

# **Arbor Investment Advisors**

**SEC File Number: 801-58281**

## **Brochure**

**Dated March 16, 2020**

Contact: April Y. Beason, Chief Compliance Officer

300 South Main Street

Winston-Salem, North Carolina 27101-5217

[www.arborinvest.com](http://www.arborinvest.com)

This brochure provides information about the qualifications and business practices of Arbor Investment Advisors. If you have any questions about the contents of this brochure, please contact us at (336) 777-1677 or [aprilbeason@arborinvest.com](mailto:aprilbeason@arborinvest.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 Arbor Investment Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Arbor Investment Advisors as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2          Material Changes**

There have been no material revisions to this Brochure since Arbor Investment Advisors' (the "Registrant") last Annual Amendment filing on March 6, 2019. *The Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions regarding this Part 2A.*

## **Item 3          Table of Contents**

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	2
Item 4	Advisory Business.....	3
Item 5	Fees and Compensation .....	8
Item 6	Performance-Based Fees and Side-by-Side Management .....	10
Item 7	Types of Clients.....	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9	Disciplinary Information.....	12
Item 10	Other Financial Industry Activities and Affiliations .....	12
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	13
Item 12	Brokerage Practices.....	14
Item 13	Review of Accounts .....	16
Item 14	Client Referrals and Other Compensation .....	16
Item 15	Custody .....	17
Item 16	Investment Discretion .....	17
Item 17	Voting Client Securities.....	17
Item 18	Financial Information .....	18

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

- A. The Registrant is a limited liability company formed on January 14, 1998 in the state of North Carolina. The Registrant became registered as an Investment Adviser Firm in January 2001. The Registrant is owned by Scott E. Cawood, Scott D. Jones, William E. Hollan, III, Paige P. Birchfield, April Y. Beason and Erika L. Mielke. Mr. Cawood is the Registrant's Chief Executive Officer and Chief Investment Officer.
- B. As discussed below, the Registrant offers to its clients (individuals, pension and profit sharing plans, business entities, trusts and charitable organizations, etc.) investment advisory services, employee stock option evaluation and monitoring and, to the extent specifically requested by a client, financial planning and related consulting services.

##### **Investment Advisory Services**

The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$1,000,000	1.00%
Next \$2,000,000	0.75%
Next \$2,000,000	0.50%
Next \$10,000,000	0.40%
Balance above \$15,000,000	Negotiable

##### **Employee Stock Option Evaluation and Monitoring Services**

Registrant also offers employee stock option evaluation and monitoring services to clients. Registrant works with clients who request this service to evaluate their employee stock option portfolio and develop an employee stock option monitoring profile regarding the client's goals and conditions for exercising their options (each such condition a "Triggering Condition"). Registrant then monitors the client's options portfolio by reviewing the closing price of securities underlying the options on a daily basis. Registrant generally notifies clients within one (1) business day after a Triggering Condition occurs so that the client may determine whether to exercise the applicable option(s). Clients that engage Registrant for employee stock option evaluation and monitoring services have the sole responsibility to exercise (and determine whether to exercise) applicable options after Registrant provides notice that a Triggering Condition has occurred. Registrant will not have any authority or ability to exercise the options for the client.

Clients shall pay Registrant a retainer fee for its employee stock option evaluation and monitoring services on a quarterly basis, in advance, at an annualized rate as follows:

<u>Managed Assets*</u>	<u>Retainer Fee</u>	<u>Minimum Annual Fee</u>
Under \$500,000	\$200 per Option**	\$1,000
\$500,000-\$1,000,000	\$100 per Option**	\$500
Over \$1,000,000	None	Not Applicable

\*Managed by Registrant pursuant to a separate written agreement.

\*\*"Option" refers to any distinct award of options the client holds.

In addition to the above retainer, stock option evaluation and monitoring services clients shall pay Registrant a management fee equal to 2% of the "in the money" value of any exercised option within ten (10) days after the exercise of the option, where "in the money" means the gross value (before tax) of the proceeds realized from the exercise of an option; provided, however, that Registrant will deduct from the "in the money" calculation (i) a percentage of such proceeds determined by the client and Registrant at the outset of the relationship to be a fair estimation of the tax liability on option exercise proceeds; and (ii) any such proceeds added by the client within ten (10) days after their receipt to an investment advisory account with Registrant with a value of at least \$500,000. Fees are negotiable under certain circumstances, and fees will be prorated for any partial quarter. Clients may terminate a Registrant's stock option evaluation and monitoring services on thirty (30) days' written notice to Registrant, in which case, Registrant will refund an appropriate prorated portion of any prepaid fees.

#### **Financial Planning and Consulting Services (Stand-Alone)**

*To the extent specifically requested by a client*, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$150 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Limited Consulting Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. It shall remain each client's responsibility to promptly notify Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. *Please Note:* Registrant *does not* serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as same. Accordingly, Registrant *does not* prepare legal documents, prepare tax returns, or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute

discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and/or its representatives. *Please Also Note:* If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and *not* Registrant, shall be responsible for the quality and competency of the services provided.

## **Miscellaneous**

### Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.

To the extent specifically requested, Registrant will generally provide planning and consulting services regarding non-investment related matters, such as tax and estate planning, insurance, etc. Registrant, in its sole discretion, based upon various factors such as complexity and assets under management, may determine to provide such services inclusive of its advisory fee set forth at Item 5 below (exceptions will occur based upon assets under management, advanced planning needs, special projects, etc. for which Registrant may charge a mutually agreeable additional fee and/or require a stand-alone engagement). *Please Note:* Registrant *does not* serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as same. Accordingly, Registrant *does not* prepare legal documents, prepare tax returns, or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and/or its representatives. *Please Also Note:* If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and *not* Registrant, shall be responsible for the quality and competency of the services provided.

Please Note: Retirement Rollovers-Potential for Conflict of Interest: A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a *conflict of interest* if Registrant will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, Registrant serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. *No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any*

*questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.*

Custodian Charges-Additional Fees: As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Registrant generally recommends that Fidelity (and Schwab for 401k plans-see *below*) serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Fidelity charge transaction fees for effecting securities transactions. In addition to Registrant's investment advisory fee referenced in Item 5 below, the client will also incur transaction fees to purchase securities for the client's account (i.e., mutual funds, exchange traded funds, individual equity and fixed income securities, etc.) *Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above.*

Please Note-Use of Mutual and Exchange Traded Funds: Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Registrant's initial and ongoing investment advisory services. *Please Also Note:* In addition to Registrant's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). *Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above.*

Portfolio Activity. Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

Please Note: Non-Discretionary Service Limitations. Clients that determine to engage the Registrant on a non-discretionary investment advisory basis *must be willing to accept* that the Registrant cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account, and client is unavailable, the Registrant will be unable to effect the account transaction (as it would for its discretionary clients) *without first obtaining the client's consent.*

## **ERISA Plan Engagements**

**Trustee Directed Plans.** Registrant may be engaged to provide investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, Registrant will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 (“ERISA”). Registrant will generally provide services on an “assets under management” fee basis per the terms and conditions of an *Investment Advisory Agreement* between the Plan and the Firm.

**Participant Directed Retirement Plans.** Registrant may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a *Retirement Plan Services Agreement* between Registrant and the Plan. For such engagements, Registrant shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by Registrant that are made available to Plan participants on the Envestnet platform), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process. *Please Note: Schwab/Envestnet Platform.* The Registrant generally provides services for participant directed retirement plans in conjunction with the custody and platform services provided by Schwab and Envestnet, respectively. The terms and conditions of the Plan’s engagement of Schwab and Envestnet, including transaction fees (Schwab) and platform fees (Envestnet) payable, are set forth in separate written agreements between the Plan and Schwab and Envestnet, respectively. *Please Further Note:* The Plan is under no obligation to utilize Schwab or Envestnet, and can engage the Registrant’s services using the custodian and/or platform provider of its choosing.

**Trade Error Policy**—Registrant shall reimburse accounts for losses resulting from the Registrant’s trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Registrant’s custodian firm account. On a monthly basis gains and losses are offset within the custodian firm account, Registrant absorbs the cost of losses while gains are allocated to a designated charity.

**Client Obligations**—In performing its services, Registrant shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant’s previous recommendations and/or services.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated

investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.

- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2019, the Registrant had \$619,001,795 in assets under management on a discretionary basis and \$16,962,251 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis.

### **Investment Advisory Services**

If a client determines to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value of assets placed under the Registrant's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$1,000,000	1.00%
Next \$2,000,000	0.75%
Next \$2,000,000	0.50%
Next \$10,000,000	0.40%
Balance above \$15,000,000	Negotiable

### **Employee Stock Option Evaluation and Monitoring Services**

If a client determines to engage the Registrant to provide employee stock option evaluation and monitoring services, the clients shall pay Registrant a retainer fee for its employee stock option evaluation and monitoring services on a quarterly basis, in advance, at an annualized rate as follows:

<u>Managed Assets*</u>	<u>Retainer Fee</u>	<u>Minimum Annual Fee</u>
Under \$500,000	\$200 per Option**	\$1,000
\$500,000-\$1,000,000	\$100 per Option**	\$500
Over \$1,000,000	None	Not Applicable

\*Managed by Registrant pursuant to a separate written agreement.

\*\*"Option" refers to any distinct award of options the client holds.

In addition to the above retainer, stock option evaluation and monitoring services clients shall pay Registrant a management fee equal to 2% of the "in the money" value of any exercised option within ten (10) days after the exercise of the option, where "in the money" means the



gross value (before tax) of the proceeds realized from the exercise of an option; provided, however, that Registrant will deduct from the “in the money” calculation (i) a percentage of such proceeds determined by the client and Registrant at the outset of the relationship to be a fair estimation of the tax liability on option exercise proceeds; and (ii) any such proceeds added by the client within ten (10) days after their receipt to an investment advisory account with Registrant with a value of at least \$500,000. Fees are negotiable under certain circumstances, and fees will be prorated for any partial quarter. Clients may terminate a Registrant’s stock option evaluation and monitoring services on thirty (30) days’ written notice to Registrant, in which case, Registrant will refund an appropriate prorated portion of any prepaid fees.

### **Financial Planning and Consulting Services (Stand-Alone)**

*To the extent specifically requested by a client*, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant’s planning and consulting fees are negotiable, but generally range from \$150 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant’s advisory fees deducted from their custodial account. Both Registrant’s Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant’s investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant’s invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client’s circumstances require, the Registrant shall generally recommend that Fidelity Investments (“Fidelity”) serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Fidelity charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for exchange traded funds, closed end funds, individual equity and fixed income securities transactions). In addition to Registrant’s investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

Registrant’s annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires a minimum asset level of \$1,000,000 for investment advisory services. Registrant, in its sole discretion, may charge a lesser investment advisory fee, waive its minimum asset level, and/or charge a flat fee 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, competition, negotiations with client, etc.). *Please Note:* As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. *Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding advisory fees.*

- D. The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. Neither the Registrant nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, pension and profit sharing plans, business entities, trusts and charitable organizations. The Registrant generally requires a minimum asset level of \$1,000,000 for investment advisory services. Registrant, in its sole discretion, may charge a lesser investment advisory fee, waive its minimum asset level, and/or charge a flat fee 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, competition, negotiations with client, etc.). *Please Note:* As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. *Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding advisory fees.*

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

- A. The Registrant may utilize the following methods of security analysis:

Registrant typically utilizes asset allocation models designed to demonstrate a range of portfolio options based on a combination of asset classes. Portfolios are normally structured utilizing exchange traded funds, no-load open-end mutual funds and closed-end funds. Recommendations regarding individual securities are generally limited to working with clients to determine whether to retain securities already held by the client at the inception of Registrant's management of the portfolio.

Registrant regularly obtains investment information and research materials from third parties. This includes economic and financial market commentaries, portfolio management selection and a variety of other investment research materials.

Registrant's approach to investment management has evolved from Modern Portfolio Theory (MPT) concepts. Fundamental to MPT is the notion that the level of risk each client is willing to assume ultimately impacts the portfolio's expected return. Registrant works with clients to set strategic investment objectives based on their individual profile. Then Registrant helps clients construct an asset allocation that best fits the client's goals.

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

*Please Note: Investment Risk*—Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies—Long Term Purchases—is a fundamental investment strategy. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates (or recommends that the client allocate) client investment assets among various exchange traded funds, no-load open-end mutual funds,

closed-end funds, individual equity and/or fixed income securities, on a discretionary or non-discretionary basis, in accordance with the client's designated investment objective(s).

**Concentrated Stock Positions**—In some cases, clients come to the Registrant with a significant portion of their assets invested in stock of a single company. In these cases, the Registrant may recommend either of the following approaches or a combination of both, depending on the circumstances:

- In some cases (e.g., low basis concentrated stock positions), the Registrant may recommend the use of derivatives and hedging strategies such as collars, forwards, non-recourse stock loans and exchange funds which may help to provide diversification or reduce risk and volatility by setting floors and/or ceilings on the positions.
- In other cases, the Registrant may recommend using a transition plan based on the client's constraints and preferences. In these cases, the Registrant generally helps the client establish target prices and quantities over the transition period in an effort to unwind the position in a tax efficient manner. When appropriate and agreed to by the client, the Registrant will implement a covered call strategy during the transition period.

*The client maintains exclusive responsibility for determining whether or not to adopt the Registrant's recommendations. If the client determines not to follow the Registrant's recommendations, the client maintains exclusive responsibility for any adverse investment consequences resulting from his/her/its decision.*

## **Item 9      Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.
- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal

securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Fidelity (and Schwab for 401k plans-*see above*). Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best price execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Non-Soft Research and Support Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from Fidelity (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be 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, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

There is no corresponding commitment made by the Registrant to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

*The Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the conflict of interest presented by such arrangements.*

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

*Please Note:* In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. *Please Also Note:* Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

*The Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above arrangements.*

- B. Registrant may (but is not obligated to) combine or "batch" client orders to obtain "best execution," to negotiate more favorable commission rates or to allocate equitably among Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among Registrant's clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment advisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment advisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Registrant provides investment advisory services shall also receive a quarterly report from the Registrant.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from Fidelity (or another broker-dealer/custodian, vendor, etc.). The Registrant, without cost (and/or at a discount), may receive support services and/or products from Fidelity.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as a result of this arrangement. There is no corresponding commitment made by the Registrant to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

*The Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above arrangements.*

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.



## **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Registrant provides investment advisory services shall also receive a quarterly report from the Registrant summarizing asset allocation and performance.

*Please Note:* To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. *Please Also Note:* The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

The Registrant provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds to third parties. In accordance with the guidance provided in the SEC Staff's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise examination.

## **Item 16      Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an Investment Advisory Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, *in writing*, on the Registrant's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17      Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18      Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**Any Questions: The Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**