

# Sootchy Securities, LLC

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## FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Sootchy Securities, LLC. If you have any questions about the contents of this brochure, contact us at 310.807.0140. 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 Sootchy Securities, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm's searchable CRD/IARD number is 307621.

Sootchy Securities, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Sootchy Securities has the following material changes since our last filing dated March 30, 2020:

Item 5 Fees and Compensation: Sootchy Securities amended our fees and compensation so that we will no longer charge a monthly advisory fee. Rather, our affiliate Sootchy, Inc., will share in the interchange fees assessed by our payment processors when individuals make a gift to a client's 529 Plan.

Item 14 Client Referrals and Other Compensation: Certain additional compensation provided to clients and other marketers for referring clients to Sootchy Inc, was added.

Item 15 Custody: We have updated our ADV Part 2A to reflect that we may maintain temporary custody of client assets.

Sootchy Securities' Chief Compliance Officer remains available to address any questions regarding this Brochure, including material changes.

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## Item 4 Advisory Business

### **Description of Firm**

Sootchy Securities, LLC ("Sootchy") is a registered investment adviser based in Los Angeles, California. We are organized as a limited liability company ("LLC") under the laws of the State of Delaware. We have been providing investment advisory services since March 2020. We are owned by David A. Adefeso.

Sootchy Securities, LLC is a financial technology company focused on providing college savings advisory services to clients through a web-based platform and mobile application. Our mission is to help clients meet their financial needs of obtaining a college education by investing in college savings plans, known as 529 Plans, which offer tax and financial aid benefits.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to Sootchy Securities, LLC, and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### **Web-Based College Savings Management Services**

We offer non-discretionary college investment management services that are delivered through an automated and interactive mobile application. The investment advice rendered is tailored to meet with your college savings needs and objectives and is delivered exclusively based upon information you submit via an investment questionnaire. Your responses to the electronic investment questionnaire are used by the mobile application to provide recommendations based, on your risk profile. After submission of the online investment questionnaire, the mobile application will provide a risk adjusted target date fund recommendations to you. It is then your responsibility to act on any such advice or select your own from the 529 Plan's investment options. In providing college investment management services through the mobile application, all information will be provided through the mobile application. Our firm does not verify any information we receive from you or your agent(s) for accuracy, and we will rely on the information you provide. A change in your financial circumstances, goals, objectives, and/or risk tolerance may warrant changing your investment. It is your responsibility to make these investment changes directly with the 529 Plan.

In recommending a target date fund for your investment allocation, we will not provide ongoing monitoring of your investment and will rely on the target date fund manager to adjust and reallocate your portfolio.

### **Types of Investments**

We offer advice on 529 plans and their underlying investment options which may include, but are not limited to, mutual fund shares, exchange traded funds, and money market funds.

### **Assets Under Management**

As our firm does not provide regular and continuous investment advice, we are not deemed to have any regulatory assets under management.

## Item 5 Fees and Compensation

We do not charge a fee for our advice. The terms and conditions of this program shall be set forth in a written advisory agreement executed by the client and our firm.

Our agreement for services will continue in effect until terminated by either party. You may terminate the advisory agreement by logging into the web-based investment management system or mobile application and selecting the termination option. In the event the advisory agreement is terminated, the account will terminate on the day of the month that the account was originally established. For example, if an account is established on the 15th of the month and the account is later terminated on the 20th of the month, the account will remain active until the 15th of the following month.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. The 529 Plan in which your assets are invested may similarly have separate fees and expenses. These charges and fees are typically imposed by the broker-dealer, custodian, or 529 Plan administrator through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian.

Additionally, you will be charged a transaction fee for contributions to any 529 Plan managed by us. These transactions are processed through a third-party company contracted by Sootchy, Inc. Sootchy, Inc. is a separate company but is affiliated with Sootchy Securities. Sootchy, Inc., will share in a portion of these transaction fees.

To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents and registered representatives of a broker dealer. These persons will earn commission-based compensation for selling insurance and broker dealer products, including products they sell to you. Commissions earned by these persons are separate and in addition to any fees we receive. This practice presents a potential conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents and/or registered representatives have an incentive to recommend insurance and broker dealer products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance or broker dealer products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above and are not charged based on a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 Types of Clients**

We offer investment advisory services to U.S. persons wishing to open a college savings vehicle. Our typical client is someone looking to save money for post-secondary education for a child who desires: (i) assistance in selecting the investment allocation within a 529 Plan, (ii) ease and convenience in setting up a 529 Plan, and (iii) a system to facilitate contributions/gifts from other individuals.

We do not require a minimum initial contribution to open and maintain an advisory account; however, we have the right to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to manage effectively.

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

Our investment analysis begins by reviewing existing 529 plans based on multiple factors, including but not limited to:

1. Assessing an existing 529 Plan technology capabilities to determine if it is capable of integrating with the Sootchy, Inc., platform;

2. Assessing an existing 529 plan's interest in integration into the Sootchy, Inc., platform;
3. Reviewing existing 529 Plan fees and expenses;
4. Reviewing existing 529 Plan current technology offering and ease in providing client service;
5. Reviewing and interviewing program managers and investment advisors;
6. Reviewing current tax treatment for resident and non-resident investors; and
7. Analyzing current investment option fees, expenses, and historical returns.

**After reviewing these and other factors deemed relevant, we will work with a 529 plan to integrate the plan into Sootchy, Inc.**

**Within each 529 Plan available on the Sootchy, Inc. platform, our investment recommendations will utilize the available target date portfolio most closely aligned with amongst other things, your risk tolerance, current college savings, and the age of your beneficiary.**

### **Investment Strategy Limitations**

We believe the most effective way for people to save for education expenses is to begin a systematic saving plan as soon as possible. As such, our investment strategy and the overall Sootchy platform is designed primarily for investors interested in a program which makes it easy to set up a 529 plan, to make & receive contributions, and to manage the portfolio's investment allocation. Client should thus be aware of the following general investment and Sootchy Securities' risks and limitations:

- Sootchy Securities has not engaged all existing 529 Plans and as such only one 529 Plan is currently available on the Sootchy, Inc., platform. Client should consider other 529 Plans whose fees, investment options, and other features may be more suitable for a particular investor.
- Some states provide tax benefits for residents making contributions to their home state 529 Plan. Clients should determine if their home state provides these tax benefits and if the benefits warrant investing in a plan not available on Sootchy, Inc.
- Sootchy Securities recommends target date funds. Target date funds, are a collection of mutual funds, exchange traded funds (ETFs), and other investments that are automatically reallocated by the fund manager(s) to a more conservative allocation as the target date approaches (e.g., nearing college age). We believe target date funds are the most appropriate investment option for our clients as the need to rebalance and make adjustments is minimized. By recommending target date funds, we do not actively monitor your account after your initial investment election. Clients can reallocate their investment allocations, subject to 529 Plan limitations, at any time by working directly with the 529 Plan provider.
- As target date funds are a collection of other mutual funds, ETFs, etc., with their own underlying fees and expenses, the overall cost of a target date fund may be higher than if a client purchased the underlying investments within the target date fund on their own.
- Generally, utilizing 529 Plan assets for anything other than qualifying education expenses will subject investors to certain tax penalties. Clients should be aware of this limitation and become familiar with what expenses qualify for tax free withdrawals and consider the impact and options if the 529 Plan's beneficiary does not attend post-secondary school.
- All investments are subject to market risk or the risk that all securities in the same asset class (e.g., all stocks) may suffer losses based on an overall decline in a particular asset class. As such, no portfolio allocation may completely avoid risk through diversification.
- 529 Plan contributions are subject to gift tax regulations. Sootchy, Inc., does not provide legal or tax advice. Clients should consult their independent legal and tax advisors for all questions regarding the tax implications of 529 Plans.
- 529 Plan assets are considered when determining a student's eligibility for financial aid. Client's should consider the impact a 529 Plan will have on the availability to obtain aid for the plan's beneficiary.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

The target date funds we recommend contain various types of securities. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below:

Money Market Funds: A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks daily, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

## **Item 9 Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

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

Neither the firm, nor any of its management persons are registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

**Recommendation of Other Advisers**

We do not select other advisers for clients.

**Licensed Insurance Agents**

Persons providing investment advice on behalf of our firm are licensed insurance agents. These individuals will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these individuals are separate from our advisory fees. See the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

**Registered Representatives**

Persons affiliated with our firm are registered representatives of a broker dealer. These individuals will earn commission-based compensation for selling brokerage products and place trades in brokerage accounts. Broker dealer commissions earned by these individuals are separate from our advisory fees. See the *Fees and Compensation* section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

**Arrangements with Affiliated Entities***Registered Investment Adviser*

We are affiliated with Pacific Advisory Capital Group, LLC, a registered investment adviser, through common control and ownership by David Adefeso. Our advisory services are separate and distinct from any compensation paid to our affiliate for their services.

*Licensed Insurance Agency*

We are affiliated with Pacific Risk Management Group, PLLC (d/b/a Pacific Risk Management and Insurance Services in California) Pacific Risk Management Group, PLLC is a licensed insurance agency, through common control and ownership by David Adefeso. Mr. Adefeso will be providing investment advice on behalf of our firm as well as acting as a licensed insurance agent.

Pacific Risk Management Group may earn commission-based compensation for selling insurance products such as fixed index annuities, index universal/whole life, and term life insurance. Persons providing investment advice on behalf of our firm will not earn commission-based compensation for selling fixed index annuities in Texas. Insurance commissions earned by Pacific Risk Management Group are separate from our advisory fees. Refer to the Fees and Compensation section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm. This affiliated firm is otherwise regulated by the professional organizations to which it belongs and must comply with the rules of those organizations.

*Consulting*

We are affiliated with Pacific Advisory Group, LLC through common control and ownership. If you require strategic consulting services, we may recommend that you use the services of our affiliate. Our advisory services are separate and distinct from the compensation paid to our affiliate for their services.

*Technology Solutions*

We are affiliated with Sootchy, Inc. through common control and ownership. Sootchy, Inc. provides technology services including providing the technology that enables Sootchy Securities' clients to open 529 Plans and make contributions. Our advisory services are separate and distinct from the compensation paid to our affiliate for their services.

Referral arrangements with an affiliated entity present a potential conflict of interest for us because we may have a direct or indirect financial incentive to recommend an affiliated firm's services. While we believe that compensation charged by an affiliated firm is competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. Except for Sootchy, Inc., you are under no obligation to use the services of any firm we recommend, whether affiliated or otherwise, and may obtain comparable services and/or potentially lower fees through other firms.



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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

Except as mentioned above regarding Sootchy, Inc.'s interest in clients utilizing our firm's services, neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

## Item 12 Brokerage Practices

We do not maintain custody of your assets, although we may be deemed to have custody of your assets if you give us authority to withdraw advisory fees from your account (see Item 15—Custody, below). Your assets must be maintained in one of the 529 Plans available on the Sootchy, Inc. platform. Currently only the my529 Plan sponsored by Utah is available on the Sootchy, Inc. platform.

### **Soft Dollar and Other Economic Benefits**

We do not have any soft dollar or economic benefit arrangements.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

We do not permit clients to direct (e.g., select) the broker dealer who will execute transactions. Some advisers permit clients to direct brokerage although, all 529 Plan clients are required to use the broker dealer chosen by the 529 Plan.

### **Aggregated Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "aggregated trading"). Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

### **529 Plans**

Fees charged to administer a 529 account and its underlying investments have a direct impact on the account's investment performance. These can include: fees charged to the plan for management and administration, expenses of the underlying investments, sales charges, account maintenance fees as well as other fees for various items, like returned checks or rollover requests.

### **Mutual Fund Share Classes**

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. We recommend age based/target date funds without consideration for the mutual fund share classes held within the age based/target date funds.

## Item 13 Review of Accounts

After a client selects their initial investment, we do not conduct ongoing reviews of our client's investment allocation. Clients may change their investment allocation, subject to 529 Plan limitations, at anytime by contact the 529 Plan provider directly.

## Item 14 Client Referrals and Other Compensation

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the potential conflicts of interest this presents, and how we address these potential conflicts, refer to the *Fees and Compensation* section.

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals. Our affiliated firm Sootchy, Inc. does provide compensation to certain individuals who refer potential client to Sootchy, Inc. While separate from Sootchy Securities, this arrangement provides a conflict of interest as these individuals may provide referrals in order to receive compensation. Additionally, Sootchy, Inc. may provide nominal gifts to clients who make referrals which presents a conflict of interest if the client makes the referral solely to receive the nominal gift.

Sootchy Inc., conducts advertising campaigns through various third parties (e.g., Facebook) for which we pay the third-party advertisers.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## Item 15 Custody

While contributions to your 529 Plan are processed via the Sootchy Inc., application and our payment processing vendors, we may be deemed to have custody of client assets. The period for which we may have custody of your assets is typically between three (3) and seven (7) business days, although, in certain circumstances we may retain custody for longer. During this period, your assets will be held at one of two custodians before final receipt by the 529 Plan you have selected. As the period for which we may have custody of your assets is limited you will not receive statements from these temporary custodians. You will, however, receive, account statements directly from the 529 Plan you have select once funds have been applied. You can also review your account balance and performance via the Sootchy App.

We have established policies and procedures to help safeguard your assets during the temporary period we may maintain custody of your assets. These policies and procedures include but are not limited to: (1) limiting personnel with access to bank accounts, (2) performing background checks on anyone who will have access to bank accounts, (3) reviewing transactions for irregularities, and (4) performing an internal annual audit. In addition to our internal audit, we undergo an annual surprise audit by an independent third-party examiner.

## Item 16 Investment Discretion

We do not provide discretionary management services. As such, we only provide recommendations, and you are free to select the investment options within your 529 Plan.

## Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward solicitations to vote proxies via electronic means.

## Item 18 Financial Information

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

We have not filed a bankruptcy petition at any time in the past ten years.