

# **WRAP PROGRAM BROCHURE**

(Form ADV- Appendix 1)

**March 31, 2021**

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**This wrap fee program brochure (the “Brochure”) provides information about the qualifications and business practices of Ascend Financial Consultants, Inc. If you have any questions about the contents of this Brochure, please contact Stephanie DeWitt at (626) 405-0256. 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.**

**Ascend Financial Consultants, Inc. is registered as an investment advisor with the Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about Ascend Financial Consultants, Inc. and its investment advisor representatives is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**ITEM 1: COVER PAGE**

Please refer to previous page.

**ITEM 2: MATERIAL CHANGES**

Ascend Financial Consultants, Inc. (“AFC” or the “Firm”) does not have any material changes to note as part of this Brochure since the last filing made on February 26, 2020.

Pursuant to federal regulation, AFC will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of AFC’s fiscal year-end. Additionally, as the Firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please contact us at (626) 405-0256.

Additional information about AFC and its investment advisor representative is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **ITEM 4: SERVICES, FEES AND COMPENSATION**

### **A. Services**

Ascend Financial Consultants, Inc. (“AFC” or the “Firm”) offers a “wrap fee” program as described in this Brochure that provides the client with advisory and brokerage execution services plus account reporting and custodial services, for one all-inclusive fee.

All investment advice is customizable, with each account managed according to the investment objectives, needs, guidelines, risk tolerance, and other information as provided by the Client. This begins through gathering information from each Client on a Client Profile Form, or other similar documentation. Based upon information received from the Client, the Firm selects appropriate investment opportunities and invests Client assets in various types of securities. AFC provides continuous and regular investment advice, supervisory and management services with respect to the account, based on the client’s goals and objectives. At least annually, AFC shall communicate with client to determine if there have been any changes to the Client Profile Form. A client must notify AFC promptly of any material change in the information provided or any other material change in client’s financial circumstances or investment objectives that might affect the manner in which the client’s account should be invested.

AFC provides discretionary and non-discretionary investment advice and management to separately managed accounts on a continuous basis and in accordance with the investment objectives and strategies provided by the Client. For discretionary services, Client (as part of the client agreement with AFC) agrees that AFC will have a limited power-of-attorney as to what investments to make, when to make them and when to sell them. The Firm’s discretionary authority may be subject to conditions or restrictions imposed by a Client, such as when a Client restricts or prohibits transactions in a particular security. Please refer to Item 9 for additional information.

AFC agrees to use that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use. AFC is not authorized to make withdrawals of cash or securities from the client’s account. The account, wherever placed, remains the client’s property at all times. The client may make additional deposits into or withdraw funds from the account. By signing AFC’s Investment Advisory Agreement, client will allow AFC to withdraw the quarterly advisor fee directly from the client’s account (please see Section 4.B. below for additional information regarding fees).

#### **i. Selection of Third Party Advisers**

The Firm will at times recommend one or more third party investment managers (“TPIMs”) to manage a portion of a Client’s portfolio assets. The recommendation will be based on AFC’s determination that such recommendation is suitable in light of the Client’s stated investment objectives, guidelines, and restrictions. The TPIM(s) will usually have discretionary authority over AFC Clients’ assets allocated to them for management and authorized to buy, sell, and trade in securities in accordance with the Client’s investment objectives and selected investment strategy(ies), without obtaining prior approval from the Client.

Once a TPIM is selected, AFC monitors the chosen TPIM to help ensure the TPIM adheres to the mandates of the selected investment strategy(ies) and to help ensure the selected strategy(ies) remain suitable for the Client. AFC 's review generally includes, but is not limited to, a combination of the following: (i) assessment of the TPIM's registration status, (ii) a review of the TPIM's disclosure brochures, performance information, and other materials supplied by the TPIM, (iii) an evaluation of the TPIM's investment strategies, key personnel turnover, regulatory events, and ownership changes.

At times, depending on the type of arrangement, the Client will enter into a separate advisory agreement with the TPIM, which will be in addition to, and distinct from the agreement with AFC. In other cases, AFC will enter into an agreement with the TPIM. However, in all instances, and as authorized through the AFC client agreement, AFC has the ability to hire and fire the selected TPIM(s) and reallocate client assets to other TPIMs when AFC deems it to be in the best interest of the Client. Client should be aware that TPIM fees are included as part of the fees assessed by AFC.

## **B. Fees and Compensation**

Clients pay AFC a single annual advisory fee for advisory services and execution of transactions within the Wrap Program. Clients do not pay brokerage commissions or transaction charges for execution of transactions in addition to the advisory fee.

The Firm provides investment management services to clients for a fee based upon a percentage of assets under management. These fees are assessed quarterly, in advance. Fees are calculated using an average daily balance method whereby the average daily balance for each account is determined by calculating the total dollar value for every calendar day during the previous quarter. All account balances for the previous quarter are then added together and divided by the number of days in the quarter. The fee is then calculated by multiplying the average daily balance of the account by the percentage in the fee schedule below:

Account Size	Annual Fees
\$0 - \$500,000	Up to 1.75%
\$500,001 - \$1,000,000	Up to 1.50%
\$1,000,001-\$5,000,000	Up to 1.25%
\$5,000,001-\$10,000,000	Up to 1%
Over \$10,000,000	Negotiated

Investment management fees will be automatically deducted from the Client's account by the custodian as soon as practicable following the end of each applicable period. Should a Client open an account during a quarter, the Firm's management fee will be prorated based on the number of days the account was open during the quarter. In the event the Firm's services are terminated mid-quarter, any paid, unearned fees will be promptly refunded to the Client. The number of days the account was managed during the quarter until termination is used to determine the percentage of the management fee earned (based on the total number of days in the quarter) and the balance is refunded.

Although clients do not pay transaction charges in the Wrap Program account, Clients should be aware that AFC typically pays an asset based fee to the account custodian to absorb the cost of transactions placed in Client accounts. Since AFC absorbs certain transaction costs in wrap fee accounts, AFC has a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, a conflict of interest exists whereby an incentive exists to place trades less frequently in a wrap fee arrangement. Although AFC believes its fees are reasonable, Clients should be aware that lower fees for comparable services, or alternative services, may be available from other sources.

AFC's fees are negotiable and arrangements with any particular Client may differ from those described above. In addition, for family and friends of the Firm, the Firm may, in its sole discretion, reduce or waive management fees in their entirety.

The Firm may amend its standard fee schedule at any time by giving thirty (30) days advanced written notice to Clients. If client prefers transaction fees, the firm offers investment management services outside of its wrap program. Please see the firm's Form ADV Part 2A Firm Disclosure Brochure for more information.

**i. Brokerage and Custodial Services**

AFC will not have physical custody of the assets in the Account. Custody of the Account will be maintained with the qualified custodian. AFC will arrange for the custody of assets for client, and will generally absorb related custodial fees, unless otherwise directed or agreed upon by the Client.

The Custodian will send to the client, at least quarterly, a statement showing all transactions during the period covered by the account statement, and the funds, securities and other property at the end of the period. Please see Item 9 below for additional information regarding AFC's selection and use of broker-dealers and custodian, and conflicts of interest related thereto.

**ii. Other Types of Fees and Charges**

Client accounts will incur additional fees and charges from parties other than AFC as noted below. These fees and charges are in addition to the advisory fee paid to AFC, and AFC does not share in any portion of these third-party fees.

The custodian and broker-dealer providing brokerage and execution services on client accounts will impose certain fees and charges. The custodian notifies Clients of these charges at account opening and generally makes available a list of these fees and charges on its website. The custodian will deduct these fees and charges directly from the client's account.

There are other fees and charges that are imposed by other third parties that apply to investments in Client accounts. Some of these fees and charges are described below:

- If a Client account invests in mutual funds or ETFs, please note that as a shareholder of the fund, a fund management fee will apply, in addition to paying AFC an advisory fee

for managing the assets. As many of the funds available may be purchased directly, the second layer of fees could be avoided by not using AFC's management services and by the Client making their own fund investment decisions.

- Certain mutual funds impose fees and charges such as contingent deferred sales charges, early redemption fees and charges for frequent trading. These charges will apply if a Client transfers into or purchases such a fund with the applicable charges in the account.
- Although only no-load and load-waived mutual funds will be purchased in a Client's account, Clients should understand that some mutual funds pay asset based sales charges or service fees (e.g., 12b-1 fees) to the custodian with respect to account holdings.
- If a Client holds a variable annuity as part of an account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor.
- Certain retirement plans/accounts (such as IRAs and qualified retirement plans) and/or trusts may impose administration and/or service fees in addition to management fees imposed by AFC.
- Clients may pay dealer markups or markdowns in principal transactions with broker dealers other than AFC's primary broker dealer, fees for trades executed away from the custodian, or commissions charged by broker dealers other than AFC's primary broker.
- Other charges required by law and imposed by the executing broker/dealer or custodian.

Further information regarding fees assessed by a mutual fund or variable annuity is available in the appropriate prospectus, which is available upon request from AFC or from the product sponsor directly.

### **iii. Other Important Considerations**

The advisory fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. Clients may receive comparable services from other broker-dealers or investment advisers and pay fees that are higher or lower than those charged under AFC's wrap fee program ("Wrap Program"). Fees may be more or less than the client would have paid if the services (account management, custody and brokerage transactions) were purchased separately outside of the Wrap Program. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the type and size of the account, historical and or expected size or number of trades for the account, and number and range of supplementary advisory and client-related services provided to the Client. If the Client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the Client should consider opening a commission-based brokerage account rather than a Wrap Program account. The investment products available to be purchased in the Client account can typically be purchased by Client outside of the account, through broker-dealers or other investment firms not affiliated with AFC.

AFC is recommending the management account to the Client and receives compensation as a result of the Client's participation. This compensation includes the advisory fee described above and other things of value offered by custodians and/or broker-dealers utilized by the Wrap Program (as further described in Item 9.G. below). The amount of this compensation may be more or less than what AFC would receive if the Client participated in other advisory programs,

programs of other investment advisors or paid separately for investment advice, brokerage and other client services. Therefore, AFC has a financial incentive to recommend the Wrap Program account over other programs and services. AFC takes its responsibilities seriously and will only recommend that clients utilize the Wrap Program if AFC believes it is appropriate and in the Client's best interests.

#### **ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

The minimum account size for AFC's advisory services is generally \$50,000, subject to discretion. This account size may be negotiable in the sole discretion of AFC. Further, AFC may in its sole discretion, group certain related client accounts for the purposes of achieving the minimum account size and determining fees.

AFC typically offers its Wrap Program to the following clients: (i) Individuals and High Net-Worth Individuals; (ii) Individual Retirement Accounts; (iii) Trusts, Estates or Charitable Organizations; and (iv) Corporations, Limited Liability Companies and/or Other Business Types.

#### **ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION**

Typically, AFC does not select, review or recommend other investment advisors or portfolio managers to provide services in its Wrap Program. All management within a client's account is conducted by AFC and its advisers. However, the Firm will at times recommend one or more TPIMs to manage a portion of a Client's portfolio assets. Once a TPIM is selected, AFC monitors the chosen TPIM to help ensure the TPIM adheres to the mandates of the selected investment strategy(ies) and to help ensure the selected strategy(ies) remain suitable for the Client. AFC's review generally includes, but is not limited to, a combination of the following: (i) assessment of the TPIM's registration status, (ii) a review of the TPIM's disclosure brochures, performance information, and other materials supplied by the TPIM, (iii) an evaluation of the TPIM's investment strategies, key personnel turnover, regulatory events, and ownership changes. For more information about the adviser managing the account, the client should refer to the Brochure Supplement for the respective adviser, which should be received along with this Wrap Program Brochure.

Clients should be aware that the custodian of Client's account will perform certain administrative services for AFC, including research materials, trading services and other benefits. Please see Item 9.G. below for additional information.

#### **ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

AFC, through its advisors, is responsible for account management; there is no separate portfolio manager involved. AFC obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. This information is obtained through detailed discussions and by having the client complete a Client Profile Form and other documentation. Clients are encouraged to contact AFC if there have been any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. Clients should be



aware that the investment objective selected for the account is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. Clients should further be aware that achievement of the stated investment objective is a long-term goal for the account.

## **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients are always free to directly contact their portfolio manager(s) with any questions or concerns they have about their portfolios or other matters.

## **ITEM 9: ADDITIONAL INFORMATION**

### **A. Disciplinary Information**

Registered investment advisors such as AFC are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of AFC or the integrity of its management. AFC does not have any such legal or disciplinary events and therefore has nothing to disclose with respect to this Item.

### **B. Other Financial Industry Activities and Affiliations**

The Firm's owner, Ms. Stephanie Dewitt, serves as a licensed insurance agent/broker (License #0A12672) with various life, health annuity and disability insurance companies. There are times when Ms. DeWitt will recommend the purchase of certain insurance products to AFC clients as part of their financial plan. Upon purchase, Ms. DeWitt will receive normal and customary commissions for insurance sales as an insurance agent/broker.

To the extent that Ms. DeWitt recommends the purchase of insurance products where she receives commissions or other compensation for doing so, a conflict of interest exists because Ms. DeWitt has an incentive to make recommendations based on compensation received rather than on a client's needs. AFC has adopted certain procedures designed to mitigate the effects of these conflicts. As part of our fiduciary duty to clients, AFC and its representatives endeavor at all times to put the interests of the clients first; and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients through AFC's brochures, client agreement and/or verbally prior to or at the time of entering into an agreement with AFC. Clients are not obligated to implement any recommended transactions by Ms. DeWitt. Should the client choose to do so, such implementations are not required to be made through Ms. DeWitt, AFC or any particular insurance carrier. AFC clients should understand that lower fees and/or commissions for comparable services may be available from other sources.

### **C. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### **i. Description of Code of Ethics**

AFC is a fiduciary who owes its Clients undivided loyalty. This fiduciary obligation imposes upon AFC and its associated persons a duty to deal fairly and to act in the best interest of its Clients. In addition, this obligation imposes upon AFC and its associated persons numerous

responsibilities, including the duty to render disinterested and impartial advice; to make suitable recommendations within the context of the total portfolio to Clients in light of their needs, financial circumstances and investment objectives; to exercise a high degree of care to ensure that adequate and accurate representations of its business and other information about securities are presented to Clients; and to not engage in fraudulent, deceptive or manipulative practices.

To this end, AFC has adopted a Code of Ethics (“Code”) which establishes standards of conduct for the firm’s supervised persons and includes general requirements that such supervised persons comply with the their fiduciary obligations to Clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of Client information.

Because AFC’s investment professionals and associated persons may transact in the same securities for personal accounts as they may buy or sell for Client accounts, it is important to mitigate potential conflicts of interest. As such, AFC has adopted personal securities transaction policies in its Code, which all of AFC’s associated persons must follow. Specifically, the Code requires personnel to report personal trades and holdings and prohibits or requires pre-clearance for certain trades in certain circumstances. The Code also contains procedures for reporting violations and enforcement. The Code is reviewed and distributed to personnel annually. AFC will provide a copy of its Code of Ethics to any Client or prospective Client upon request. Please contact AFC at (626) 405-0256.

## **ii. Participation or Interest in Client Transaction**

It is AFC’s policy not to enter into any principal transactions or agency cross transactions on behalf of Client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory Client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction.

AFC or individuals associated with AFC may buy or sell for their personal account(s) securities or investment products identical to those recommended to or already owned by Clients. Alternatively, AFC may cause Clients to buy a security in which AFC or such individuals have an ownership position. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the Client. Nevertheless, such practices present potential conflicts of interest. To mitigate these conflicts, AFC has adopted a Code of Ethics, which outlines the procedures regarding personal trading that must be followed (see details below). Additionally, as part of AFC’s fiduciary duty to Clients, AFC and its supervised persons will endeavor at all times to put the interests of the Clients first and at all times are required to adhere to AFC’s Code of Ethics.

## **iii. Personal Trading**

On occasion employees of AFC may buy for their own accounts securities which AFC also recommends to Clients. It is possible that officers or employees of AFC may buy or sell securities or other instruments that AFC has recommended to Client and may engage in

transactions for their own account in a manner that is inconsistent with AFC's recommendations to a Client. Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a Client.

In order to mitigate this conflict of interest and to comply with all applicable laws and regulations, AFC's Code of Ethics sets forth the professional and fiduciary standards that all associated persons must follow. The Firm's intention is to protect Client interests at all times and to demonstrate AFC's commitment to its fiduciary duties of honesty, good faith and fair dealing with Clients. All associated persons are expected to adhere strictly to the policy and are required to follow specific procedures regarding personal trading, including:

- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Conduct all personal securities transactions in a manner consistent with the adopted policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

AFC and its Associated Persons may also buy or sell specific securities for their own accounts based on personal investment considerations, which AFC does not deem appropriate to buy or sell for Clients.

#### **D. Review of Accounts**

While the underlying securities within Wrap Program accounts are continually monitored, client accounts are monitored on an ongoing basis, which includes detailed periodic reviews. The frequency of reviews is at the discretion of AFC, but accounts are typically reviewed not less than quarterly. Accounts are reviewed for performance, consistency with the investment strategy and Client objectives, and other account parameters in order to determine if any adjustments need to be made. Reviews are performed by the investment adviser performing services for the respective Client.

In addition to the periodic reviews described above, reviews may be triggered by changes in a Client's personal, tax or financial status. Account holdings also are reviewed when changing market conditions warrant such review. Clients are encouraged to notify the Firm and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

#### **E. Custody**

Pursuant to the Investment Advisers Act of 1940, AFC is deemed to have "constructive custody" of client funds because of the Firm's authority and ability to debit fees directly from the accounts of those clients receiving investment management services. Additionally, certain clients have, and may in the future, sign a Standing Letter of Authorization ("SLOA") that gives AFC the authority

to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give the Firm custody. Custody is defined as any legal or actual ability by the Firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.

However, the rules governing the direct debit of client fees and SLOAs exempts the Firm from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. When debiting fees from client accounts, AFC must receive written authorization from clients permitting advisory fees to be deducted from the client's account.
2. In the case of SLOAs, AFC must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to the Firm, and (iii) ensure that certain requirements are being performed by the qualified custodian.

The qualified custodian that is selected by a client maintains actual physical custody of client assets. Client account statements from custodians will be sent directly to each client to the email or postal mailing address that is provided to the qualified custodian selected by the client. Clients are encouraged to compare information provided in reports or statements received by the Firm with the account statements received from their custodian for accuracy. In addition, clients should understand that it is their responsibility, not the custodian's, to ensure that the fee calculation is correct.

If client funds or securities are inadvertently received by the Firm, they will be returned to the sender immediately, or as soon as practical.

AFC encourages clients to raise any questions about the custody, safety or security of their assets. The custodians the Firm does business with will send the client an independent account statement listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

#### **F. Investment Discretion**

Unless specified otherwise, AFC typically has full investment discretion over (1) which securities are to be bought or sold in Client accounts; (2) the amount of securities to be bought or sold in Client accounts; and (3) when transactions are made. This means that AFC does not have to obtain prior consent from the Client when investing Client assets. AFC's authority to trade

securities may be limited in certain circumstances by applicable legal and regulatory requirements. In some instances, AFC's discretionary authority may be limited by conditions imposed by Clients on AFC's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to AFC in writing

## **G. Brokerage Practices**

When the Firm places orders for the execution of portfolio transactions for client accounts, transactions are allocated to brokers and dealers for execution in various markets at prices and commission rates that, based upon good faith judgment, will be in the best interest of the client. In addition to using brokers as "agents" and paying commissions, the Firm may affect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

The following discussion summarizes the material aspects of the Firm's practices for the selection of broker-dealers to execute Client transactions.

### **i. Discretionary Authority and Selection Criteria**

Except in limited situations where AFC permits clients to direct brokerage (as described below), AFC will have discretionary authority to make the following determinations without first obtaining client's permission for each transaction:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers through which securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are affected.

All separately managed account clients are required to establish custodial accounts with a qualified custodian of record. AFC may only implement its investment management recommendations after the client has arranged for and furnished the Firm with all information and authorization regarding accounts with appropriate financial institutions to act as custodian. In addition, in most cases, a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Factors which AFC considers in selecting broker-dealers include their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by particular brokers selected by AFC may be higher or lower than those charged by other broker-dealers.

AFC generally affects all transactions for separately managed accounts through the broker-dealer. AFC periodically evaluates the commissions charged and the service provided by the broker-dealer and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative broker-dealers. Other factors AFC may consider when evaluating its choice of broker-dealer include:

- Ability to trade mutual funds and other investments that AFC determines suitable for a client's portfolio;
- Any custodial relationship between the client and the broker-dealer;
- Excellent customer service;
- Interaction simplicity with the Adviser;
- Discount transaction rates; and
- Reliability and financial stability.

For those clients who select broker-dealers not recommended by AFC, clients should be aware that AFC may not be able to negotiate specific brokerage commission rates with the broker on the client's behalf, or seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case and that AFC will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution.

## **ii. Best Execution**

AFC will generally seek "best execution" in light of the circumstances involved in transactions. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. AFC will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction. Consistent with the foregoing, while AFC will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

To ensure that brokerage firms selected by AFC are conducting overall best qualitative execution, AFC will periodically (and no less often than annually) evaluate the trading process and brokers utilized. This evaluation will include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

## **iii. Research and Other Soft Dollar Benefits**

AFC maintains relationships with, and recommends the services of various qualified third party broker-dealer custodians. In connection with these relationships, AFC may receive certain benefits. As further described below, such benefits may include research reports, services and seminars, computer software and other products and services to assist the Firm in research and

other facets of its day-to-day activities. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” The Firm’s receipt of soft dollar services and products benefit AFC since client brokerage fees are used to obtain such benefits and the Firm does not have to produce or pay for the research, products or services. Consequently, AFC may have an incentive to select or recommend a broker-dealer based on these benefits rather than in the clients' interest in receiving most favorable execution. These practices may also cause clients to pay fees that are higher than those that another qualified broker-dealer might charge to effect the same or similar transaction. Some of these services are provided to AFC as part of a “bundled package” from the broker-dealer. AFC does not attempt to match a particular client’s trade executions with broker-dealers who have provided research services which have directly benefited that client’s portfolio. Rather, research services and other soft dollar benefits received by AFC are generally used for the ultimate benefit of all of its clients. Alternatively, some of the services may benefit only a specific segment of AFC’s clients.

To help mitigate the conflicts of interest created by AFC’s receipt of soft dollar benefits and to help ensure that broker-dealer custodians recommended by the Firm are conducting overall best qualitative execution, AFC will periodically evaluate its trading process and brokers utilized. AFC will review the brokerage firm’s services, their value added to the Firm’s investment process along with the broker’s ability to affect trades in a fair and timely manner at competitive commission rates. At that time brokerage firms not currently utilized will be considered for inclusion if the President of AFC deems that such brokerage firms will significantly improve the Firm’s overall management of client accounts.

#### **a. Economic Benefits of Being on the Schwab Platform**

AFC typically recommends that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. AFC is independently owned and operated and not affiliated with Schwab. Schwab provides AFC with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to advisors. Schwab’s services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab also makes available to AFC other products and services that benefit AFC, but may not benefit its clients’ accounts. These benefits may include national, regional or AFC specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of AFC by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities.

Other of these products and services assist AFC in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of AFC fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of AFC's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to AFC other services intended to help AFC manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to AFC by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to AFC. While, as a fiduciary, AFC endeavors to act in its clients' best interests, AFC's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to AFC of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### **iv. Directed Brokerage**

Under certain circumstances, AFC will allow a client to direct the Firm to execute all or a portion of client transactions through a specific broker ("Directed Brokerage"). If that is the case, the client should understand that: (1) AFC generally does not negotiate specific brokerage commission rates with the broker on client's behalf, or seek better execution services or prices from other broker-dealers and, as a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case; and (2) transactions for that account generally will be effected independently unless AFC is able to purchase or sell the same security for several clients at approximately the same time ("block trade"), in which case the Firm may include such client's transaction with that of other clients for execution by the same broker. If transactions are not able to be traded as a block, the Firm may have to enter the transactions for the client's account after orders for other clients, with the result that market movements may work against the client. Therefore, prior to directing the Firm to use a specific broker-dealer, a client should consider whether, under that restriction, execution, clearance and settlement capabilities, commission expenses and whatever amount is allocated to custodian fees, if applicable, would be comparable to those otherwise obtainable. Clients should understand that he/she might not obtain commissions rates as low as it might otherwise obtain if AFC had discretion to select or recommend other broker-dealers. Consequently, Directed Brokerage may result in the client paying more money for brokerage services.

Subject to its objective to achieve best execution, AFC may decline a client's request to engage in Directed Brokerage if, in Firm's sole discretion, such Directed Brokerage arrangements would



result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

**v. Trade Aggregation and Allocation**

AFC typically effects transactions for each client account independently, and therefore is usually unable to aggregate client orders. However, when able to, the Firm may aggregate trades of accounts. Trade aggregation, or “bunching of orders,” may result in better execution and/or better realized prices. Because AFC’s Investment Management Services utilize various types of investments and securities, it may not be possible to bunch orders. Alternatively, even when possible, AFC may not be able to execute all shares of an aggregated trade because of prevailing market conditions and other variables, in which case the Firm will allocate the trade among participating accounts in an equitable manner determined prior to execution of the trade. In certain cases, the Firm may not be able to purchase or sell the same security for all clients that could transact in the security, which is generally based on various factors such as the type of security, size of the account, cash availability and account restrictions. For clients requiring directed brokerage, the Firm may not be able to effectively “bunch” orders on the client’s behalf, which could impact the possible advantage clients derive from the aggregation of orders.

**vi. Trade Error Policy**

From time-to-time AFC may make an error in submitting a trade order on a Client’s behalf. When this occurs, AFC may place a correcting trade with the broker-dealer which has custody of the Client’s account. If an investment gain results from the correcting trade, the gain will remain in the Client’s account unless the same error involved other Client account(s) that should have received the gain, it is not permissible for the Client to retain the gain, or AFC confers with the Client who decides to forego the gain (e.g., due to tax reasons). If the gain does not remain in the Client’s account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, AFC will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the Client’s account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the Client’s account, they will be netted.

**H. Client Referrals and Other Compensation**

Currently, AFC does not have any solicitation or referral arrangements in place whereby the Firm compensates referring parties for these referrals. However, AFC may in the future enter into agreements with individuals and organizations, some of whom may be affiliated or unaffiliated with AFC, that refer clients to AFC. All such agreements will be in writing and comply with the applicable state and federal regulations.

Further, AFC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them by the Firm.

**I. Financial Information**

AFC does not require or solicit prepayment of more than \$1200 in fees per Client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet.

AFC does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to Clients, and has not been the subject of a bankruptcy proceeding.