

Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of Diversified Partners, Inc. If you have any questions about the contents of this brochure, please contact us at 888-833-0233. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), or by any state securities authority.

Additional information about Diversified Partners, Inc. also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item #2 Material Changes

none

Date of Last Annual Amendment: the last annual amendment that included material changes was made on March 31, 2021 the last other than annual amendment was on October 31, 2017.

We will ensure that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of the fiscal year.

A full copy of our brochure is available upon request. To receive a copy, free of charge, please contact us by telephone at 888-833-0233.

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Item #3

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4. Advisory Business

The purpose of this section is to provide a description of Diversified Partners, Inc. (“DPI”) and the types of advisory services DPI offers. DPI was established in 1993 as a registered investment advisor and is owned by Thomas J. Parker who is the President and sole shareholder. DPI serves as the General Partner for three private investment limited partnerships which invest in publicly-traded securities. The partnerships are the only advisory clients of DPI. As such DPI coordinates and manages all activities of the partnerships, arranges for the maintenance of records for the partnerships, the preparation and filing of its tax returns, supplies tax information to limited partners after the end of each fiscal year and offers advice on the selection of investment styles and money managers to manage the funds raised by the partnerships. DPI also offers advice on the initial allocation and subsequent reallocation of funds among the money managers selected. DPI provides investment advice only to the three limited partnerships mentioned above of which it is the General Partner. As of December 31, 2020, DPI had assets totaling \$140,257,894 managed on a discretionary basis.

5. Fees and Compensation

DPI does not receive compensation for its investment advice. However, in exchange for its services as general partner, DPI receives a flat fee of \$20,000 per partnership per annum (paid quarterly). This compensation is payable solely in exchange for DPI’s services as general partner and is not compensation for investment advice. DPI would still receive this fee under the partnership agreements irrespective of whether it provided investment advice to the partnerships. DPI’s fee is payable following the close of each calendar quarter. Fees and expenses charged to participating limited partners in the private investment limited partnerships are described in the partnership offering memoranda. Brokerage practices are discussed in detail on page 9 of this document.

6. Performance Based Fees & Side-By-Side Management – Not applicable

7. Types of Clients

DPI has only three clients, which are limited partnerships, composed primarily of individuals, pension and profit-sharing plans, and Individual Retirement Accounts. DPI serves as General Partner of the limited partnerships.

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

Risks: The investment return and principal value of an investment in securities will fluctuate and thus when redeemed may be worth more or less than their original cost. Clients must be prepared to bear the risk of capital loss. Diversification does not protect against market risk. Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The securities of smaller less well-known companies can be more volatile than those of larger companies. Value stocks can perform differently than other types of stocks and can continue to be undervalued by the market for long periods of time. Foreign securities are subject to differences in accounting principles, interest rate, currency exchange rate, economic, and political risks. Investing in emerging markets can be riskier than investing in established foreign markets due to increased volatility and lower trading volume.

Investment Strategies: DPI's investment strategy is based on the premise that, within the parameters of a balanced portfolio, diversification among equity management styles creates the potential for higher returns and reduced risk. DPI's investment strategy focuses on ways to provide diversification within the equity asset class. DPI concentrates its activities to provide for different styles of equity selection and different sizes of the typical companies in which money managers invest.

Equity management style analysis encompasses three basic style types: value investing, growth investing, and international investing. Value investing seeks out undervalued stocks of companies and attempts to profit as they become more fairly-valued. Growth investing seeks to invest in stocks of companies which are growing rapidly and whose earnings show consistent or accelerating growth as a result. Since the world has moved towards a global economy international investing seeks to invest in stocks of companies located outside the United States.

Equity management size analysis encompasses three basic sizes of companies. Large capitalization equities which generally have a market capitalization over \$10.5 billion, medium capitalization equities whose market capitalization is over \$1.5 billion but less than \$10.5 billion, and small capitalization equities whose market capitalization is less than \$1.5 billion.

To take advantage of the cyclical nature of the different market segments and stock selection methods used by different money managers DPI selects for each partnership a minimum of four money managers who employ different stock selection methods and who buy different size companies within their portfolios. As investment cycles change and manager out performance makes the partnership portfolio substantially deviate from the original percentage balance of the managed accounts in the portfolio DPI may rebalance by taking assets from the manager whose style has been rewarded by the short-term market and giving them to the manager whose style has not been rewarded by the short-term market. DPI believes that using this strategy as investment cycles change provides the opportunity for increased returns and decreased volatility in the overall partnership accounts. Diversification does not protect an investor from market risk and does not ensure a profit.

Methods of Analysis: DPI selects investment managers who it believes share four key characteristics:

- A distinct investment methodology.
- Evidenced discipline in applying that methodology.
- Above average long-term portfolio returns when compared to managers with similar styles.
- The administrative capacity to service the partnerships' accounts both from a marketing /communication standpoint and from an operational standpoint.

From time to time portfolios are rebalanced among money managers for reasons discussed in the paragraph above.

Managers may on occasion be considered for termination for the following reasons:

- Substantial deviation from stated style or philosophy of stock selection.
- Inability or unwillingness to service the Partnership's account on a timely basis.
- Changes in key portfolio managers or management.
- Sudden increase in assets under management, decreased returns or diminished service.
- Below average long-term portfolio returns when compared to managers with similar styles.

9. Disciplinary Information

On December 21st, 2018 the Securities and Exchange Commission (SEC) entered an Order against Mr. Thomas J. Parker, along with Thoroughbred Financial Services, LLC (TFS) and another representative of the firm. Without admitting or denying the findings, Mr. Parker consented to the Order. The Order states that the proceedings that gave rise to it arose from breaches of fiduciary duty and inadequate disclosures by the parties named in the Order, including Mr. Parker, in connection with their mutual fund share class selection practices, as well as misleading statements and omissions they made upon revising practices after an SEC examination. Between at least October 2012 and August 2016, those parties invested, recommended or held certain advisory client assets in mutual fund share classes that charged fees received pursuant to Rule 12b-1 under the Investment Company Act of 1940 (“12b-1 fees”) instead of available, lower-cost share classes of the same funds without 12b-1 fees. TFS and Mr. Parker as, a TFS registered representative, received the 12b-1 fees based on those investments. Those practices created a conflict of interest and were contrary to TFS’ Code of Ethics prohibition that was described to clients in Mr. Parker’s ADV Part 2B Brochure Supplement and were not adequately disclosed to firm clients in TFS’s Form ADV or otherwise. The parties named in the Order, including Mr. Parker, also breached their duty to seek best execution for their clients by investing them in mutual fund share classes with 12b-1 fees rather than lower-cost share classes of the same funds. In the process of converting clients to lower-cost share classes after receiving a Commission examination deficiency letter in April 2016, various firm IARs, including Mr. Parker, made misleading statements and omissions to clients about the prior costs and availability of lower-cost share classes, while at the same time asking many of the same clients to agree to higher account management fees, which nearly all clients accepted. By virtue of this conduct, the parties to the Order, including Mr. Parker, willfully* violated Section 206(2) of the Advisers Act, and TFS also willfully violated Sections 206(4) and 207 of the Advisers Act and Rule 206(4)-7. The order requires the respondent to pay to affected clients a disgorgement of \$217,883.16, prejudgment interest of \$31,750.80 and a civil penalty of \$75,000.

*A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

10. Other Financial Industry Activities and Affiliations

Thomas J. Parker, the president of DPI, is also the sole owner and president of Advanced Financial Planning Corporation which owns Employee Benefit Services, Inc. (EBS). EBS provides retirement plan administrative services as a Third-Party Administrator (TPA). Mr. Parker is also president of, and a securities principal with, Thoroughbred Financial Services, LLC (TFS). In addition, Mr. Parker is a registered representative, an investment adviser representative and a licensed insurance agent of TFS which is a registered broker-dealer, investment adviser and insurance broker. Mr. Parker spends approximately 50% of his time in non-investment advisory activities for these two firms.

TFS is a broker-dealer and a registered investment advisor. TFS is under common control with, and is thus related to, DPI. DPI is the general partner of three partnerships. The partnerships are DPI’s only advisory clients. The partnerships have entered into an arrangement with TFS whereby TFS is compensated for locating investors who participate in the partnerships as limited partners. DPI has a financial interest in said partnerships. This arrangement is fully disclosed in the offering memoranda.

DPI selects money managers to manage the assets of its three partnerships. The money managers are responsible for selecting equity securities and determining when to trade such securities and have the authority to select the broker-dealers through which partnership transactions are executed. In such cases DPI, acting for the partnership, has authority to direct the money manager to select a specific broker-dealer. In most instances, DPI selects or recommends Fidelity as the broker-dealer through which partnership transactions are executed after taking into account the factors described below and in part due to the relationship of Fidelity, an unaffiliated entity, to the partnership and limited partners thereof.

In allocating brokerage, DPI will take into consideration criteria determined by DPI to be indicative of best execution by a broker-dealer and therefore relevant to broker-dealer selection including the quality of services provided, commission rates, competitive terms of execution, operational capabilities, financial condition, custody costs, facilitation of quarterly additions and withdrawals by limited partners and unlimited access to information regarding investment manager accounts at no additional cost. DPI may cause the partnerships to pay a broker an amount of commission for effecting partnership securities transactions in excess of the amount other brokers would have charged for said transactions if DPI determines in good faith that the greater commission is reasonable in relation to the value of the services provided by the executing broker and the impact of these services on partnership costs when viewed in terms of DPI's overall responsibility to the partnership and its limited partners.

As of the date of this document all Investment Managers use Fidelity, an unaffiliated entity, as the broker-dealer through which the Investment Managers direct partnership trades of equity securities. Directed brokerage trades may result in higher brokerage commissions because the Investment Managers may not be able to aggregate orders to reduce transaction costs and may also receive less favorable prices and execution resulting in potentially higher Partnership costs and lower Partnership returns. DPI has exclusive authority to reallocate partnership funds among various Investment Managers. The means of selecting the broker-dealer(s) used, the factors to be considered in the process, and the existence of a relationship between DPI and any broker-dealer that might be recommended for selection, are all disclosed in the offering memoranda for the Partnerships.

11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

DPI is an investment advisor registered with the SEC. The Investment Advisers Act of 1940 ("Advisers Act") requires all investment advisors registered with the Securities and Exchange Commission (SEC) to adopt codes of ethics that set forth standards of conduct and require compliance with federal securities laws. This code of ethics is intended to reflect fiduciary principles that govern the conduct of DPI and its supervised persons in those situations where DPI acts as an investment advisor as defined under the Advisers Act in providing investment advice to clients. It consists of an outline of policies regarding several key areas including: standards of conduct and compliance with laws, rules and regulation, protection of material non-public information and personal securities trading. It also consists of specific information and guidance that is provided in company-wide policies and procedures. A copy of the DPI code of ethics is available upon request.

DPI provides advice to 3 limited partnerships, of which DPI is the general partner. DPI does not receive compensation for its investment advice; however, in exchange for its services as general partner, DPI receives a flat fee of \$20,000 per partnership per annum (paid quarterly). This compensation is payable solely in exchange for DPI's services as general partner and not compensation for investment advice. TFS is a broker-dealer and a related party to DPI. TFS may

effect securities transactions for the three partnerships which are the only advisory clients of DPI. If so, TFS receives compensation in the form of commissions in such transactions. The partnerships have entered into an arrangement with TFS whereby TFS is compensated for locating investors who participate in the partnerships as limited partners. These arrangements are fully disclosed in the offering memoranda provided to limited partners prior to or at the time of purchase.

DPI does not recommend securities to clients nor does it buy or sell securities for client accounts. TFS does not invest in any securities it recommends to clients nor does it buy or sell securities for its own account that it buys or sells for client accounts. DPI does recommend tax-loss harvesting strategies. Thomas J. Parker is president of DPI and TFS, and he owns investments in the three DPI limited partnerships mentioned above, and, acting as a registered representative of TFS, may recommend the DPI limited partnerships to TFS brokerage clients. Mr. Parker may buy and sell individual securities in his TFS brokerage account after said securities are bought and sold by money managers managing funds in the partnership accounts. Mr. Parker's relationship to TFS and DPI is disclosed in the offering memoranda provided to limited partners prior to or at the time of purchase. The DPI Code of Ethics requires DPI employees to disclose all brokerage accounts held in their names and to complete a quarterly and annual trading report that discloses the securities traded in said brokerage accounts.

12. Brokerage Practices

Brokerage Selection/Recommendations: When recommending broker-dealers for client transactions DPI considers commission rates, quality of execution, and additional services (e.g. administrative) available which may benefit the client. Any broker-dealer recommended by DPI offers commission rates which are generally competitive with those available through unrelated broker-dealers.

Soft Dollars: DPI is the sole general partner for three limited partnerships and in such capacity is responsible for selecting the investment managers for partnership assets, reviewing the performance of such investment managers and replacing investment managers in its sole discretion. DPI has an agreement with TFS for consulting services in which TFS will perform services for or on behalf of DPI as requested from time to time. Such services consist of the following:

- At the request of DPI, TFS will review the universe of possible investment managers that might provide investment management services to the partnerships, including the historical performance of such managers, and provide data relating to such managers to DPI;
- At the request of DPI, TFS will analyze the performance of specific investment managers previously selected by DPI and provide DPI with a comparison of such investment manager's performance as compared with peer groups as selected by DPI;
- At the request of DPI, TFS will meet with representatives of the investment managers or potential investment managers and provide a verbal or written report to DPI as to the style, historical track record, history of personnel changes, an analysis of how disciplined such investment manager has been in maintaining its investment style and any other relevant information that may be requested by DPI.
- At the request of DPI, TFS will oversee the work of outside consultants retained by DPI including counsel, accountants, tax return preparers, actuaries and others.

In return for certain services provided by TFS, DPI agrees to retain the services of TFS as the exclusive placement agent for units of the limited partnership interests in the three partnerships. As part of this agreement all out-of-pocket expenses incurred by DPI and TFS in connection with the partnerships' business including legal, accounting, recordkeeping and financial services are divided equally among said three partnerships. As a partnership's assets increase, fixed costs likely represent a smaller percentage of its net assets; therefore, its expense ratio can correspondingly decrease and vice versa. Several times a year the partnerships advance funds to DPI in equal amounts estimated to meet these ongoing out-of-pocket expenses. DPI uses these funds to pay itself and to pay TFS for all out-of-pocket fees and expenses incurred in connection with this agreement.

Brokerage for Client Referrals: DPI compensates TFS, a broker-dealer and related party to DPI, for referring prospects who participate in the partnerships as limited partners. TFS is the sole placement agent for DPI and as such receives ongoing sales commissions. This arrangement is fully disclosed in the offering memoranda.

Directed Brokerage: In most instances, money managers chosen by DPI to manage the assets of its three partnerships have the authority to select the broker-dealer through which partnership transactions are executed. DPI, acting for the partnership, has authority to direct the money manager to select a specific broker-dealer. By directing brokerage DPI may forego benefits from savings on execution costs, transaction prices and commission rates as may otherwise be obtained through other broker-dealers therefore costing clients more money. Currently, DPI has directed money managers to trade through Fidelity, an unaffiliated entity.

Trade Aggregation (Bunching): DPI does not aggregate orders for client accounts because partnership assets are divided among multiple money managers who trade independently of one another. However, each money manager has the option to use trade aggregation which may result in more favorable execution. When money managers chosen by DPI to manage the assets of its three partnerships are directed to use Fidelity as the broker-dealer, there may be times they are unable to aggregate brokerage orders for the partnerships with orders for their other managed accounts, resulting in potentially higher transaction prices, commission rates and execution costs thus costing the partnerships more money.

13. Review of Accounts

DPI is the general partner of three limited partnerships, its only clients. DPI selects money managers to manage the partnerships' assets. There are four or five money managers supplying services to each partnership and their performance is reviewed on a continuous basis and reevaluated at least quarterly. The performance of the managers is compared to market indexes and other money managers. The allocation of assets among the managers is reevaluated and rebalanced (if necessary) at least annually and perhaps as frequently as quarterly. The reviews and reevaluations are conducted by DPI's president. DPI issues written reports to the individual partners on a quarterly basis. The reports include statements regarding the value of the individual partner's accounts, the performance of the partnership, and the performance of each of the partnership's money managers. Additionally, DPI ensures that an annual audited partnership financial statement is delivered each year to individual partners.

14. Client Referrals and Other Compensation

DPI compensates TFS, a broker-dealer and related party to DPI, for referring prospects who participate in the partnerships as limited partners.

15. Custody

Securities held in all partnership money manager accounts are held at qualified custodians. However, DPI is deemed to have custody of partnership funds or securities because of its role as general partner. DPI sends limited partners a quarterly letter summarizing the value of their partnership interest and ensures that an annual audited partnership financial statement is delivered each year to individual partners. The quarterly summary letters and audited financial statement should be carefully reviewed.

16. Investment Discretion

DPI accepts limited discretionary authority on behalf of clients. DPI has the authority to determine the broker-dealer used by partnership money managers. DPI does not select the securities to be bought or sold or the amount of securities to be bought or sold in partnership money manager accounts. DPI does recommend tax-loss harvesting strategies. This information is disclosed in the private offering memoranda for the partnerships.

17. Voting Client Securities

DPI does not vote clients' securities. The underlying partnership account managers are responsible for voting proxies in the securities held in their individual portfolios in accordance with their written Proxy Voting Policies and Procedures.

18. Financial Information - No disclosures.