

Thrive Wealth Management, LLC

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ADV Part 2A, Brochure

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This Brochure provides information about the qualifications and business practices of Thrive Wealth Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 215-376-5530 or mike@thrivewealth.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 Thrive Wealth Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

References to Thrive Wealth Management, LLC 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

Since the March 26, 2019 annual update filing, this Brochure has been amended at Item 12 to expand the scope of “Additional Benefits” received and to describe differences in aggregation and trading practices between the broker-dealer/custodians Registrant recommends.

Thrive Wealth Management, LLC’s Chief Compliance Officer, Michael Ptaszenski, remains available to address any questions about this Brochure.

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Item 4 Advisory Business

- A. Thrive Wealth Management, LLC (the “Registrant”) is a Pennsylvania limited liability company formed in 2013 and has been providing investment advisory services since that time. The Registrant has been registered as an investment adviser with the United States Securities and Exchange Commission since September 2016. The Registrant is principally owned by Stephen Erfle and Michael Ptaszenski, who are the Registrant’s Managing Members.
- B. Registrant offers investment advisory services, retirement plan consulting services, and financial planning and related consulting services to its clients, who are generally comprised of: individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, corporations or other businesses, trusts and estates.

INVESTMENT MANAGEMENT SERVICES

Clients can choose to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee basis according to the terms and conditions of an Investment Management Agreement. 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. Registrant’s annual investment advisory fee compensates for initial and routine financial planning and consulting services to the extent they are specifically requested by the client. If the client seeks extraordinary planning and consultation services, the Registrant may propose to charge for those services according to the terms and conditions of a stand-alone Financial Planning Agreement (see below).

To begin the process, an investment adviser representative will first meet with the client to develop investment objectives, risk tolerance and other relevant information to formulate an investment strategy. Then, Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment strategy. In this respect, Registrant may invest client assets according to one or more model portfolios described in Item 8 below. Once Registrant allocates client investment assets, it provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and may periodically execute or recommend execution of transactions for the account based upon those reviews, market conditions, and the client’s financial circumstances.

Clients who choose to engage Registrant to provide discretionary investment management services are required to sign an Investment Management Agreement authorizing Registrant to determine the specific securities, and the amount of securities, to be purchased or sold for the Client’s account without the client’s prior approval for each transaction. Clients who choose to engage Registrant on a non-discretionary basis must be willing to accept that Registrant cannot effect any account transactions without obtaining prior consent to any such transactions from the client. Therefore, if Registrant would like to make a transaction for a client’s account (including removing a security that the Registrant no longer believes is suitable, adding a security that the Registrant

believes is suitable, or in the event of a market correction), and the client is unavailable, Registrant will be unable to execute the account transactions (as it would for its discretionary clients) without first obtaining the client's consent. This may place certain clients at an economic disadvantage.

As part of its investment management services, Registrant may allocate (or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Managers") in accordance with the client's designated investment objectives. In these instances, the Independent Managers will have day-to-day responsibility for the active discretionary management of the allocated assets. Registrant will continue to provide investment supervisory services to the client including ongoing monitoring and review of account performance, asset allocation and client investment objectives. The Registrant generally considers the following factors when recommending Independent Managers: the client's designated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Managers are exclusive of, and in addition to, Registrant's ongoing investment advisory fee, which will be disclosed in and subject to the terms and conditions of a separate agreement between the client and the Independent Managers or the platform sponsor providing access to Independent Managers.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

Upon specific client request, Registrant may agree to provide financial planning and consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Before engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Financial Planning 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 before Registrant will provide those services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant's supervised persons in their capacities as licensed insurance agents. (Please refer to Items 5.E. and 10.C. in this respect). 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 the Registrant.

RETIREMENT PLAN CONSULTING SERVICES

The Registrant offers retirement plan consulting services to sponsors of self-directed retirement plans organized under the Employee Retirement Security Act of 1974 ("ERISA"). The terms and conditions of the engagement between the Registrant and the plan sponsor will be set forth in a Pension Consulting Agreement. If Registrant performs these services in an ERISA Section 3(21) capacity, it will assist the plan sponsor with the development of investment policy statements, and then the selection and monitoring of investment alternatives from which plan participants may choose in self-directing the investments for their individual plan retirement accounts. Upon request by the plan sponsor, Registrant may also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan

accounts. If the plan sponsor chooses to engage the Registrant in an ERISA Section 3(38) capacity, Registrant may provide the same services as described above, but may also: create specific asset allocation models that Registrant manages on a discretionary basis, which plan participants may choose in managing their individual retirement account; and/or modify the investment options made available to plan participants on a discretionary basis.

MISCELLANEOUS

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. Registrant does not serve as a law firm or accounting firm, and no portion of its services should be construed as legal or accounting services. Accordingly, Registrant does not prepare estate planning documents or tax returns. Unless specifically agreed in writing, neither Registrant nor its representatives are responsible to: implement any financial plans or financial planning advice; provide ongoing financial planning services; or provide ongoing monitoring of financial plans or financial planning advice. The client is solely responsible to revisit the financial plan or financial planning advice with Registrant, if desired. The client retains absolute discretion over all financial planning and related implementation decisions, and is free to accept or reject any recommendation from Registrant and its representatives. Registrant's financial planning and consulting services are completed upon communicating its recommendations to the client. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of Registrant in their individual capacities as licensed insurance agents discussed in Items 5.E and 10.C. The client is under no obligation to engage the services of any such recommended professional. If the client engages any recommended professional, and a dispute then arises related to the engagement, the client should seek recourse exclusively from and against the engaged professional. The preceding sentence shall not limit or waive any applicable rights under federal or state law, including securities laws and fiduciary obligations that cannot be limited or waived. The recommendation by Registrant's representative that a client purchase an insurance commission product through Registrant's representative in their separate and individual capacity as an insurance agent, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products through Registrant's representatives. Clients may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents or agencies.

Cash Positions. The Registrant may maintain cash and cash equivalent positions (such as money market funds) for defensive and liquidity purposes. Unless otherwise agreed in writing, all cash and cash equivalent positions will be included as part of assets under management for purposes of calculating the Registrant's investment advisory fee.

Availability of Mutual Funds and ETFs. While the Registrant may allocate investment assets to mutual funds and exchange traded funds (“ETFs”) that are not available directly to the public, the Registrant may also allocate investment assets to publicly-available mutual funds and ETFs that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to purchase publicly-available mutual funds without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant’s initial and ongoing investment advisory services with respect to management of that asset.

Portfolio Trading Activity. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client’s financial circumstances, and changes in the client’s investment objectives. Based upon these and other factors, there may be extended periods of time when Registrant determines that trades within a client’s portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account trading inactivity.

Client Obligations. In performing its services, Registrant will 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 their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant’s previous recommendations and/or services.

Disclosure Statement. A copy of the Registrant’s written Brochure as set forth on Part 2 of Form ADV will be provided to each client prior to, or contemporaneously with, the execution of the applicable form of client agreement.

Retirement Plan Rollovers – No Obligation / 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 the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation presents a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant.

Unaffiliated Private Investment Fund Valuation. If Registrant bills an investment advisory fee based upon the value of private investment funds or otherwise references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value for all private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor. The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

Third Party Reporting Services. Registrant may provide access to reporting services that can reflect all of the client's investment assets, including those investment assets that are not part of the assets managed by Registrant (the "Excluded Assets"). Registrant's service related to the Excluded Assets is limited to reporting service access only, which does not include investment implementation. Because Registrant does not have trading authority for the Excluded Assets, the client (and/or the client's other designated investment professional), and not Registrant, shall be exclusively responsible for directly implementing any recommendations related to the Excluded Assets. Without limiting the above, Registrant shall not be responsible for any implementation error (timing, trading, etc.) related to the Excluded Assets. The third-party reporting service platform may also provide access to financial planning information and applications, which should not be construed as services, advice, or recommendations provided by Registrant. Accordingly, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available through the third party reporting service platform without Registrant's participation or oversight.

Margin / Securities Based Loans. Upon client request, Registrant may recommend that a client establish a margin loan or a securities based loan (collectively, "SBLs") with the client's broker-dealer/custodian or their affiliated banks (each, an "SBL Lender") to access cash flow. Unlike a traditional real estate-backed loan, an SBL has the potential benefit of enabling borrowers to access funds in a shorter period of time, providing greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor. The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the SBL if the SBL Lender determines that the value of collateralized securities is no longer sufficient to support the value of the SBL; the risk that the SBL Lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the SBL Lender may terminate the SBL at any time. Before agreeing to participate in an SBL program, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing "margin calls" and liquidating securities and other assets in the client's accounts.

If Registrant recommends that a client apply for an SBL instead of selling securities that Registrant manages for a fee to meet liquidity needs, the recommendation presents an ongoing conflict of interest because selling those securities (instead of leveraging those securities to access an SBL) would reduce the amount of assets to which the Registrant's investment advisory fee percentage is applied, and thereby reduce the amount of investment advisory fees collected by the Registrant. Likewise, the same ongoing conflict of interest is present if a client determines to apply for an SBL on their own initiative. These ongoing conflicts of interest would persist as long as Registrant has an economic disincentive to recommend that the client terminate the use of SBLs. Clients are therefore reminded that they are not under any obligation to employ the use of SBLs, and are solely responsible for determining when to use, reduce, and terminate the use of SBLs. Although Registrant seeks to disclose all conflicts of interest related to its recommended use of SBLs and related business practices, there may be other conflicts of interest that are not identified above. Clients are therefore reminded to carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender as applicable, and contact the Registrant's Chief Compliance Officer with any questions regarding the use of SBLs.

- C. The Registrant provides investment advisory services tailored to the specific 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 \$367,250,530 in assets under management on a discretionary basis and \$35,873,632 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

A. **INVESTMENT MANAGEMENT SERVICES**

Registrant's annual investment advisory fee is paid quarterly in advance of each calendar quarter, under the terms and conditions of an Investment Management Agreement. The investment advisory fee is generally based on a percentage of the market value of client assets under management at the end of the preceding calendar quarter as valued by the client's designated custodian, according to the following tiered fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$0 - \$500,000	1.0%
Next \$500,000 (\$500,001 - \$1,000,000)	0.80%
Next \$500,000 (\$1,000,001 - \$1,500,000)	0.70%
Next \$500,000 (\$1,500,001 - \$2,000,000)	0.60%
Next \$2,000,000 (\$2,000,001 - \$4,000,000)	0.50%
Remaining Assets Exceeding \$4,000,001	0.40%

The fee for the first quarter of the client's engagement will be prorated from the inception date to the end of the first quarter. The Registrant's investment advisory fee is negotiable in limited circumstances at Registrant's sole discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional rendering the service; prior or family relationships with the Registrant and/or its representatives, and negotiations with the client. Likewise, Registrant may combine the account values of family members not living in the same household to determine the applicable advisory fee. Combining account values may increase the asset total and reduce the investment advisory fee based on the available breakpoints in the fee schedule stated above. Certain legacy clients may have accepted different pre-existing service offerings from Registrant and may therefore receive services under different fee schedules than as set forth above. As a result of these factors, similarly situated clients could pay different fees which correspondingly impact a client's net account performance. Moreover, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

Registrant's financial planning and consulting fees are negotiable, but can range from \$1,000 to \$100,000 on a fixed fee basis depending upon the scope and complexity of the services, or at \$200 per hour if engaged on an hourly rate basis. Before engaging the Registrant to provide financial planning and consulting services on a stand-alone separate fee basis, clients are required to enter into a Financial Planning 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 before Registrant will provide services.

RETIREMENT PLAN CONSULTING SERVICES

The terms and conditions of the retirement plan consulting engagement will be set forth in a Pension Consulting Agreement between the Registrant and the plan sponsor. The Registrant's negotiable advisory fee for these services ranges between .25% and 1% of the value of retirement plan assets, depending upon the scope of the engagement.

- B. Clients will have the Registrant's advisory fees deducted from their custodial account. The applicable form of Registrant's Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fees and to directly remit the fee to the Registrant in compliance with regulatory procedures. If Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. For investment management services, the Registrant will deduct fees quarterly in advance, based upon the market value of the assets at the end of the preceding calendar quarter, as valued by the client's designated custodian. For retirement plan consulting services, the Registrant will bill quarterly in advance, based upon the market value of the plan assets at the end of the previous quarter, which is valued by the plan-designated custodian.
- C. Unless the client directs otherwise or an individual client's or a company retirement plan client's circumstances require, Registrant generally recommends that Charles Schwab and Co., Inc. and its affiliates ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers charge transaction fees for effecting certain securities transactions according to their fee schedule, and they or their affiliated custodians also impose additional charges for custodial services / fees associated with maintaining the client's account. For mutual fund and ETF purchases, clients will incur charges imposed by the respective fund, which represent the client's pro rata share of the fund's management fee and other fund expenses. These fees and expenses are described in each fund's prospectus or other offering documents. The fees charged by the applicable broker-dealer/custodian, and the charges imposed by mutual funds and ETFs, are separate from and in addition to Registrant's advisory fee referenced in this Item 5. Registrant does not share in any portion of those fees.

Asset-Based Pricing Arrangements and Limitations. Registrant may recommend that clients enter into an "Asset-Based" pricing agreement with the account broker-dealer/custodian. Under an "Asset-Based" pricing arrangement, the broker-dealer/custodian charges the client a fixed percentage fee for all account commissions/transactions based on the amount of assets placed in custody and/or on the broker-dealer/custodian's platform, and not based upon the number of transactions executed. Generally in an Asset-Based pricing arrangement, the applicable fixed percentage fee decreases as the aggregate account values participating in the Asset-Based pricing arrangement increase. In the alternative, the broker-dealer/custodian could charge a separate commission/transaction fee upon the execution of an account transaction. This is referred to as a "Transaction-Based" pricing arrangement. Under a Transaction-Based pricing arrangement, the amount of fees charged by the broker-dealer/custodian to the client will vary depending upon the number of and type of transactions that are placed for the account. Under either scenario, the fees charged by the respective broker-dealer/custodian are separate from, and in addition to the advisory fee payable by the client to Registrant. Whether Registrant would recommend

an Asset-Based pricing agreement with the account broker-dealer/custodian would depend upon whether, based upon anticipated account size and activity, Registrant reasonably believes that the client would benefit from the available pricing arrangement. However, account investment decisions are often more heavily driven by security selection and anticipated market conditions, as opposed to the amount of commission/transaction fees payable by clients to the account broker-dealer/custodian. Clients are encouraged to contact Registrant at any time to evaluate the benefit of Asset-Based pricing and Transaction-Based pricing arrangements. However, there can be no assurance that the volume of transactions will be consistent from year-to-year based on market changes and security selection. Therefore, given the variances in trading volume and pricing arrangements, any decision by clients to switch between Asset-Based or Transaction-Based pricing might not prove to be advantageous.

- D. Registrant's annual investment advisory fees 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 applicable form of 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 such agreement. Upon termination: a pro-rated portion of the earned but unpaid advanced advisory fee shall be due; or the Registrant will pro-rate and refund any unearned advanced advisory fees, as applicable.
- E. Insurance Commission Transactions. Upon request, clients may engage the Registrant to purchase insurance products on a commission basis. The commissions charged by Registrant may be higher or lower than those charged by other licensed insurance agencies.
 - 1. Conflict of Interest: The recommendation that a client purchase an insurance product on a commission basis presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives.
 - 2. Clients may purchase insurance products recommended by Registrant or its representatives through other, agencies or agents.
 - 3. Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of insurance commission products Registrant recommends to its clients.
 - 4. When Registrant's representatives sell an insurance product on a commission basis, Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, Registrant's representatives do not also receive commission compensation for such advisory services. However, a client may engage Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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 generally include: individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, corporations or other businesses, trusts and estates, etc. The Registrant generally prefers to work with new clients seeking management of at least \$500,000 in investment assets to provide investment management services. The Registrant, in its sole discretion, may reduce its minimum asset preference 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.).

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

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

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

Technical – involves analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices.

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

Long Term Purchases (securities held at least a year); and

Short Term Purchases (securities sold within a year).

Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear, including the complete loss of principal investment. Past performance may not be indicative of future results. 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 Registrant) will be profitable or equal any specific performance level. Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage

in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

- 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 and Short Term Purchases) are fundamental investment strategies. 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, Registrant allocates or recommends that clients allocate investment assets among various mutual funds, ETFs, Independent Managers, individual debt and/or equity securities in accordance with the client's designated investment objectives. In limited cases upon specific client request, Registrant may recommend allocation to private investment funds or employ option strategies. Each type of security or investment has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with the types of investments that Registrant employs or recommends:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events, which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invest it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

Independent Manager Risk. While Registrant may conduct due diligence regarding Independent Managers and their respective investment style and process, Registrant will not have the opportunity to evaluate each specific investment that the Independent Managers will execute on the client's behalf. As a result, the rates of return to clients will primarily depend upon the choice of investments and other investment and management decisions of Independent Managers and returns could be adversely affected by unfavorable performance of such Independent Managers. Further, Registrant depends on Independent Managers to develop the appropriate systems and procedures to control operational risks.

Unaffiliated Private Investment Fund Risk. In very limited circumstances, Registrant may recommend that certain qualified clients consider investing in unaffiliated private investment funds. Private investment funds generally involve various risk factors including, but not limited to: potential for complete loss of principal, liquidity constraints and lack of transparency. A complete discussion of the risks will be set forth in each fund's offering documents, which will be provided to each client for review and consideration. Registrant's role related to the private investment funds is limited to its initial and ongoing due diligence and investment monitoring services. Registrant's clients are under absolutely no obligation to consider or make an investment in private investment funds. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a subscription agreement, pursuant to which the client will establish that they qualified for investment in the fund, and that they acknowledge and accept the various risk factors that are associated with such an investment.

Options Risk. Registrant may employ the use of options strategies in limited circumstances, upon specific client request. The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc.), may in and of themselves, produce principal volatility and additional risk. Therefore, a client directing Registrant to employ options strategies must be willing to accept these enhanced volatility and risks associated with the strategy. For detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s Option Disclosure Document available at:

<http://www.optionsclearing.com/components/docs/riskstoc.pdf>

Model Portfolio Management

Registrant may also allocate clients' investment assets among one or more of the following model portfolio strategies, which will all be monitored and periodically adjusted to suit market conditions based on internal research. Individual client accounts are implemented using a weight to the Equity and Fixed Income model to create a model aggregate. For example, a client requiring a 60% Stock, 40% Fixed Income portfolio, will have their account invested 60% in the Thrive Wealth Tax Managed Equity Model and 40% in the Thrive Wealth Tax Managed Fixed Income Portfolio. Investments in any of the following managed account asset allocation strategies are not guaranteed and are subject to risk, which could result in a complete loss of principal:

Thrive Wealth Tax Managed Equity Model. The primary investment objective is to provide diversified global equity exposure by investing in US and Non-US companies with market capitalizations ranging from Small to Large. The secondary investment objective is to employ mutual funds and ETFs that have historically distributed little to no capital gains. The model will also seek similar investments that limit the amount of taxable income. This model holds both mutual funds and ETFs. It may be rebalanced quarterly to realign the underlying holdings to the target weights. The number of trades can range from approximately 5 to 25 per year. Individual client accounts may experience higher trading volumes to allow for tax loss harvesting as needed.

Thrive Wealth Equity Model. The primary investment objective is to provide diversified global equity exposure by investing in US and Non-US companies with market capitalizations ranging from Small to Large. This model will also provide an allocation to Real Estate. The model holds both mutual funds and ETFs. It may be rebalanced quarterly to realign the underlying holdings to the target weights. The number of trades can range from approximately 5 to 25 per year. Individual client accounts may experience higher trading volumes to allow for tax loss harvesting as needed.

Thrive Wealth Tax Managed Fixed Income Model. The primary investment objective is to provide diversified global fixed income exposure by investing in US and Non-US debt. The model will invest a portion of the portfolio in US tax exempt bond funds and/or ETFs to limit the taxable income. It holds both mutual funds and ETFs. It may be rebalanced quarterly to realign the underlying holdings to the target weights. The number of trades can range from approximately 5 to 25 per year. Individual client accounts may experience higher trading volumes to allow for tax loss harvesting as needed.

Thrive Wealth Fixed Income Model. The primary investment objective is to provide diversified global fixed income exposure by investing in US and Non-US debt. The secondary investment objective is to pursue and maximize total return and income. The model holds both mutual funds and ETFs. It may be rebalanced quarterly to realign the underlying holdings to the target weights. The number of trades can range from approximately 5 to 25 per year. Individual client accounts may experience higher trading volumes to allow for tax loss harvesting as needed.

Other account strategies may be developed from time to time. Registrant will also manage client assets outside these strategies to the extent clients direct Registrant to do so. Registrant's model portfolio management has been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Registrant's model portfolio management program, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the Registrant conforms to the following:

1. Initial Interview – at the opening of the account, Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;

2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly Registrant shall notify the client to advise Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, Registrant shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – Registrant shall be reasonably available to consult with the client related to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct Registrant not to purchase certain mutual funds;
8. No Pooling – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

Registrant believes that its annual investment advisory fee charged for model portfolio management is reasonable in relation to: the advisory services provided under the terms of the applicable agreement; and the fees charged by other investment advisers offering similar services/programs. However, Registrant's annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Registrant's annual investment advisory fee, the client will also incur charges imposed directly at the mutual fund and ETF level (e.g., advisory fees and other fund expenses). Registrant's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

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 supervised persons, 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 supervised persons, 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. Licensed Insurance Agents. Certain of Registrant's supervised persons are licensed insurance agents and in their individual capacities, may recommend the purchase of certain insurance products on a commission basis. Clients can therefore engage certain of Registrant's supervised persons to execute insurance transactions on a commission basis. The recommendation by Registrant's supervised persons that a client purchase an insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's supervised persons. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents.
- 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 related 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 supervised persons 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 supervised persons 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 supervised persons of the Registrant are in a position to 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.

In accordance with the Registrant’s transaction policy, in advance of the purchase of any equity security, supervised persons must receive prior approval from the Registrant’s Chief Compliance Officer, Michael Ptaszewski.

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 the 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.

- D. The Registrant and/or supervised persons 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 supervised persons 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. If 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 Schwab. Before 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 Schwab (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 a broker-dealer's 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 advisory fee.

1. Non-Soft Dollar Research and Additional 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 Schwab (and could receive from another broker-dealer/custodian, investment platform, independent investment manager, and/or product/fund sponsor) 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. The support services that Registrant receives can include: 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 free consulting services, discounted and/or free travel and 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. Certain of the support services and/or products that Registrant can receive may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise. The receipt of these support services and products presents conflicts of interest, because the Registrant has the incentive to recommend that clients utilize Schwab as a broker-dealer/custodian based upon its interest in continuing to receive the above-described support services and products, rather than based on a client's particular need. However, Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab 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 arrangements. The Registrant's Chief Compliance Officer, Michael Ptaszenski, remains available to address any questions regarding the above arrangements and conflicts of interest presented.

Schwab Advisor Services

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like Registrant. Schwab Advisor Services provides Registrant and its clients with access to its institutional brokerage –trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services and additional economic benefits ("Additional Benefits"). Some of those support services and Additional Benefits help Registrant manage or administer its clients' accounts while others help Registrant manage and grow its business. As part

of the Additional Benefits, Schwab may also provide monetary assistance to Registrant or to third parties on Registrant's behalf to defray certain costs towards certain technology, compliance, legal, business consulting and other related expenses. Schwab's support services are generally available on an unsolicited basis (Registrant does not have to request them) and at no charge to Registrant. The availability of these services from Schwab benefits Registrant because Registrant does not have to produce or purchase them. Registrant is not required to pay for Schwab's services. A more detailed description of Schwab's Additional Benefits follows.

Services that Benefit the Client

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Registrant might not otherwise have access or that would require a significantly higher minimum initial investment by Registrant's clients. Schwab's services described in this paragraph generally benefit Registrant's clients and their accounts.

Services that May Not Directly Benefit the Client

Schwab also makes available to Registrant other products and services that benefit Registrant but may not directly benefit Registrant's clients or their accounts. These products and services assist Registrant in managing and administering its clients' accounts. They include investment research, both Schwab's own and that of third parties. Registrant may use this research to service all or some substantial number of its clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

Services that Generally Benefit Only Registrant

Schwab also offers other services intended to help Registrant manage and further develop its business enterprise. These services include:

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Registrant. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Registrant with other benefits such as occasional business entertainment of its personnel.

Additional Benefits Received

Registrant has and may continue to receive certain Additional Benefits that may or may not be offered to the Registrant again in the future. Specifically, Schwab previously agreed to directly reimburse Registrant's clients for any transfer of account exit fees they may incur when transferring their account assets from another broker-dealer/custodian to Schwab and designated for Registrant's management. This reimbursement was capped at \$34,000 for Registrant's clients in the aggregate, and was limited to transitions made through August 1, 2019. However, Registrant entered into a subsequent agreement with Schwab making Registrant's clients eligible for additional reimbursement for any transfer of account exit fees they may incur when transferring their account assets from another broker-dealer/custodian to Schwab capped at \$40,000, and is limited to transitions made through April 25, 2020.

Schwab previously agreed to make other payments totaling \$25,000 to a third-party vendor on Registrant's behalf, which will be applied to the cost of software/technology-related expenses that Registrant uses to help effectively manage its clients' accounts. Schwab agreed to make an initial \$12,500 support payment when a total of \$80 million in Registrant's clients' management assets are held at Schwab, and another \$12,500 additional support payment when a total of \$105 million in Registrant's clients' management assets are held at Schwab. Under the subsequent agreement referenced above, Schwab agreed to make additional payments to third-party vendors on Registrant's behalf for technology, marketing, research, legal or compliance related expenses. The payments could total up to an additional \$40,000, based upon the amount of Registrant's new client assets that will be held in Schwab's custody according to the following benchmarks: \$25 million in new assets will trigger \$15,000 in support payments; \$60 million in new assets will trigger an additional \$15,000 in support payments; and \$85 million in new assets will trigger a final \$10,000 in support payments.

The Registrant has no expectation that these Additional Benefits will be offered again; however, the Registrant reserves the right to negotiate for these Additional Benefits in the future. Schwab provides the Additional Benefits to Registrant in its sole discretion and at its own expense, and neither the Registrant nor its clients pay any fees to Schwab for the Additional Benefits. The Additional Benefits are generally provided on an unsolicited basis. However, the receipt of these Additional Benefits is based on the expectation (though not the explicit condition) that Registrant will have at least \$115 million in end client statement equity in Schwab client accounts by August 2019, and another \$100 million in end client statement equity in Schwab accounts by April 2020.

Based on all of the above, the recommendation by Registrant or its representatives that a client select Schwab as designated broker-dealer/custodian for their accounts or transfer their account assets from another broker-dealer/custodian to Schwab presents conflicts of interest, because Registrant has the incentive to make such a recommendation based on its interest in receiving the Additional Benefits to benefit its business interests, rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions. To mitigate this conflict of interest, Registrant will only recommend that a client select Schwab as broker-dealer/custodian if it reasonably believes that the arrangement in the best interests of its clients based upon the factors discussed throughout this Item 12. Further, Registrant reminds clients that they are not under any obligation to select Schwab for broker-dealer/custodial services. The Registrant's Chief Compliance Officer, Michael Ptaszewski, remains available to address any questions that a client or prospective client may have regarding the above arrangements and conflicts of interest presented.

2. The Registrant does not receive referrals from broker-dealers.
3. Directed Brokerage. 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. As a result, clients 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.

If 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. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be executed independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates, or to allocate equitably among the 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 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.

Registrant relies on both Orion and SEI for rebalancing and aggregation decisions. SEI is responsible for all trading for accounts that Registrant manages at SEI. For accounts at Schwab, Orion's software drives rebalancing and trading decisions. As a result, while the Registrant does not favor any advisory account over any other managed account, accounts at Schwab may be traded differently. At Schwab, Orion may cause multiple orders in the same security, in which case Registrant may aggregate or "batch" orders for the purchase or sale of securities for all such accounts to the extent consistent with best execution. Such combined trades may be used to facilitate best execution, including negotiating more favorable prices, or obtaining more timely or equitable execution.

Item 13 Review of Accounts

- A. Stephen Erfle and/or Michael Ptaszewski perform investment management account reviews on an ongoing basis, which happens at least quarterly. Registrant also offers an in person or telephonic consultation with clients, on at least an annual basis, to review financial planning issues, investment objectives and account performance.
- B. The Registrant may conduct account reviews on a non-periodic basis upon a triggering event, such as a change in client investment objectives and/or financial situation, market events, or specific client request.
- C. Clients receive transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for their accounts.

Item 14 Client Referrals and Other Compensation

- A. As described in Item 12.A.1 above, the Registrant receives economic benefits from Schwab including support services and/or products without cost or at a discount. Registrant's clients do not pay more for investment transactions executed and/or assets maintained at Schwab or any other entity as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab 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. However, the receipt of Additional Benefits from Schwab is based on the expectation (though not the explicit condition) that Registrant will have at least \$115 million in end client statement equity in Schwab client accounts by August 2019, and another \$100 million in end client statement equity in Schwab accounts by April 2020. Please refer to Item 12 above with respect to the conflict of interest presented.

- B. If a client is introduced to the Registrant by a 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. Any such referral fee will be paid solely from the Registrant's investment advisory fee, and will 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 their solicitor relationship, and provide each prospective client with: a copy of the Registrant's written Brochure; and a written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the amount of compensation to be paid by the Registrant to the solicitor in consideration for the referral.

Item 15 Custody

The Registrant will have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. The Registrant engages in other practices on behalf of its clients that require disclosure at ADV Part 1, Item 9, and subjects affected client accounts to an annual CPA examination in accordance with Rule 206(4)-2 under the Investment Advisers Act of 1940.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. To the extent that the Registrant provides clients with periodic account statements or reports, Registrant urges clients to carefully review those statements and compare them to custodial account statements. Registrant's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of the Registrant's advisory fee calculations.

Item 16 Investment Discretion

The client can choose to engage the Registrant to provide investment advisory services on a discretionary basis. Before the Registrant assumes discretionary authority over a client's account, the client is required to execute an agreement with the Registrant granting the Registrant full authority to buy, sell, or otherwise execute investment transactions for the client's 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, limit or proscribe the Registrant's allocation to model portfolios, 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 related 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.

The Registrant's Chief Compliance Officer, Michael Ptaszenski, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.