizations & Non-Profit Organizations
- ❖ Corporations & other Business Entities

There is no account minimum for BBFA services.

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

#### **A. Methods of Analysis and Investment Strategies**

##### ***Methods of Analysis***

BBFA methods of analysis may include Fundamental Analysis, Modern Portfolio Theory and Quantitative Analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages and concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets. The theory assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected

returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations, such as the character of management or the state of employee morale, the value of assets, the cost of capital, historical projections of sales, and so on. Quantitative investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

In performing its analysis of potential investment portfolios, BBFA relies upon data driven investment strategies that examine a variety of factors, such as:

- Rank in category over various time frames (e.g., 1, 3, 5 and 10 year time horizons)
- Morningstar Rating (e.g., highly rated funds based on Morningstar's analytics)
- Total expense ratios (e.g., lower expenses relative to funds with similar objectives)
- Measurements of Risk (e.g., Alpha, Beta, Standard Deviation, Sharpe Ratio, and Sortino Ratio)
- Turnover (e.g., long-term buy and hold investment strategy)
- Investment manager experience (e.g., multiple years of fund management)
- Style Drift (e.g., large cap growth fund that changes to a large cap value fund over time)
- Average asset capitalization (e.g., control exposure to small and mid cap assets)

BBFA principally relies upon a long-term buy and hold investment strategy. However, in some cases, funds may be selected that seek to take advantage of shorter-term buying and selling opportunities due to secular and sector trends in the market. Hedging strategies may be employed in an effort to mitigate certain risks.

## **B. Material Risks Involved**

Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear this risk. Any of the above investment strategies may lead to a loss on investments. Even hedging strategies may fail if markets move against hedged investments. Risks include, but are not limited to: inflation (purchasing power) risk, interest rate risk, economic risk, market risk, political risk, regulatory risk, and other forms of systematic risk. In addition, investing carries with it opportunity risk. It is impossible to accurately predict the sectors of the market or asset classes that will have more favorable returns for any given period.

### C. Risks of Specific Securities Utilized

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds** are diversified and professionally managed investments that seek to minimize the risks associated with holding only individual stocks or bonds. Yet, mutual funds are exposed to the market risk of capital loss, and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions, and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on U.S. Treasury securities is dependent upon the unlikely event the United States defaulting on its debt; however, they retain a potential risk of losing share price value. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs)** are investment funds traded on stock exchanges, similar to stocks but providing some of the diversification benefits of mutual funds. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, and (3) a significant change in the attitude of speculators and investors.

**Real estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by the following:

changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning ordinances; and the impact of present or future environmental legislation and regulations.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet retirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Like mutual funds, variable annuities also involve investment risks. Unlike mutual funds, annuities are exposed to potential default risk by the insurance company providing the annuities.

**Commodities** are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors such as: disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain.

**Non-U.S. securities**, particularly those in lesser-developed and emerging markets, present certain risks such as: currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and public transparency standards.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a Client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-Regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

As registered representatives of Blakeslee & Blakeslee, Inc., Sam Blakeslee, Craig Darnell, David Cryden, Stephen Hiltcher, Tricee Wright and Christopher Coates accept compensation for the sale of securities through B&B. B&B and BBFA are under common control.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither BBFA nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Sam Blakeslee and David Cryden are owners of and registered representatives with Blakeslee & Blakeslee, Inc., a Broker-Dealer firm. Craig Darnell, Stephen Hiltcher, Tricee Wright, Christopher Coates, and Deirdre Torres are also registered representatives of Blakeslee & Blakeslee, Inc. BBFA and B&B are under common control. Clients should be aware that services rendered may involve a conflict of interest, as commissionable products offered by B&B conflict with the fiduciary duties of a registered investment adviser, and BBFA or its related persons could have an incentive to recommend B&B as the Broker-Dealer for Client accounts managed by BBFA and/or recommend a commission-based account with B&B vs. a fee-based account with BBFA based on whichever would yield greater compensation. BBFA mitigates this conflict by always acting in the best interest of the Client. Additionally, BBFA does not direct Client accounts managed by BBFA to execute trades via B&B; rather, clients of BBFA will be directed to execute trades via TD Ameritrade Institutional, a division of TD Ameritrade, Member FINRA/SIPC. Finally, Clients are in no way required to utilize the services of any representative of BBFA in such individual's capacity with B&B.

Sam Blakeslee, Craig Darnell, David Cryden, Stephen Hiltcher, Tricee Wright, and Christopher Coates are also independent licensed insurance agents, and from time to time, will offer Clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. BBFA always acts in the best interest of the client; including the sale of commissionable products to advisory Clients. Clients are in no way required to utilize the services of any representative of BBFA in connection with such individual's activities outside of BBFA.

All material conflicts of interest under Section 260.238 (k) of the California Corporations Code are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

BBFA does not utilize or rely upon third-party investment advisers. All assets are managed by BBFA management.

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

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

BBFA has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. BBFA's Code of Ethics is available free upon request to any client or prospective client.

BBFA has a fiduciary duty to all Clients which includes the responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of our Clients at all times. Our fiduciary duty is considered the core underlying principle for our Code of Ethics. BBFA requires all our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of loyalty to all Clients.

#### **B. Recommendations Involving Material Financial Interests**

BBFA does not recommend that clients buy or sell any security in which a related person to BBFA or B&B has a material financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

Representatives of BBFA may personally buy or sell securities for themselves that they also recommend to Clients. Hypothetically, this could provide an opportunity for representatives of BBFA to buy or sell the same securities before or after recommending the same securities to Clients, resulting in representatives benefiting from the



recommendations they provide to Clients. Such timed transactions could create a conflict of interest. Therefore, it is the express policy of our firm that no supervised person may strategically time the purchase or sale of any personally-owned security relative to transactions being executed for a Client's advisory account.

BBFA will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the Client's disadvantage when similar personally-owned securities are being bought or sold.

#### **D. Trading Securities At or Around the Same Time as Clients' Securities**

From time to time, representatives of BBFA may buy or sell securities for themselves at or around the same time as Clients. This may provide an opportunity for representatives of BBFA to buy or sell securities before or after recommending securities to Clients, resulting in representatives profiting off the recommendations they provide to Clients. Such transactions may create a conflict of interest; however, BBFA will never engage in trading that operates to the Client's disadvantage when similar securities are being bought or sold.

### **Item 12: Brokerage Practices**

#### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on BBFA's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a Client on the most favorable terms for the Client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent; BBFA may consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to: access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the broker-dealers that may aid in BBFA's research efforts.

For Custodial services, BBFA will require clients to use TD Ameritrade Institutional, a division of TD Ameritrade, Member FINRA/SIPC.

##### ***1. Research and Other Soft-Dollar Benefits***

BBFA does not receive soft dollars generated by the securities transactions of its Clients. The term "soft dollars" refers to funds which are generated by Client trades being used by the firm to purchase products or services from or through the broker-dealer with whom the firm engages to execute securities transactions.

BBFA receives support services and/or products from TDA. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate, and may include the following:



- Investment-related research
- Pricing information and market data
- Software and other technology that provide access to Client account data
- Compliance and/or practice management-related publications
- Consulting services
- Attendance at conferences, meetings, and other educational and/or social events
- Marketing support
- Computer hardware and/or software
- Other products and services used by BBFA in furtherance of its investment advisory business operations

These support services are provided to BBFA based on the overall relationship with TDA. It is not the result of soft dollar arrangements that involve the execution of Client transactions as a condition to the receipt of services. BBFA will continue to receive the services regardless of the volume of Client transactions executed with TDA. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by BBFA to TDA or any other entity to invest any specific amount or percentage of Client assets in any specific securities as a result of the arrangement.

TDA offers to BBFA non-soft dollar services which include custody of securities, trade execution, clearance and settlement of transactions. BBFA receives some non- soft dollar benefits from TDA through this offer. Although the non-soft dollar investment research products and services that may be obtained by our firm will generally be used to service all of our Clients, a brokerage commission paid by a specific Client may be used to pay for research that is not used in managing that specific Client's account.

As a result of receiving these services, BBFA may have an incentive to continue to use or expand the use of TDA services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with TDA, and we have determined that the relationship is in the best interest of our firm's Clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Clients may direct their brokerage transactions to a firm other than TDA. However, we may be unable to achieve more favorable executions on that Client's transactions. Client directed brokerage accounts may cost Clients more money. For example, in a directed brokerage account, you may pay higher brokerage charges because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

While BBFA has no formal soft dollars program in which soft dollars are used to pay for third party services, BBFA may receive research, products, or other services from custodians and broker-dealers in connection with Client securities transactions ("soft dollar benefits"). BBFA may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended.

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

BBFA receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

If BBFA is to be involved in the responsibility of effecting transactions in a Client's account, BBFA will require Clients to use TDA to execute those transactions. Not all advisers require Clients to use a particular broker-dealer.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

BBFA does not aggregate or bunch the securities to be purchased or sold for multiple Clients. This may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. However, TDA may aggregate or bunch the securities to be purchased or sold for multiple Clients.

## **Item 13: Review of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All Client accounts that receive BBFA Portfolio Management Services are reviewed at least quarterly by an investment adviser representative of BBFA, the BBFA Investment Committee, and/or by BBFA's Chief Compliance Officer Deirdre M Torres.

All Clients are advised that it remains their responsibility to advise BBFA of any changes in investment objectives and/or financial situation. All Clients (in person or via telephone) are encouraged to review financial planning issues, investment objectives, and account performance with their investment advisor representative on an annual basis.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in Client's financial situation (such as retirement, termination of employment, physical move, health, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each Client of BBFA's Portfolio Management Services will receive a quarterly report on an ongoing basis detailing the Client's account, including assets held, asset value, and calculation of fees from BBFA and/or its custodian, TD Ameritrade.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

BBFA participates in the institutional advisor program (the "Program") offered by TD Ameritrade. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, and clearance and settlement of transactions. BBFA receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, BBFA participates in TD Ameritrade's institutional advisor program and BBFA may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between BBFA's participation in the Program and the investment advice it gives to its Clients, although BBFA receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving BBFA 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 BBFA fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to BBFA by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by BBFA's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit BBFA but may not benefit its Client accounts. These products or services may assist BBFA in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help BBFA manage and further develop its business enterprise. The benefits received by BBFA or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to Clients, BBFA endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by BBFA or its related persons in and of itself creates a conflict of interest and may indirectly influence the BBFA's choice of TD Ameritrade for custody and brokerage services.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

BBFA does not directly or indirectly compensate any person who is not advisory personnel for Client referrals.

## **Item 15: Custody**

When advisory fees are deducted directly from Client accounts at Client's custodian, BBFA will be deemed to have limited custody of Client's assets. Because Client fees will be withdrawn directly from Client accounts, in states that require it, BBFA will:

- (A) Possess written authorization from the Client to deduct advisory fees from an account held by a qualified custodian.
- (B) Send the qualified custodian written notice of the amount of the fee to be deducted from the Client's account and verify that the qualified custodian sends invoices to the Client.
- (C) Send the Client a written invoice itemizing the fee upon or prior to fee deduction.

Clients will receive all account statements and billing invoices that are required in each jurisdiction which should be carefully reviewed for accuracy. Clients are urged to compare the account statements they received from custodian with those they received from BBFA.

Custody is also disclosed in Form ADV because BBFA has authority to transfer money from client account(s), which constitutes a standing letter of authorization (SLOA). Accordingly, BBFA will follow the safeguards specified by the SEC rather than undergo an annual audit.

## **Item 16: Investment Discretion**

BBFA provides discretionary and non-discretionary investment advisory services to Clients. The advisory contract established with each Client sets forth the discretionary authority for trading. Where investment discretion has been granted, BBFA generally manages the Client's account and makes investment decisions without consultation with the Client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, and the price per share. Clients with discretionary accounts will execute a limited power of attorney to evidence discretionary authority. BBFA has discretionary authority to determine the securities to be bought or sold for a Client's account, amount of securities to be bought or sold for a client's account, and broker or dealer to be used for a purchase or sale of securities for a Client's account.

In Client accounts managed on a non-discretionary basis, BBFA will properly secure the Client's permission prior to effecting securities transactions pursuant to California Code of Regulation, Section 260.237.2(f)(1).

## **Item 17: Voting Client Securities (Proxy Voting)**

BBFA will not ask for, nor accept, voting authority for Client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy

questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

BBFA neither requires nor solicits prepayment of more than \$1,200 in fees per Client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither BBFA nor its management has any financial condition that is likely to reasonably impair BBFA ability to meet contractual commitments to Clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

BBFA has not been the subject of a bankruptcy petition in the last ten years.