



**Item 1 – Cover Page**

## Midwest Capital Advisors, LLC

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Grand Rapids, Michigan 49546  
616.454.9600

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

Date of Brochure: December 3, 2021

This Brochure provides information about the qualifications and business practices of Midwest Capital Advisors, LLC (“MCA”, “we” or “us”). If you have any questions about the contents of or would like a copy of this Brochure, please contact us at 616.454.9600 or [info@midwestcap.com](mailto:info@midwestcap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

We are a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information that will help you determine whether to hire or retain an adviser.

Additional information about us is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with us who are registered, or are required to be registered, as investment adviser representatives.

Our complete Brochure is available free of charge by contacting Stephen Witte at 616/454-9600 or [switte@midwestcap.com](mailto:switte@midwestcap.com).

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## **Item 2 - Material Changes**

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

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#### **Item 4 – Advisory Business**

A. Description of Our Firm. MCA is a Michigan limited liability company that was formed in 2003 and has been in business continuously since then. Our office is located at 630 Kenmoor Ave. SE, Suite 206, Grand Rapids, Michigan 49546. MCA is owned by Henry G. Swain, Michael D. DeSmyter, Jack N. Tunge, Mark R. Satkoski and Jeffrey A. Gietzen.

B. Description of Investment Advisory Services We Offer.

General. We provide consulting and investment management services to our clients. We do this through investment adviser representatives. Only our investment adviser representatives are authorized to give investment advice to clients. Information about our investment adviser representatives can be found in the Supplements that are included at the end of this Brochure. We also offer investment services under the MCA Guided Portfolio Series program (“MCA GPS Program”). The MCA GPS Program uses Institutional Intelligent Portfolios™, an automated, online investment management platform for use by independent investment advisers and sponsored by Schwab Wealth Investment Advisory, Inc., an affiliate of Charles Schwab & Co., Inc. MCA GPS Program services are described in a separate brochure, which is available on request.

We do not categorically limit our advice or management to any particular types of investments. Instead, we provide consultation and management services on any investments with respect to which we feel qualified and capable and that we believe are appropriate for our clients. We may include open-end mutual funds, exchange-traded funds, closed-end funds, collective trusts and similar investment vehicles (each, a “fund”) in our clients’ portfolios. Each fund prospectus describes the fees and expenses charged by the fund’s sponsor. These fees typically include management fees, shareholder servicing fees, other fund expenses, and may include initial, deferred or asset-based sales charges for distribution and related expenses. These “fund level” expenses are borne by all investors in the fund and reduce the investment return to those investors. Investment management fees clients pay to us are separate from and in addition to these fund-level expenses that are paid by clients who own these funds. In other words, clients that own funds pay two levels of investment management fees: one level to us for our management services and a second level of fees to the funds in which they are invested. With the exception of Dimensional Fund Advisors funds and collective trusts, which are not available except through approved advisers (such as us), clients could avoid paying two levels of investment management fees by investing directly in the funds without using our services. For more on our fees please see *Item 5 – Fees and Compensation* below.

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Individuals. We assist individuals with the management of their retirement (e.g., IRAs) and non-retirement investment assets. We also provide assistance and tools that will enable them to formulate an overall financial plan that fits their needs, resources and risk tolerance. Our primary planning tools include a risk assessment and various financial planning software programs. The assessment and planning process results in a recommended portfolio that we believe will best help our clients meet their objectives. Typically these portfolios take the form of one (or a combination) of our risk-managed model portfolios, which are a combination of equity (e.g., stock investments) and fixed income (e.g., bond investments, cash) ranging from very conservative (substantially all fixed income) to very aggressive (substantially all equity). We also do custom allocations where circumstances warrant or clients request them. We do not separately charge for planning or custom allocation services unless the scope of the required or requested services is beyond that which we typically provide, and then only pursuant to a separate written agreement with the client. As described in below, we also offer planning-only services. For more information, please visit [www.midwestcap.com](http://www.midwestcap.com).

Held-Away Assets: If clients request, we may provide additional discretionary investment advice for certain outside accounts (including retirement accounts) for an additional fee (see Item 5 – Fees and Compensation for the specific fees for this service). We use a third party platform to facilitate the management of these outside accounts. Clients using this service are provided with their own log-in credentials by the platform, and will link their account to the platform. By linking the accounts on the platform, we are allowed to view the account allocation, and when deemed necessary by us, rebalance the outside accounts. We do not have access to clients' credentials and therefore, do not have custody of the assets held in these accounts. We are not affiliated with the third party platform in any way, and do not receive any compensation for using the platform.

Retirement Plans. We provide investment services to qualified and non-qualified profit-sharing and retirement plans, including 401(k), 403(b), 457, 401(a) and cash-balance plans. Depending on what the plan sponsor wants, these services can be at the plan level, the participant level or both. For plan sponsors we typically provide consulting services related to the structure of the plan, the custodial and recordkeeping platform and the establishment and monitoring of a lineup of investment offerings from which the plan participants can choose. Offerings typically include the risk-managed models mentioned above but can also include collective trusts and fund menus. We also make available to the plan participants the planning tools referenced above. For more information please visit [www.midwestcap.com](http://www.midwestcap.com).

Not-for-Profits. We provide a range of consulting and investment management services to not-for-profit and charitable entities. These include an assessment of their near- and longer-term objectives and how best to meet them, as well as the investment policy statement parameters that are appropriate for the portfolio. Services typically, but do not necessarily,

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include managing of the investment portfolio. For more information please visit [www.midwestcap.com](http://www.midwestcap.com).

Tailoring Advisory Services to Client Needs. Before entering into an investment management relationship with a client, we will explain our then-current investment philosophies and strategies, and we encourage each prospective client and client to ask questions. We may change our investment strategies. While we generally advise our clients when these changes are made, we reserve the right to make and implement changes without prior notice or client approval.

Each client is required to sign an investment management, financial planning or other agreement that governs the terms of our relationship. Investment management agreements generally give us broad discretionary management authority. See *Item 16 – Investment Discretion* below for more information on our discretionary authority.

Investment management agreements remain in effect until terminated by either us or the client. Investment management agreements may be terminated by the client or by us upon fifteen (15) days' prior written notice. In the event of a termination we will charge a prorated fee based on the number of days that services were rendered during the partial billing period based on the value of the account at the normal month-end closest to the termination date. Upon termination we will have no further responsibilities with respect to the client's investments. If clients choose to change custodians, they will be responsible for paying any transfer fees and charges imposed by the client's custodian.

Each client will open an investment management account by depositing cash or securities into a brokerage or other custodial account. Clients may direct that any investments that do not fit with our applicable investment strategies be sold immediately and the net sales proceeds be held for reinvestment. Or, we and the client may agree on an interim strategy pending sale or reinvestment. Otherwise, we may defer the sale and reinvestment of non-conforming investments until a time we deem appropriate. We are not responsible for investment or tax losses incurred with respect to the sale of any securities that clients place into their accounts.

When clients establish an investment management relationship with us, and at least annually thereafter, they may place reasonable limitations on what kinds of securities (for example, excluding a specific company's securities) may be held in the account, so long as those limitations are not inconsistent with our overall investment strategy and are otherwise acceptable to us. Any such limitations must be in writing.

We obtain information from clients regarding their financial needs, resources, circumstances, objectives, risk tolerance and other factors. We then determine which (if any)

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of our then-current strategies is appropriate for the client based on the client's circumstances. Making sure that a strategy is appropriate for and agreed to by a client is a requirement of opening and maintaining an investment account with us. Clients must advise us when their circumstances change because we do not have any other way of knowing this information. This is important because we need to be able to evaluate if and to what extent the current strategy is still appropriate.

Each client's portfolio will represent a balance of risk and potential return and have an appropriate amount of asset diversification that is consistent with the client's objectives and ability to tolerate risk. We periodically re-allocate and/or re-balance investment portfolios in light of our then-current investment strategies, market conditions and other factors. A client's portfolio will not necessarily follow the same investment strategy or be made up of the same investments as other clients. There will also be differences between the portfolios of clients with similar circumstances and investment objectives due to availability of some investments, when a client becomes a client, when purchases and sales are made and the size of the portfolio

C. Description of Financial Planning Services We Offer. Except for the MCA GPS Program (under which no separate financial planning services are provided), a certain level of financial planning services is included within the services provided under our investment management agreements. Additional or separate financial planning services, if any, are provided and charged for pursuant to the terms of a separate financial planning and consulting agreement that has been signed by the client. The specific nature, extent, timing and other terms of such services and the fees we charge for them are agreed to by each client and are specifically set forth in that agreement. See *Item 5 – Fees and Compensation* below for more information on fees for financial planning services. Only our investment adviser representatives are authorized to provide financial planning services to clients.

D. Wrap Fee Programs. We do not currently participate in any so-called "wrap fee programs." More information about our practices with respect to brokerages can be found in *Item 12 – Brokerage Practices* below.

E. Discretionary Assets Managed. As of December 31, 2020 the amount of client assets we manage was approximately \$512,945,467 on a discretionary basis and approximately \$54,837,661 on a non-discretionary basis, for a total of approximately \$567,783,128. The discretionary assets figure includes approximately \$9,937,955 in assets managed through the MCA GPS Program, for which there is a separate brochure that is available upon request.

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## Item 5 – Fees and Compensation

A. How We Are Compensated for Our Services. We receive fees from our clients for the investment management and financial planning services we provide to them. The specific manner in which we charge fees to our clients is set forth in the written investment management agreement and/or financial planning agreement that clients sign.

Investment Management Services. Generally, fees for investment management services are computed as a percentage of the fair market value of the assets in the investment management account as of the end of the preceding calendar quarter or month (in other words, “in arrears”), depending on the terms of the contract. We reserve the right to make prorated adjustments to our fee for deposits and withdrawals on terms set forth in our investment management agreements. The fees negotiated for a client’s investment management services will also apply to any held-away assets managed through the third party platform.

In most cases, the “fair market value” of assets under management is calculated by the particular custodian with whom the client has established a custodial relationship. Securities that have their prices reported on a national securities exchange, the NASDAQ stock market or any other widely available sources are usually valued at the last reported sale price on the valuation date. We will value any other security or investment held in the account at a level that best reflects what we believe to be its fair market value. If appropriate, we may average values resulting from alternative methods of valuation in order to determine the fees charged. We are not obligated to obtain an appraisal of investments. If clients want to obtain an appraisal they may do so at their expense.

We negotiate our fees with each client. Fee structures are based on a number of factors including the amount of assets under management, the nature and extent of management services, the complexity of investments and other unique characteristics of the proposed engagement. We reserve the right to charge different fees to different clients, to reduce the fee for larger accounts, to aggregate or combine related accounts for fee calculation purposes, to charge lower fees where additional funds are expected to come under management and to charge a lower fee on accounts owned or controlled by our principals or investment adviser representatives. Currently, our annual advisory fees range from a marginal rate of approximately 0.11% (0.0011) to a marginal rate of 1.00% (0.01) depending on the factors described above. All fees (including minimum fees) are negotiable. We also are willing to negotiate custom management and fee arrangements.

Financial Planning Services. Fees for separately provided financial planning services are typically a fixed amount, which is determined by the nature, extent, complexity, frequency and duration of the services to be provided. The amount charged for any such services is disclosed



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and explained to potential clients prior to being set forth in the financial planning agreement that is signed by the client. A portion (typically one-half) of the fees for financial planning services are paid at the time a financial planning agreement is signed, with the balance generally paid at the completion of the services (generally indicated by delivery to the client of a written report we prepare). If set forth in the financial planning agreement, services may be renewed and provided annually in which case fees will be due and payable upon the initial and each subsequent anniversary of the effective date of the financial planning agreement. Payments can be made by check or by credit card. Credit card arrangements may involve the client giving us the authority to charge their card annually for ongoing financial planning services.

B. Payment of Fees. Generally, fees for investment management services are paid by having the client's custodian deduct the fees from the investment management account. If requested by the custodian for clients for whom we calculate the fee, we provide the custodian a copy of the investment management agreement (or other documentation) as evidence of the client's agreement to the fee deduction. We will not directly debit our fee from an outside account that holds held-away assets, instead, our fee will be paid from the client's taxable accounts. If the client does not have a taxable account, our fee will be billed directly to the client. For those retirement plan clients that have assets held at a custodian that calculates the fee, the custodian calculates the fee based on the agreement signed by the client and then remits the fee to us. In all other cases, we send our fee invoice and/or the amount of the invoice to the client's custodian. If any fee deduction authorization is terminated, the client must pay the invoice within 10 days after receipt. As discussed above, fees are billed and deducted quarterly or monthly depending on the specifics of the client relationship.

C. Other Fees and Expenses. Fees we receive from clients are in addition to and exclusive of brokerage commissions, transaction fees, and other related costs and expenses that clients will pay. Clients may also pay fees imposed by custodians, brokers, third-party investment providers and other third-parties on brokerage accounts and securities transactions. These may include such things as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes. As discussed in *Item 4 – Advisory Business* above, funds also charge internal management fees, which are disclosed in a fund's prospectus. *Item 12 – Brokerage Practices* below further describes the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

D. Prepaid Fees. Except as may be provided in any financial planning agreement that has been signed by the client, we do not require clients to pay any fees in advance. In the event a client prepays fees and the financial planning agreement is terminated prior to completion of the financial planning services such fees, less an amount that reasonably compensates us for work done prior to termination, will be refunded to the client.

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E. Compensation for Sales of Securities. Neither we nor any of our personnel is compensated (for example, through commissions, 12b-1 or similar fees) by third parties for the sale of investment product or securities.

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

We do not currently charge or receive any performance-based fees (in other words, fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

We provide investment management and/or financial planning services to individuals, high net worth individuals, corporations, businesses, individual retirement accounts, trusts, charitable organizations, profit-sharing plans, public institutions, 401(a) plans, 401(k) plans, 403(b) plans, 457 plans, cash-balance plans and other tax-deferred retirement plans.

We do not have strict minimum account size restrictions, but we do reserve the right to charge a minimum annual fee on all or some accounts, which will tend to discourage smaller accounts. In such cases, if the fee charged on a percentage basis is greater than the minimum fee, the annual fee will be based solely on a percentage of assets under management. For more information about our fees see *Item 5 – Fees and Compensation* above.

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

A. Methods of Analysis and Investment Strategy. We use a variety of methods of investment and statistical analysis, in part depending on the type of investment. Our methods include fundamental, technical, charting and cyclical investment analysis. Other factors we look at are the level and anticipated direction of interest rates; local, regional, national and global market and economic conditions; trends; and geo-political circumstances around the world that could affect our clients' investments.

Fundamental analysis refers to the examination of each company's (or, as we generally employ it, the asset class of which a company is a part) financials and operations, including sales, earnings, growth potential, assets, debt, management, products and competition. These are variables that directly relate to the company or asset class itself.

Technical analysis and charting, on the other hand, refer to evaluations of securities based on the assumption that market data (such as charts of price, volume, and open interest) can help predict future (usually shorter term) market trends. Unlike fundamental analysis, the intrinsic value of a particular security or asset class is not considered. Technical analysis evaluates market psychology and its influences on trading in a particular stock, market sector,

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asset class or the market as a whole. The cyclical method of analysis focuses on companies or asset classes whose securities are sensitive to business cycles and whose performance is strongly tied to the overall economy.

In order to create allocations for the equity portion of a portfolio, we first review a “snapshot” of the global equity market, broken down into approximately 12 discrete asset classes (for example, U.S. vs. non-U.S., developed vs. developing/emerging markets, market capitalization, value vs. growth etc.). We then analyze each asset class, using both historical and forward-looking analytics and research resources, to determine how much to over- or under-weight that asset class compared to its current and historical levels (absolute and relative to other asset classes). Appropriate adjustments to the allocation are then made and implemented. To determine what adjustments should be made, we use various resources including statistical regression, reversion to the mean, correlation and covariance analyses. We also use third-party research resources as appropriate.

The makeup of the fixed income portion of a portfolio is based on a variety of factors that generally include current and anticipated levels of interest rates, the general economic outlook and the credit quality, ratings, absolute and relative yield, duration, structure taxability and other characteristics of various fixed income securities.

We use a variety of factors and methods to evaluate and select funds that are used in our clients’ portfolios. These include: analysis of absolute and relative risk-adjusted net returns over varying periods, manager tenure, risk profile, fiduciary measures, fund expenses, portfolio turnover, fund composition, fund “style drift,” consistency of management philosophy, process and personnel, information contained in fund prospectuses and, if necessary, meetings and/or conversations with fund company representatives.

**B. Material Risks Involved. Investing in securities involves risk of loss that clients must be prepared to bear!** No method of investment analysis provides perfect information or foresight. All methods are subject to risks posed by the quality and accuracy of the information used, the methodologies used and the resulting conclusions reached. Investment strategies are somewhat a function of the quality of the investment analysis. And, in addition, they are subject to the risks normally attendant to investing such as market risk, diversification risk, business risk, interest rate risk, currency risk, political risk, natural event risk, legislative/regulatory risk, inflation risk, credit/default risk, call risk, reinvestment risk, liquidity risk and other risks that are discussed below. No investment strategy is perfect or can eliminate risk. No investment strategy can guarantee a positive result or that you will not lose money.

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We believe that our methods of analysis and investment strategies do not involve significant or unusual risks beyond those that are present in any other methods or strategies.

All investments have different types and degrees of risk. While our investment strategies are designed to provide appropriate diversification, some investments have significantly greater risk than others. Virtually all of our investment strategies are asset-class-based. This means we allocate an appropriate amount of each client's portfolio among various broadly defined (e.g., equities vs. fixed income) and more narrowly defined (e.g., large-cap vs. small-cap equities, corporate vs. government bonds and long-term vs. shorter-term bonds) asset classes that we deem appropriate. The proportions of each asset class are dependent on the client's objectives, time horizon and tolerance for risk. The equity portion of a client's portfolio is subject to "market" or "systematic" risk (i.e., the risk that an investment will lose value because of an overall market decline), which could be substantial, and potentially large swings in value. It is also subject to "non-systematic" risk (i.e., risks that are unique to a particular company, industry or geographic area). These include business risk, political risk, currency risk, natural event and legislative/regulatory risk. The fixed-income portion of a client's portfolio is subject to its own set of risks including credit/default risk, interest rate risk, call risk, inflation risk, re-investment risk and event risk. Our usual practice is to use mutual funds or exchange traded funds as investment vehicles rather than individual securities. While this may provide for more diversification, it also adds a layer of cost (i.e., the fund operating expense) and does not guarantee that a loss in value of one or more of the holdings in that fund will not adversely affect the value of the fund as a whole since only "non-systematic" risk can be reduced through diversification. If clients want to pursue higher rates of return on investments, they must be able to accept higher levels of risk. Our investment strategies are designed to balance risk and potential return to achieve client objectives, but there is no assurance that they will do so. We encourage clients and prospective clients to ask questions about investment risks they do not understand.

We use our best judgment on behalf of our clients. Still, we cannot assure clients that investments will be profitable or that there will not be losses in their investment portfolio. Past performance is one consideration with respect to any investment or investment adviser, but it is not a reliable predictor of future performance. We continuously strive to deliver outstanding long-term investment results but economic and market variables beyond our control can affect a portfolio's investment performance.

C. Particular Types of Securities. As mentioned in *Item 4 – Advisory Business*, we do not categorically limit our advice or management to any particular types of investments. Instead, we provide investment advice on any investment for which we feel qualified and capable and that we believe is appropriate for our clients.

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## **Item 9 – Disciplinary Information**

As a registered investment adviser, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information that is required to be disclosed pursuant to this item.

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

As a registered investment adviser we are required to disclose if we or any of our management personnel are registered (or planning to register) as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of these entities, or if we recommend (or have any other relationship with) any other investment adviser that might create a conflict of interest and receive compensation for doing so. We have no information that is required to be disclosed pursuant to this item.

We are also required to identify and describe conflicts of interest related to any material relationship or arrangement that we or any of our management persons have with certain other persons in the financial, investment, banking, accounting, legal, insurance, real estate or similar industries. We have no relationships or arrangements that are required to be disclosed.

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

We adopted a Code of Ethics on April 21, 2010. The Code of Ethics sets forth the standards of business conduct that we expect all officers, managers, members, investment adviser representatives and employees to follow. It also describes certain reporting requirements with which certain particular individuals associated with us must comply. We will provide a copy of our Code of Ethics to any client or prospective client upon request. Requests should be directed to Michael DeSmyter, (616) 454-9600 or [mdesmyter@midwestcap.com](mailto:mdesmyter@midwestcap.com).

We or our related persons may purchase for our or their own accounts (“proprietary accounts”) securities that we recommend to our clients, including clients that are related persons. Neither we nor any of our related persons are permitted to enter into or have an interest in an investment transaction that would create a conflict between our interests and our clients’ interests without fully disclosing the conflict to affected clients. Neither we nor our related persons are permitted to benefit, directly or indirectly, from transactions made for the account of others. However, proprietary accounts are permitted to benefit on the same basis and to the same extent as client accounts when each holds the same investment. Nonetheless,

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because the Code of Ethics in some circumstances would permit our representatives to invest in the same securities as clients, there is a possibility that our representatives might benefit from market activity by a client in a security held by a representative. We continually monitor the trading of our representatives as one way to prevent conflicts of interest between us and our clients.

Generally speaking (with certain exceptions described below and in Item 12.B.), investments may only be purchased by us or our related persons after the completion of the purchase of such investments for current client portfolios and may only be sold after completion of the sale of all client holdings of such investments. Exceptions are made for personal securities trades that we believe do not involve potential conflicts of interest, such as Treasury securities, open-end mutual funds, and small amounts of stock of companies, exchange traded funds or closed-end funds that have very high market capitalizations and/or very high average trading volumes relative to the amounts involved. We believe that in such cases the potential for trades we make to materially affect the price of an investment is minimal or virtually non-existent.

Exceptions may also be made in accordance with our trade allocation policy, which is discussed in *Item 12 – Brokerage Practices* below.

## Item 12 – Brokerage Practices

A. Selecting Broker-Dealers. Unless we receive specific directions from a client, we will select the brokers and dealers to effect client transactions. Our first consideration in selecting a broker is whether the broker will provide best execution of the desired transaction. In addition to best execution price, we also consider the overall reasonableness of brokerage commissions paid and a variety of other factors, including fund and share class availability, receipt of research products, research services, access to analyses, availability of economic data, market data and research, and the availability of quotations, statistics, and other investment decision-making aids. While we may receive benefits from brokers we select (which technically creates the potential for a conflict of interest), in selecting a broker-dealer we do not consider whether we receive (or might receive) client referrals or other monetary benefits from that broker-dealer or any other third-party.

We do not have, and do not intend to enter into, any contractual third-party “soft dollar” arrangements (such as, for example, where we commit to place a specific level of brokerage business with a specific firm in return for which the brokerage firm will pay for various research related products or services that are otherwise available for purchase).

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While we use a variety of custodial and trading resources, in most cases we recommend that non-retirement plan clients establish brokerage accounts with Schwab Institutional or the Charles Schwab Trust Co., both affiliates of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer and member of SIPC, to maintain custody and control of client assets and to effect trades for their accounts. MCA is not affiliated with Schwab (or any other financial services company, for that matter). Schwab provides MCA with access to institutional trading and custody services and pricing, which are not typically available to Schwab retail customers. These services are generally available to independent investment advisers at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets is maintained in accounts at Schwab Institutional. They include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors that would require a significantly higher minimum initial investment or that may be closed to retail investors. Schwab does not generally charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for trades that are executed through Schwab or that settle into Schwab accounts.

We typically recommend Schwab based on the quality and cost of its execution services. We believe that commissions and other charges imposed by Schwab are competitive and are at or below those charged by other broker-dealers. And, we believe that Schwab's services and support, including data processing, order entry and reporting systems, are superior to and more cost effective than many other brokerage firms. Schwab's systems allow us easy access to clients' account information, permit easy order entry, generate good client reports and facilitate our management of those accounts.

For 403(b)/457 plans we typically use Broadridge Financial Solutions (including Matrix Financial Solutions and other affiliates) of Denver, Colorado, for custody and trading services given its expertise and experience in that area and low fee structure.

Notwithstanding the foregoing, we regularly evaluate Schwab and other broker-dealers and custodians we use against services offered by competing custodians and broker-dealers, and we reserve the right to choose the broker-dealer(s) with whom we place securities transactions for client accounts.

Not all advisers require clients to authorize their adviser to execute transactions through a specified broker-dealer. Our clients may direct (in writing) that all securities transactions for their accounts be done through a particular broker-dealer. We are unwilling to accept accounts where not all transactions would be directed to the same broker-dealer because of the inherent difficulty in such circumstances of meeting our responsibility to obtain best execution for the client's transactions. Clients who direct us to use a particular brokerage firm are responsible for negotiating brokerage commissions and charges. We cannot do this because we cannot



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effectively negotiate for lower brokerage expenses when the business cannot be taken to a lower cost brokerage service provider. Accordingly, clients that direct brokerage services may pay more (perhaps significantly more) for brokerage services, and/or perhaps receive less favorable pricing than clients for whom we can select the brokerage firm. Transactions for directed brokerage accounts cannot be aggregated with discretionary brokerage accounts under our trade allocation policy, which is described in the next section of this Item.

B. Aggregation of Purchases and Sales. From time to time, when appropriate and when we have the opportunity to do so, we may aggregate orders for securities transactions for more than one client account, including proprietary accounts. We aggregate orders for our administrative convenience and, in some cases, to obtain better execution for the aggregated order than might be achieved by processing each transaction separately. In doing so, we strive to treat each client fairly and will not favor one client or proprietary account over another client. We allocate aggregated orders in accordance with policies and procedures intended to achieve fair treatment. Each affected account (including proprietary accounts) included in the aggregated order will participate in the aggregated order at the average price for all transactions in that security in the aggregated order. If permitted by the broker-dealer effecting the transaction, transaction costs will be shared on a pro rata basis. If an aggregated order is not filled in its entirety, it will be allocated on a pro rata basis. We will not aggregate orders for a client that has a directed brokerage relationship with those of a client who does not have a directed brokerage relationship with the same broker-dealer. One consequence of this is that the client may not obtain as good a price or as low a cost in separate transactions as those obtained by clients whose orders have been aggregated.

Clients or prospective clients that have questions about our trade allocation policy are invited to contact us.

### **Item 13 – Review of Accounts**

We review our investment management clients' investments regularly, with a general review occurring quarterly and more specific reviews occurring less frequently, but at least annually. Market, economic or geo-political events or developments may trigger a special review of some or all of our clients' investments. We do not have a limitation on the number of accounts assigned to any particular person, nor is there a precise sequence or review schedule. Accounts are reviewed by one or more of our investment adviser representatives.

We furnish (and/or make available through a client portal) written reports to our investment management clients on a quarterly basis. These include a summary of portfolio performance and may include an analysis of macro- or microeconomic conditions, the impact on various asset classes or industry sectors, current and historical returns, comparative



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performance indices and other matters we deem relevant. In addition, clients receive separate, periodic (typically monthly when there has been activity in the account; otherwise at least quarterly) accounting reports from their custodian. Custodial statements detail all cash and asset transactions and activities during the reporting period. Specific statement content varies between custodians. Clients can also request and receive interim account information from us or online via their custodian's website. **We strongly urge clients to carefully review such statements and compare official custodial records to any account statements that we may provide to you.**

We are also happy to meet with investment management clients upon request, either in person or by telephone or other electronic means. At least one of our investment adviser representatives is normally available during business hours to discuss investment matters and answer client questions. **We strongly urge clients to contact us when questions arise or when a material change in their objectives, risk profile or other circumstances that may affect their investment plan are expected or have occurred.**

Review of our financial planning clients' accounts and other information occurs during the process of rendering the services specified in the financial planning agreement. This review is conducted by one or more of our investment adviser representatives. Subsequent reviews, if any, and the number of client meetings expected will be as set forth in a financial planning agreement that has been signed by the client. Clients will receive a written report corresponding to the financial planning services rendered upon completion of those services.

#### **Item 14 – Client Referrals and Other Compensation**

Because we feel that doing so might create a potential conflict of interest or appear to impair our independence, we do not accept compensation (or other economic benefit) from any person other than our clients for providing investment advisory or financial planning services to our clients.

From time to time, we may pay a fee or other compensation to one of our principals, employees or investment adviser representatives for their efforts in bringing a client to us. This does not increase the fees any such clients pay to us.

We engage solicitors to market our services. If you become our client as a result of the solicitor's efforts, you will receive, from the solicitor, a separate Solicitor's Disclosure Document describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. You will also receive a copy of this Form ADV Part 2A, as our disclosure brochure. Generally, any such agreement will provide for payment to the solicitor of a percentage of the management fees we collect from you. Solicitor compensation will be based

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upon the management fees we collect from you, and may be paid during a specified time period after we begin providing management services to you or for the entire time that you remain one of our clients. The solicitor may therefore have a financial incentive to recommend our management services over other programs or services. The amount of this compensation may be more than the amount the solicitor would receive if you participated in other programs. We do not charge clients introduced by such solicitors any higher management fee as a result of our obligation to pay for such solicitation services.

### **Item 15 – Custody**

We do not maintain custody of client assets. Rather, each client appoints a qualified custodian to take possession of their funds and securities. We are, however, *deemed* to have constructive custody by virtue of the fact we have the authority to deduct client fees from their accounts (see *Item 5 – Fees and Compensation* above). On February 21, 2017, the Securities and Exchange Commission (“SEC”) released a “no-action” letter that provided additional guidance on how the SEC’s “Custody Rule” applies to an adviser when a client establishes a standing letter of authorization or instruction (“SLOAs”) or other asset transfer authorization arrangement with their qualified custodian. The SEC guidance clarified that SLOAs granting authority to move client funds or securities to third parties are deemed to be custody.

As indicated in *Item 13 – Review of Accounts* above, clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains the clients’ investment assets. Any statements we might send to our clients might vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

Our investment management agreements generally provide us with discretionary authority to manage securities accounts on behalf of clients. This authority is broad and includes choosing the types of investments, the allocations between different categories of investments, the timing of investment decisions and trading strategies and techniques. Our discretionary authority is limited, however, in two important respects: First, such discretion can only be exercised in a manner that is consistent with the stated and agreed-upon investment objectives for the particular client account. Second, investments may only be purchased, sold or transferred in each client’s name, and proceeds from the sale or liquidation of securities may only be disbursed to a client’s custodian, not to us. As mentioned in *Item 15 – Custody* above, we are not permitted to have actual custody of client assets, so all checks, securities and other property must be transferred directly between the client and the client’s custodian.

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Clients are free to negotiate with us to have included in their investment management agreement limitations and restrictions on our investment discretion. Any such investment guidelines or restrictions must be set forth in and provided to us in writing.

### **Item 17 – Voting Client Securities**

Unless otherwise agreed to in writing, as a matter of firm policy and practice, we do *not* take on authority for and do not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for all securities held in their accounts. Clients should receive proxy materials or other solicitations directly from their custodian or transfer agent. Clients may contact us with questions about a particular solicitation.

### **Item 18– Financial Information**

We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to clients. We have not been the subject of a bankruptcy proceeding.