

**Part 2A of Form ADV: *Firm Brochure***

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This brochure provides information about the qualifications and business practices of Billeaud Capital Management, LLC. (hereinafter “BCM” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (337) 233-7758 or at [info@billeaudcapital.com](mailto:info@billeaudcapital.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 BCM is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for BCM is 107946.

## **Item 2. Summary of Material Changes**

Billeaud Capital Management, LLC made the following material changes to Form ADV, Part 2A since its Updating Amendment dated 09/16/2019:

Item 4 The description of the BCM Portfolios has been expanded to include the Social Value Portfolios, Institutional Intelligent Investor Portfolios and Portfolios for accounts with balances under \$5,000.

Item 5 Expanded the description of fees to include the mutual fund and ETF fees and expenses computed on a weighted average expense basis and stated as a percentage of the asset value of a client's account for BCM's various Portfolios. The expanded description includes a table showing the combined advisory fees and mutual fund and ETF fees and expenses as a percentage of the asset value of a client's account for BCM's various Portfolios.

Item 5 Provides a description of the conflict of interest associated with the investment advisory and financial planning services and how those conflicts of interest are mitigated.

Item 5 Deleted reference to financial planning on a fee basis, and states that all financial planning fees are included in the investment advisory fee.

**Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

BCM is a fee-based Registered Investment Adviser with its principal place of business located in Lafayette, Louisiana. We have been in business since 1987, as a sole proprietorship until 1991 and as an incorporated entity from 1991 to March of 2017. In March of 2017, BCM changed the form of organization from a corporation to an LLC, and conducts its business under the name of Billeaud Capital Management, LLC. There has been no practical change in control or management of BCM as a result of the change in the form of the organization of BCM.

Joseph Billeaud, through his sole ownership in JSB Investment Holdings, Inc, is the majority owner of BCM and serves as BCM's Chief Investment Officer. George W. Holland, IV, through his single member entity, Holland Investments, LLC, is a minority owner of BCM and is the Director of Advisor Services of BCM. Hille Domingue, through his single member entity Harding Street Holdings, LLC, is a minority owner in BCM and serves as the Chief Compliance Officer of BCM.

Discretionary assets under our firm's management were \$485,139,308 as of December 31, 2019. Non-discretionary assets under our firm's management were \$0 as of December 31, 2019. Assets Under Advisement by our firm were \$4,316,756 as of December 31, 2019. The total assets under management and advisement by our firm were \$489,456,064 as of December 31, 2019.

#### **Portfolio Management Services**

BCM is in the business of managing investment portfolios for our clients, primarily through either The BCM All-Weather Balanced Portfolio or The BCM All-Weather Growth Portfolio. Additionally, BCM offers other portfolio groups, such as Social Values Portfolios, Institutional Intelligent Portfolios ("IIP") through Schwab, and certain portfolios with balances that do not meet the IIP minimum of \$5,000. (All collectively referred to as "Portfolios"). Our firm provides continuous advice to a client regarding the investment of client funds. Through personal discussions, in which goals and objectives based on a client's particular circumstances are established, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background. Based on these discussions, we first decide whether the client's personal situation and goals are suitable for the investment portfolios that BCM uses, and, if so, which of the Portfolios best fits the client's personal situation.

We will manage advisory accounts on a discretionary or non-discretionary basis, depending on the specific agreement with the client. For discretionary accounts, we will implement transactions without seeking prior client consent. For non-discretionary accounts, we will seek prior client consent for every contemplated transaction. Therefore, clients with non-discretionary accounts should understand that any delay in obtaining consent may result in less favorable transaction terms, including higher security price and/or higher commissions and/or limited availability of the securities sought.

Account supervision is guided by the structure of the portfolios, stated objectives of the client, as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

BCM provides portfolio management services to ERISA accounts, and, as such, BCM is a fiduciary under the ERISA and IRS rules and regulations. As a fiduciary, BCM is prohibited from entering into certain transactions that would be deemed to be a conflict of interest with these clients or rely on an exemption from the prohibited transaction.

One such conflict of interest that arises is in those situations where BCM recommends that an ERISA plan participant rollover a distribution from an ERISA Plan into an IRA for which BCM will provide portfolio management services. Since BCM will receive management fees it would not have otherwise received if the ERISA plan participant would have left the distribution in the ERISA Plan, this presents a conflict of interest. Therefore, before recommending a rollover to an IRA, BCM will make a determination that the rollover is in the “best interest” of the participant.

In conjunction with certain ERISA accounts, BCM has contracted with BAM Advisors Services, LLC for Advisors Access™ 401(k) services, including access to model investment portfolios and administrative and marketing support services. In accordance with the Agreement between BAM and BCM, BAM receives a portion of the Advisors Access fees paid by participating 401(k) plans.

For certain clients, we provide portfolio management services through an automated rebalancing program (the “Program”) through which a client’s portfolio reflects the investment allocation of either the BCM All-Weather Growth Portfolio or the BCM All-Weather Balanced Portfolio. The allocations do not use algorithms to determine investment allocations. The client’s portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. (“Schwab”). We use the Institutional Intelligent Portfolios™ platform (“Platform”), offered by Schwab Performance Technologies (“SPT”), a software provider to independent investment advisors and an affiliate of Schwab, to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, Schwab or their affiliates.

We, and not Schwab, are the client’s investment advisor and primary point of contact with respect to the Program. We are solely responsible for determining the appropriateness of the Program for our clients, choosing a suitable investment strategy and portfolio, and managing the portfolio on an on-going basis.

### Financial Planning Services

BCM performs financial planning services for clients. BCM takes a comprehensive approach in developing a financial plan, based on a client’s financial goals identified by a client in a Financial Planning Questionnaire. As such, the financial plan encompasses an

analysis of the client's cash flow, analysis of a client's risk and insurance coverage, retirement savings and income planning, education planning, investment portfolio analysis, and estate planning.

## **Item 5. Fees and Compensation**

### Portfolio Management Services

Our annual fees for Portfolio Management Services are based on the net asset value of the client account(s), including cash, as shown on the client account statement at the end of a calendar quarter, in accordance with the following schedule:

Up to \$2,000,000	- 1.00% per year
\$2,000,001 to \$5,000,000	- 0.75% per year
\$5,000,001 to \$10,000,000	- 0.60% per year
\$10,000,000 and above	- 0.50% per year

A conflict of interest exists when we encourage a client to add money to their account since the amount of our fees increase as a result of the increase in the value of the client's account. Adherence to our fiduciary duty to our clients mitigates this risk since BCM only makes that recommendation if, after due consideration, such a recommendation is in the best interest of client, considering the client's goals and objectives.

Portfolio management fees are directly debited in arrears, at the end of each quarter, based upon the billable balance on the last day of that calendar quarter, pro-rated for additions and withdrawals.

For certain ERISA accounts billed through BAM Advisor Services, the portfolio management fees are billed and directly debited in advance on the first day of each quarter.

The stated minimum account size for Portfolio Management Services is \$250,000. In certain circumstances and at the discretion of BCM, BCM may waive the minimum account size requirement.

Mutual Fund and ETF Fees and Expenses: All fees paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. A client could invest in a mutual fund or and ETF directly, without the services of our firm. In that case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which mutual fund or funds or ETFs are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and ETFs and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

The Mutual Fund and ETF Fees and Expenses computed on a weighted average expense basis and stated as a percentage of the asset value of a client's account for BCM's various Portfolios are as follows:

All-Weather Balanced Portfolio	0.18%
All-Weather Growth Portfolio	0.15%
Social Values All-Weather Portfolio	0.32%
Social Values All-Weather Growth	0.41%
IIP All-Weather Portfolios	0.16% to 0.19%
IIP Social Value Portfolios	0.22% to 0.63%
Under \$5,000 Portfolios	0.48% to 0.71%

The above fees are subject to change in the event there is a change in a mutual fund or ETF in a Portfolio, a change in the percentage allocation in each mutual fund or ETF in a Portfolio, or if the mutual fund or ETFs change the amount of fees associated with a mutual fund or ETF.

#### Brokerage and Custodian Fees

In addition to advisory fees paid to our firm, and the expenses of the mutual funds and ETFs, clients will also be responsible for all transaction, brokerage, and custodian fees incurred as part of their account management. Those fees consist of a \$20 transaction fee associated with any trade involving mutual funds from DFA and Vanguard. Please see Item 12 of this Brochure for important disclosures regarding our brokerage practices.

#### Other Fees

There may there also be additional services fees charged by the custodian to accommodate special needs or requests of a client, including margin accounts fees, wire transfer fees, early trade settlement fees and other similar fees. These fees are incurred at the discretion of the client.

#### Summary

The combined advisory fees and mutual fund and ETF fees and expenses stated as a percentage of the asset value of a client's account for BCM's various Portfolios, and assuming the highest advisory fee shown above, are as follows:

All-Weather Balanced Portfolio	1.18%
All-Weather Growth Portfolio	1.15%
Social Values All-Weather Portfolio	1.32%
Social Values All-Weather Growth	1.41%
IIP All-Weather Portfolios	1.16% to 1.19%
IIP Social Value Portfolios	1.22% to 1.63%
Under \$5,000 Portfolios	1.48% to 1.71%

### Financial Planning Services

BCM provides financial planning services to clients with a minimum account size of \$500,000 in accordance with a written agreement that details the services to be performed in preparing the financial plan. The fees for the financial planning services are included in the investment management fees above. BCM does not receive any other compensation for its financial planning services, either directly or indirectly.

As part of the financial planning services, BCM may recommend that a client put more money into an account managed by BCM. A conflict of interest exists when BCM recommends that a client add money to their account since the amount of our fees increase as a result of the increase in the value of the client's account. Adherence to our fiduciary duty to our clients mitigates this risk since BCM only makes that recommendation if, after due consideration, such a recommendation is in the best interest of client, considering the client's goals and objectives.

### Institutional Intelligent Portfolios

Management of these portfolios are subject to the fee schedule for portfolio management services discussed above. Clients do not pay fees to SPT or brokerage commissions or other fees to Schwab as part of the Program. Brokerage arrangements are further described in Item 12 Brokerage Practices.

### Fees in General

Fees and costs are incurred whether a client account has gains or losses. Fees and costs will reduce the amount available to invest in a client's account and will therefore reduce investment returns over time.

The stated minimum account size for portfolio management services is \$250,000. Fees for our Portfolio Management Services and account minimums for all services are negotiable based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). As a result, in certain circumstances the fee schedule for a client may differ from the standard fee schedules shown above.

Discounts, not generally available to our advisory clients, are offered to family members and friends. We group certain related client accounts for the purposes of determining the account size and/or annualized fee. Certain legacy client agreements are governed by fee schedules different from those listed above.

With the exception of certain ERISA client fees billed through BAM Advisor Services that are billed in advance, we do not require or accept fees in advance of services



rendered. Under no circumstances will BCM accept fees for services to be provided more than six (6) months in advance.

#### Account Termination

Clients will have a period of five (5) business days from the date of signing either the portfolio management services agreement or the financial planning agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, the client may terminate the agreement at their discretion. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

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

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

#### **Item 7. Types of Clients**

Our firm generally provides advisory services to individuals, companies, pension and profit-sharing plans, trusts, estates, charitable organizations, and other business entities.

Generally, we require a minimum account size of \$250,000 of assets under management for Portfolio Management Services, and a minimum account size of \$500,000 of assets under management for Financial Planning Services.

Clients eligible to enroll in the Institutional Intelligent Portfolios Program include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations or trusts) or government entities, and clients that are subject to ERISA rules and laws, are not eligible for the Program. The minimum account size for Institutional Investment Portfolios is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

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

Our firm employs the following types of analysis to formulate client recommendations, which are reflected in the structure of the BCM All-Weather Growth Portfolio, the BCM All-Weather Balanced Portfolio, and other BCM Portfolios, as well as, in the BCM Market Risk Model which is used in the management of these portfolios:

Portfolios: The design of BCM's Portfolios is based on the strategy of investing in economically balanced non-correlated asset classes, such as, stock, bonds, precious metals and cash. These Portfolios are actively managed using BCM's proprietary Market Risk Model.

Asset Class Representation: BCM's approach within the Portfolios is to invest in broad-based asset classes rather than in individual securities. An asset class approach can be realized by owning indexed mutual funds or ETF's that reflect the composition and risk profile of the target asset class.

Mutual fund and/or ETF analysis: We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We primarily use indexed funds or ETFs within our portfolio design. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other funds in the client's portfolio. For the Social Values Portfolios, since one or more funds are actively managed, rather than indexed, we also monitor the funds in an attempt to determine if they are continuing to follow their stated investment strategy.

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

The Program Disclosure Brochure for Institutional Intelligent Portfolios™ includes a discussion of various risks associated with the Program, including the risks of investment in ETFs, as well as, risks related to the underlying securities in which ETFs invest. In addition, the Program Disclosure Brochure discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks and large investment risks.

BCM Market Risk Model: This model incorporates current financial, economic and monetary data to formulate an objective assessment of financial market risks. Within the model is an ongoing analysis of monetary policy, expected forward economic growth, as well as, certain trend following forms of market price analysis, including relative intra-market momentum analysis on broad stock market indices.

Risks for all forms of analysis: Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Our firm employs the following investment strategies to implement investment advice given to clients:

Long-term purchases: We mostly purchase securities with the idea of holding them in the client's account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: We purchase securities knowing that they may be held for a period of less than one year, depending on the guidance of our econometric model. We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a loss upon sale. In addition, this strategy may result in a less favorable tax treatment of short-term capital gains.

*Clients should understand that investing in any securities, including mutual funds and ETFs, involves a risk of loss of both income and principal.*

## **Item 9. Disciplinary Information**

Our firm has no reportable disciplinary events to disclose.

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

Mr. Domingue, who is the Chief Compliance Officer of BCM, is the sole owner/member of Hille Investments, LLC, which is a holding company that has an ownership interest in a closely held operating company. Investment in either of these companies are not open to outside investors and advisory clients of our firm have not been, and will not be, solicited to invest in them.

Additionally, Mr. Domingue performs consulting services on a contract basis for certain companies.

These non-advisory activities present a potential conflict of interest to the extent that these non-BCM activities may require a time commitment from Mr. Domingue, thus limiting the amount of time he can dedicate to his duties with BCM. Approximately 15% of Mr. Domingue's time is devoted to these activities.

Ms. McMenemon, who is an Investment Advisor Representative of BCM, is the Managing Member of Compass Capital Partners, which holds a non-working interest in

an oil and gas property. This investment vehicle is not open to outside investors and advisory clients of our firm have not been, and will not be, solicited to invest in this company or its ventures.

This non-advisory activity presents a potential conflict of interest to the extent that this non-BCM activity may require a time commitment from Ms. McMenemon, thus limiting the amount of time she can devote to her duties with BCM. Ms. McMenemon devotes less than 1% of her time to this activity.

## **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

### Code of Ethics Disclosure

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code provides for oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients upon request to Hille Domingue, Chief Compliance Officer, at the firm's principal office address.

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to or purchased for customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. This practice results in a potential conflict of interest, as we may have an incentive to manipulate the timing of such purchases to obtain a better price or more favorable allocation in rare cases of limited availability.

To mitigate these potential conflicts of interest and ensure the fulfillment of our fiduciary responsibilities, we have established the following restrictions:

1. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No principal or employee of our firm may prefer his or her own interest to that of the advisory client;
2. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts;

3. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations;
4. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where our firm is granted discretionary authority;
5. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices; and
6. Any individual not in observance of the above may be subject to disciplinary action or termination.

## **Item 12. Brokerage Practices**

### Custody Of Assets

Our firm does not maintain custody of client assets in advisory account(s). Since our firm is given authority to withdraw fees from a client account and, in certain instances, clients sign a Standing Letter of Authorization giving the authority to transfer funds to a third-party designated by the client, the assets of the client must be maintained in an account at a “qualified custodian”, generally a broker-dealer or bank. Our firm recommends that clients use Charles Schwab & Co., Inc. (Schwab) or TD Ameritrade (TD), and as a FINRA-registered broker-dealers, Schwab and TD meet the requirements as a “qualified custodian”. Neither our firm nor any individual associated with our firm, are affiliated with Schwab or TD. Schwab and TD will hold client assets in a brokerage account and buy and sell securities when we instruct them to. While our firm recommends that clients use Schwab or TD, clients do not have to do so. If a client selects Schwab or TD as the custodian, the client will open an account with Schwab or TD by entering into an account agreement directly with Schwab or TD. Our firm does not open the account for clients, but will assist a client in doing so. Our firm does monitor the fees from Schwab and TD, and, may, from time to time, attempt to renegotiate the fees charged to our clients.

### Recommending Brokers/Custodians

Our firm seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall advantageous to the client. In doing so, a wide range of factors are considered, including, among other things: breadth of services offered, capability to execute, clear and settle trades, administrative and client support services, breadth of investment products made available, quality of service, competitiveness of the price for those services, reputation, financial strength, prior service to our other clients.

For our clients' accounts maintained at Schwab, Schwab generally does not charge separately for custody services, but is compensated by charging commissions or other fees on trades that it executes or that settle in clients' Schwab accounts. Our firm does not request or accept the discretionary authority to determine the broker dealer to be used for client accounts. This means that our firm will not survey or shop the brokerage market place for best execution on a transaction-by-transaction basis. Clients must direct us as to the broker dealer to be used for all client securities transactions. In directing the use of a particular broker or dealer, it should be understood that our firm will not have authority to negotiate commissions among various brokers, and the best transaction costs may not be achieved. We do monitor the fees from Schwab, and, may, from time to time, attempt to renegotiate the fees charged to our clients. *Not all advisers require their clients to direct brokerage.*

We do not have any formal or informal soft-dollar arrangements and do not receive any soft-dollar benefits. This means that we do not receive any research, access to industry analysts or conferences in return for sending a certain level of brokerage transactions to a particular broker dealer.

Our firm participates in the Schwab Advisor Services (formerly called Schwab Institutional) program offered to independent investment advisers by Charles Schwab & Company, Inc. ("Schwab"), a FINRA-registered broker dealer.

Through Schwab Advisor Services, Schwab provides us and our clients, both those enrolled in the Program (Institutional Intelligent Portfolio described in Item 4) and our clients not enrolled in the Program, with access to institutional brokerage services – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Clients in need of brokerage and custodial services (whether through separately managed accounts or Institutional Intelligent Portfolios™) may have Schwab recommended to them. As part of the Schwab Advisor Services program, our firm receives benefits that it would not receive if it did not offer investment accounts through Schwab. These benefits include: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk serving Schwab Advisor Services participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client account; access to an electronic communication network for client order entry and account information; receipt of compliance publications; and access to investment products through Schwab that we may not otherwise have had access or that would require a significantly higher minimum initial investment by our clients. The services described above generally benefit you and your account. However, since we receive these services at no cost from Schwab, participation in the Schwab Advisor Services program results in a potential conflict of interest for our firm, as the receipt of the above benefits creates an incentive for us to recommend Schwab to clients.

Schwab offers other services that benefit only BCM and are intended to help us manage and further develop our business enterprise. These services include educational conferences and events, consulting on technology and business needs, consulting on legal

and related compliance needs, publications and conferences on practice management and business succession and marketing consulting and support. If you did not maintain your account at Schwab, BCM would be required to pay for these services from its own resources.

The availability of these services from Schwab benefit us because we do not have to pay Schwab for these services. The fact that we receive these benefits from Schwab is an incentive for BCM to recommend the use of Schwab. This is a conflict of interest.

However, BCM believes the commendation of Schwab is in the best interest of the client. This conclusion is supported by the scope, quality and cost of Schwab's services and not by Schwab's services that benefit only BCM.

Our firm also participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors, such as our firm, services which include custody of securities, trade execution, clearance, and settlement of transactions. Our firm receives benefits from TD Ameritrade through its participation in the program.

Our firm participates in TD Ameritrade's institutional customer program and our firm may recommend TD Ameritrade to a client for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice we give our clients, although our firm receives economic benefit 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 with 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 our Advisors; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and compliance, marketing, research, technology and practice management products or services provided to our firm by third party vendors without cost or at a discount. Some of the products and services made available by TD Ameritrade through the program may benefit our firm but not benefit our client accounts. These products or services may assist our firm in managing our client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help our firm manage and further develop our business. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transaction directed to TD Ameritrade. As part of our fiduciary duties to our clients, our firm endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefit by our firm or our personnel in and of itself creates a conflict of

interest and could indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

*Clients are not under any obligation to effect trades through any recommended broker.* However, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account.

As part of the Program (the Institutional Investment Portfolios described in Item 4), client accounts are maintained at, and receive the brokerage services of Schwab, a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use Schwab as custodian/broker to enroll in the Program, the client decides whether to do so and opens an account with Schwab. We do not open the account for the client. If the client does not wish to open the account with Schwab, we cannot manage the client's account through the Program.

#### Trade Aggregation

We may aggregate client trades when doing so is advantageous to our clients. Mostly, we will batch client transactions to receive volume discounts and to obtain better and more uniform pricing across client accounts. If we determine that aggregation of trades in a certain situation will be beneficial to our clients, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed from each client account on any given day. On occasion, we aggregate employee trades with client trades.

Schwab may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program (the Institutional Investment Portfolios described in Item 4), including both accounts for our clients and accounts for other independent investment advisory firms using the Platform.

### **Item 13. Review of Accounts**

#### Portfolio Management Services

The individuals in BCM that provide investment advisory services to our clients will continuously monitor the underlying securities in client accounts, perform at least quarterly reviews of account holdings for all clients, and rebalance the portfolios as needed. Accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Economic and macroeconomic specific events may also trigger reviews.

In addition to the monthly statements and confirmations of transactions that clients receive from their broker dealer, our firm will provide quarterly holdings and/or performance reports.



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

Our firm does not receive any additional compensation from third parties for providing investment advice to its clients.

We do receive an economic benefit from Schwab and TD Ameritrade in the form of the support products and services those firms make available to our firm. These products and services, how they benefit our firm, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of these products and services are not based on us giving particular investment advice, such as buying particular securities for our clients.

We currently pay referral fees to certain individuals who solicit business on behalf of our firm. If a client is introduced to us by an unaffiliated solicitor, we may pay that solicitor an ongoing referral fee ranging from 25% to 75% of the referred client's advisory fee paid to our firm.

Payment of referral fees for prospective client referrals creates a potential conflict of interest to the extent that such a referral is not unbiased and the solicitor is, at least partially, motivated by financial gain. Therefore, such a referral may be made even if our advisory services are not suitable to a particular client's needs or entering into an advisory relationship with us is not, overall, in the best interest of the client. As these situations represent a potential conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. All such referral fees are paid in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements;
2. Any such referral fee will be paid solely from our investment management fee, and will not result in any additional charge to the client;
3. If the client is introduced to us by an unaffiliated solicitor, the solicitor, at the time of the solicitation, will disclose the nature of his/her/its solicitor relationship and provide each prospective client with a copy of our Form ADV Part 2 Brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between our firm and the solicitor, including the compensation to be received by the solicitor from us; and
4. All referred clients will be carefully screened to ensure that our fees, services, and investment strategies are suitable to their investment needs and objectives.

#### **Item 15. Custody**

Since we directly debit client fees from their custodial accounts, our firm is deemed to have constructive custody of client funds. This is also the case for accounts in the Program (Institutional Intelligent Portfolios described in Item 4).

Additionally, certain clients have, and may in the future, sign a Standing Letter of Authorization (SLOA) that gives us the authority to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give us custody. Custody is defined as any legal or actual ability by our firm to access client funds or securities. Normally, we would be required to conduct a surprise audit of the client accounts for which we are deemed to have custody. However, the rules governing the direct debit of client fees and SLOAs exempts us from the surprise audit rules if certain conditions are met. Those conditions are as follows:

1. Your assets are maintained by a qualified custodian.
2. You receive client statements directly from the custodian, and we make due inquiry to ensure that you are receiving your statements.
3. In the case of SLOAs, we make a determination that the third-party receiving the transfer is not related to BCM, confirm that the mailing address of the third-party transfer is not the same as BCM and that certain requirements are being met by the qualified custodian.

Schwab, TD or another qualified custodian that is selected by a client, maintains actual custody of client assets. Client statements will be sent directly to each client to the email or postal mailing address that is provided to Schwab, TD or another qualified custodian selected by the client. We urge clients to compare these statements to the periodic reports that are received from us. Should any discrepancies be noticed, please notify us and/or the custodian of your client account as soon as possible. We will ensure that any third-party receiving funds from a client as authorized by an SLOA is not related to our firm, and that the other requirements of the qualified custodian are also being met.

#### **Item 16. Investment Discretion**

For clients granting us discretionary authority to determine which securities and the amounts of securities that are to be bought or sold for their account(s), we request that such authority be granted in writing, typically in the executed investment management agreement.

Should the client wish to impose reasonable limitations on this discretionary authority, such limitations shall be included in this written authority statement. Clients may change/amend these limitations as desired. Such amendments must be submitted to us by the client in writing.

#### **Item 17. Voting Client Securities**

As a matter of firm policy, our firm does not vote proxies on behalf of clients. However, for the retirement plans for which our firm is the investment advisor, ERISA laws require our firm to vote the proxies unless the right to vote the proxies has been specifically reserved by the plan sponsor.

Clients will receive their proxies and other solicitations directly from their custodian or transfer agent and, with the exception of ERISA plans noted above, retain sole responsibility for voting. However, we may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

As described in the Program Disclosure Brochure for the Institutional Intelligent Portfolios™, clients enrolled in the Program designate SPT to vote proxies for the ETFs held in their accounts.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

#### **Item 18. Financial Information**

We do not provide financial information to our clients since we do not:

1. Have custody of client funds or securities, or
2. Receive payment of fees in advance that are in excess of \$1,200 and are for services to be rendered over more than 6 months, or
3. Have a financial condition that is reasonably likely to impair our ability to meet our commitments to our clients.