

# Pathworks Financial LLC

43155 Main Street, Ste. 212  
Novi, MI 48375  
248-938-4229

[www.pathworksfinancial.com](http://www.pathworksfinancial.com)  
[scott@pwfin.com](mailto:scott@pwfin.com)

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## **FORM ADV PART 2A DISCLOSURE BROCHURE**

*This disclosure brochure provides clients with information about the qualifications and business practices of Pathworks Financial LLC, a registered investment adviser. It also describes the services Pathworks Financial LLC provides as well as background information on those individuals who provide investment advisory services on behalf of Pathworks Financial LLC. Please contact Pathworks Financial LLC at (248) 938-4229 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by the U.S. Securities and Exchange Commission or any state securities authority. Registration does not imply that Pathworks Financial LLC or any individual providing investment advisory services on behalf of Pathworks Financial LLC possess a certain level of skill or training.*

*Information on the disciplinary history and the registration of Pathworks Financial LLC and its associated persons is available on the Internet at [www.adviserinfo.sec.gov/IAPD/](http://www.adviserinfo.sec.gov/IAPD/). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Pathworks Financial LLC is 313668.*

## **Item 2 – Material Changes**

This item discusses specific material changes to the Pathworks Financial LLC disclosure brochure. Pursuant to current regulations, Pathworks Financial LLC will ensure that clients receive a summary of any material changes to this and subsequent disclosure brochures within 120 days of the close of its fiscal year which occurs at the end of the calendar year. Pathworks Financial LLC may further provide other ongoing disclosure information about material changes as necessary.

Pathworks Financial LLC will also provide clients with a new disclosure brochure as necessary based on changes or new information, at any time, without charge.

Since the initial filing of this disclosure brochure, Pathworks Financial LLC has made the following material changes:

### **Item 4 - Advisory Business**

Pathworks Financial, LLC has disclosed that it no longer provides a wrap fee program and that all asset management services will be provide via a co-investment advisory arrangement with Scott Smith Financial, Inc, an affiliated registered investment adviser.

In addition, Pathworks no longer provides retirement plan services.

### **Item 4 – Fees and Compensation**

Pathworks Financial, LLC has disclosed that all co-advisory fees will be deducted directly from client accounts by Scott Smith Financial, Inc.

Pathworks Financial, LLC has updated its Co-Advisory Services Fee disclosures to reflect that fees are charged based on the average quarterly account balance and not on the average daily balance during the quarter.

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## **Item 4 - Advisory Business**

### **A. The Company**

Pathworks Financial LLC (“Pathworks” or the “firm”), a Michigan limited liability company founded in 2021, has applied for registration with the U.S. Securities and Exchange Commission (“SEC”) in June, 2021.

The sole owner of Pathworks is Scott Smith.

### **B. Advisory Services**

Pathworks offers the following services to individuals, including high net worth individuals, pension and profit sharing plans, trusts, small businesses and estates:

#### Co-Advisory Services

While Pathworks does not directly provide either discretionary or non-discretionary asset management services, Pathworks does offer clients the ability to obtain such services through the co-advisory arrangement with Scott Smith Financial, an affiliated SEC-registered investment adviser (“SSF”).

Pathworks has entered into a co-advisory arrangement with SSF wherein SSF will provide asset management services to Pathworks’ clients. SSF will provide its asset management services exclusively through the SSF Asset Management Program, a wrap fee program sponsored and managed by SSF. In addition to this disclosure brochure and a copy of Pathworks’ customer relationship summary, clients will also receive a copy of SSF’s disclosure brochure and client relationship summary.

Clients will enter into a discretionary co-investment advisory agreement (the “Co-Investment Advisory Agreement”) with Pathworks and SSF. Pursuant to the Co-Investment Advisory Agreement, Pathworks and SSF will have the following respective responsibilities:

#### Pathworks

Pathworks will be responsible for:

- Compiling the client’s personal and financial information;
- Discussing with the client their investment goals and objectives;
- Completing the client investment profile and investment policy statement;
- Assisting the client with completing account opening forms;
- Communicating to SSF any reasonable restrictions the client may wish to impose on the SSF’s management of the account;
- Providing the client with a copy of SSF’s Wrap Fee Program Brochure and Form CRS; and

- Maintaining an ongoing relationship with the client and offering to meet with the client on a periodic basis, not less than annually, to discuss changes in the client's personal or financial situation, suitability and any new or revised reasonable restrictions the client may wish to impose on SSF's management of the account.

### SSF

SSF will be responsible for providing the client with discretionary investment management services via a wrap fee program based on the client's individual investment needs.

Pursuant to the Co-Investment Advisory Agreement, clients will be required to grant SSF the authority to contract with an unaffiliated third-party clearing firm to: (i) maintain custody of all assets in the client's account; (ii) execute and perform clearance of all purchase and sale orders as directed by SSF; (iii) perform all custodial functions customarily performed with respect to securities accounts, including but not limited to the crediting of interest and dividends on account assets; (iv) forward to the client and Pathworks confirmation of each purchase and sale (unless online electronic format is selected) and account statements; and (v) act as general administrator of the client's account, including charging and collecting advisory fees, as described below, on SSF's and Pathworks' behalf and processing, pursuant to information provided by Pathworks to SSF, instructions of deposits into and withdrawals from the client's account.

### Financial Planning Services

If a client desires to obtain financial planning apart from the basic planning services provided as part of portfolio management services, Pathworks also provides financial planning services as a stand-alone service. Clients will receive a written financial plan, providing the client with a detailed outline designed to achieve their stated financial goals and objectives.

In general the plan will address any or all of the following:

- *Personal*: Family records, budgeting, personal liability, estate information and financial goals.
- *Tax and Cash Flow*: Income tax spending analysis and planning for past and future years.
- *Death and Disability*: Cash needs at death, income needs of surviving dependents, and estate planning.
- *Retirement*: Strategies and investment plans to help client achieve their retirement goals.
- *Investments*: Analysis of investment alternatives and their effect on a client's portfolio.

Information on clients will be gathered by in-depth personal interviews and a review of personal financial information. Gathering data concerning current financial status, future requirements, risk appetite and goals is essential. Based upon this thorough review, a written plan is prepared for the client and it is recommended that the client review this plan with tax accountants, attorneys and other professional service providers.

Should a client choose to implement the financial planning recommendations made by Pathworks, Pathworks may recommend its own services or that of other professionals (*i.e.*,

attorney, accountant, insurance agent, and/or stockbroker). Clients are advised that a conflict of interest exists if Pathworks recommends its own services. The client is under no obligation to act upon any of the recommendations made by Pathworks under a financial planning engagement and/or engage the services of any such recommended professional, including Pathworks or its Adviser Representatives. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Pathworks or its Adviser Representatives. Pathworks shall cooperate with any attorney, accountant, broker or other adviser chosen by the client with regard to implementation of any such recommendations.

### **C. Client Tailored Services and Client Imposed Restrictions**

Pathworks' investment management services are tailored to meet the specific needs of each client. In order to provide appropriately individualized services, Pathworks' Adviser Representatives will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

At least annually, an Adviser Representative will review with clients their financial circumstances, investment objectives and risk profile. In order for Pathworks to provide effective investment advisory services, it is critical that clients provide accurate and complete information to Pathworks and inform Pathworks anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Whether clients will be able to place reasonable restrictions on the types of investments which will be made on the client's behalf is at the discretion of SSF. Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds or mutual funds. In addition, a restriction request may not be honored if it is fundamentally inconsistent with Pathworks' investment philosophy, runs counter to the client's stated investment objectives, or would prevent Pathworks from properly servicing client accounts. Please see SSF's wrap fee program brochure for SSF's policy on allowing restrictions.

### **D. Wrap Fee Programs**

While Pathworks does not itself sponsor a wrap fee program, it has entered into an agreement with its affiliated investment adviser, Scott Smith Financial, Inc. ("SSF") to provide asset management services to Pathworks clients through SSF's wrap fee program. All clients will receive a copy of SSF's wrap fee program brochure which describes the SSF wrap program in detail.

### **E. Assets Under Management**

Pathworks does not have any reportable assets under management.

## Item 5 - Fees And Compensation

### A. Advisory Fees

#### Co-Advisory Fees

For its Co-Advisory Services, Pathworks receives a fee based on the value of assets under advisement (the “Fee”). The Fee includes both the services provided by Pathworks and SSF. The amount of the Fee will be set out in the specific co-investment advisory agreement executed by the client at the time the relationship is established.

The Fee is set according to the following tiered fee schedule:

For the Portion of the Account that is:	Annual Fee
Up to \$250,000	1.5%
\$251,000 to \$500,000	1.25%
\$500,001 to \$1,000,000	1.00%
\$1,000,001 to \$3,000,000	0.75%
Above \$3,000,000	Negotiable

The Fee is based on the average quarterly account balance managed during the calendar quarter. Quarterly SSF will deduct the Fee directly from the clients' account which it will then forward to Pathworks (any fee due SSF for its services under the Co-Investment Advisory Agreement are paid by Pathworks to SSF pursuant to a separate services agreement). The first payment is calculated based on the number of days assets are placed in the account during a calendar quarter. Generally, Fees are deducted from the client's account no later than the fifteenth (15th) day after the end of each quarter, in arrears. If an account is terminated prior to the end of a calendar quarter, the terminating client will pay the Fees up to the termination date. Clients who cancel services within five business days of the contract date will not be charged the Fee.

#### Financial Planning Services Fees

Depending upon the scope of the engagement and specific requests by the client, Pathworks will charge a flat fee ranging from \$795 to \$2,500 (the “Financial Planning Fee”). The Financial Planning Fee will be negotiated prior to contracting with the client, and the agreed upon Financial Planning Fee payable upon completion of the services provided. The client may terminate its financial planning arrangement at any time, in writing, and will only be charged a portion of the Financial Planning Fee based upon a pro-rated calculation related to the time and expense expended by Pathworks. Pathworks typically waives any financial planning fees for investment management and advisory clients. Clients who cancel services within five business days of the contract date will not be charged the Financial Planning Fee. The Financial Planning Fee is payable by check only.

## **B. Payment Method**

### Direct Debiting

Each quarter, SSF, Pathworks' affiliated investment adviser, will notify the client's qualified custodian of the amount of the fee due and payable to Pathworks pursuant to Pathworks' fee schedule and the Co-Investment Advisory Agreement. The qualified custodian will not validate or check fees, its corresponding calculation or the assets on which the fee is based. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account(s) the client has designated to pay advisory fees.

### Billing

Clients will be billed for the financial planning services fee upon conclusion of the service. All fees are due and payable upon receipt of the invoice or as negotiated and documented in the client's advisory agreement.

## **C. Additional Information**

### Fee Only

Pathworks is compensated solely by fees paid by its clients and does not accept commissions or compensation from any other source (i.e., mutual funds, insurance products or any other investment product).

### Fees Negotiable

Pathworks does not normally consider its fee to be negotiable for accounts of \$5 million or less, provided, however, that Pathworks reserves the right in its sole discretion and based on factors Pathworks deems relevant, to agree to a fee for any particular client that varies from the fee set forth in the tables above and which may be lower or higher than fees charged to another client with a similar sized account. In certain situations, minimum account fees may apply that may exceed the fees in the schedule above. Relevant factors that may lead to a variation in fees include, for example, the size and scope of the client's overall relationship with Pathworks and the fees that the client's account was charged at another firm prior to transferring to Pathworks.

### Mutual Fund Fees and Exchange Traded Funds

All fees paid to Pathworks for investment advisory services are separate and distinct from the expenses charged by mutual funds and exchange-traded funds ("ETFs") to their shareholders, if applicable. These fees and expenses are described in each fund's or ETF's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. A client could invest in these products directly, without the services of Pathworks, but would not receive the services provided by Pathworks which are designed, among other things, to (i) assist the client in determining which products or services are most appropriate to each client's financial situation and objectives and (ii) determining when such buying or selling is appropriate. Accordingly, the client should review both the fees charged by the fund[s] and/or ETFs and the fees charged by Pathworks to fully understand the total amount of fees to be paid by the client.



### Miscellaneous Expenses

Pathworks' fees with respect to each client account does not include certain other charges and expenses, including (a) brokerage charges, which are paid on a transactional basis, (b) dealer mark-ups or mark-downs on securities purchased or sold for an account through third-party dealers and (c) taxes. Please see Item 12 of this brochure for detailed information about Pathworks' brokerage practices.

### Professional Fees

Pathworks' fees do not include the services of any professional engaged by a client which will be billed directly by such professional(s).

## **D. Termination and Refunds**

A client has the right to terminate their investment advisory relationship with Pathworks without penalty within five (5) business days after entering into an agreement with Pathworks. In addition, a client has the right to cancel their advisory agreement at any time and for any reason upon written notice to Pathworks. If an account is terminated during a calendar quarter, fees will be adjusted *pro rata* based upon the number of calendar days in the calendar quarter that the investment management agreement was effective. Because fees are charged in arrears, the client will not be due a refund.

## **E. Additional Compensation**

Pathworks and its associates are engaged for fee-only services and an effort is made to recommend "no-load" investments whenever possible. Pathworks does not accept commissions or compensation from any other source (*e.g.*, mutual funds or any other investment product) and does not charge a mark-up on clients' securities transactions. Neither Pathworks nor its associated persons receive "trailer" or 12b-1 fees from an investment company that the firm recommends. Fees charged by issuers are detailed in prospectuses or product descriptions and clients are encouraged to read these documents before investing.

Certain persons providing investment advice on behalf of Pathworks are also licensed as insurance agents with non-affiliated insurance brokers. These related persons will earn commission-based compensation for selling insurance products, including insurance products they sell to clients. Insurance commissions earned by these related persons are separate and in addition to Pathworks' advisory fees. While these individuals endeavor at all times to put the interest of the clients first as part of their and Pathworks' fiduciary duty, clients should be aware that this practice presents a conflict of interest because individuals providing investment advice on behalf of Pathworks who are also insurance agents have an incentive to recommend insurance products to clients for the purpose of generating commissions, rather than solely based on client needs. Clients always have the option to purchase recommended or similar investments through a service provider of their own choosing.

Because Pathworks and Scott Smith Financial, Inc. are under the common ownership of Scott Smith, Pathworks and Scott Smith will indirectly benefit from placing its clients in SSF's wrap fee program instead of a different wrap fee program. Pathworks does not make any other wrap fee programs available to clients and therefore, clients will be required to use SSF. This may result in higher costs to clients because other wrap fee programs may charge a lower overall fee.

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

Pathworks does not accept performance-based fees or engage in side-by-side management. Pathworks' fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged on the basis of a share of the capital gains upon, or capital appreciation of, the funds in a client's account.

## **Item 7 - Types of Clients**

### **A. Clients**

Pathworks provides investment advisory services to individuals, including high net worth individuals, trusts, small businesses and estates.

### **B. Engaging the Services of Pathworks**

All clients wishing to engage Pathworks for advisory services must enter into the applicable advisory agreement with Pathworks as well as any other document or questionnaire provided by the firm. The advisory agreement describes the services and responsibilities of Pathworks to the client. It also outlines Pathworks' fees in detail. In addition, clients must complete certain broker-dealer/custodial documentation. Upon completion of these documents, Pathworks will be considered engaged by the client.

Clients are responsible for ensuring that Pathworks is informed in a timely manner of changes in investment objectives and risk tolerance.

### **C. Conditions for Managing Accounts**

Pathworks requires new clients have a minimum account size of \$25,000 for portfolio management services. Pathworks may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. Pathworks will only accept clients with less than the minimum portfolio size if, in the sole opinion of the firm, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Pathworks may aggregate the portfolios of family members to meet the minimum portfolio size.

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

Because Pathworks does not manage assets, Pathworks does not engage in securities analysis or employ investment strategies. Please see SSF's wrap fee brochure for information on SSF's methods of analysis, investment strategies and the risks associated with the specific securities used by SSF in its management of the SSF Wrap Fee Program.

### **Investing Involves Risk**

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of

which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.
- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.

- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing an investment manager from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

## Item 9 - Disciplinary History

Neither Pathworks nor its management personnel have any reportable disciplinary history.

## Item 10 - Other Financial Industry Activities and Affiliations

### A. Broker-Dealer Registration and Registered Representatives

Pathworks is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

### B. Futures and Commodity Registration

Pathworks is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

### C. Financial Industry Affiliations

Adviser Representatives of Pathworks are also licensed to sell insurance products. From time to time they will offer clients advice or insurance products as part of his financial review.

This practice represents a potential conflict of interest because it gives such Adviser Representatives an incentive to recommend products based on the commission amount received. This conflict is mitigated by the fact that clients are not required to purchase any products. Clients also have the option to purchase these products through another insurance agent of their choosing.

Pathworks, through the common ownership of Scott Smith, is affiliated with Scott Smith Financial, Inc. ("SSF"), an investment adviser registered with the SEC. Pathworks and SSF have entered into a services agreement whereby SSF provides Pathworks with certain back office and investment analysis services. In addition, as detailed in Item 4 above, SSF provides asset management services to Pathworks' clients pursuant to a co-investment advisory agreement between the client, Pathworks and SSF. Finally, Scott Smith and Bryan Smith, investment adviser representatives of Pathworks are also investment adviser representatives of SSF. This relationship does not present a conflict of interest because Pathworks and SSF have an identical fee structure so there is no incentive to favor one firm or set of clients over another.

#### **D. Selection of Other Advisers**

As set forth in more detail in Item 5 above, pursuant to the co-investment advisory Agreement between the client, Pathworks and SSF, SSF will be responsible for collecting all advisory fees due and remitting payment to Pathworks for its services under that agreement. Pathworks does not receive, directly or indirectly, any other compensation from other investment advisers that it recommends or selects for its clients.

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

#### **A. Code of Ethics**

Pathworks has adopted a Code of Ethics to prevent violations of the securities laws. The Code of Ethics is predicated on the principle that Pathworks owes a fiduciary duty to its clients. Accordingly, Pathworks expects all firm personnel to act with honesty, integrity and professionalism and to adhere to federal securities laws. All firm personnel are required to adhere to the Code of Ethics. At all times, Pathworks and its personnel must (i) place client interests ahead of the firm's; (ii) engage in personal investing that is in full compliance with the firm's Code of Ethics; and (iii) avoid taking advantage of their position.

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting Pathworks at (248) 938-4229.

#### **B. Recommendations Involving Material Financial Interests**

Pathworks does not recommend to clients securities in which the firm or any related person has a material financial interest.

#### **C. Investing in Same Securities as Clients**

From time to time, representatives of Pathworks may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Pathworks to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they

provide to clients. Such transactions may create a conflict of interest. However, the size of personal trades and the types of investments (ETFs or Open-End Mutual Funds) that are likely to be transacted in would not have a practical impact on prices in those securities. Pathworks will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

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

From time to time, representatives of Pathworks may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Pathworks to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. However, the size of personal trades and the types of investments (ETFs or Open-End Mutual Funds) that are likely to be transacted in would not have a practical impact on prices in those securities. Pathworks will always document any transactions that could be construed as conflicts of interest and will always transact client's transactions before its own when similar securities are being bought or sold. No person associated with Pathworks shall prefer his or her own interest to that of any client.

### **Item 12 - Brokerage Practices**

Because Pathworks does not manage assets, Pathworks does maintain any brokerage or custodial relationships. Please see SSF's wrap fee brochure for information on SSF's brokerage and custodial practices.

### **Item 13 - Review Of Accounts**

#### **A. Periodic Reviews**

Account reviews are performed quarterly by each Adviser Representative for their respective client accounts. Financial plans are considered complete when recommendations are delivered to the client. An ongoing review for financial planning clients is done only upon request of the client.

#### **B. Other Reviews**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information and changes in a client's own situation. Reviews may also be triggered by material market, economic or political events, cash inflow or outflow to/from the portfolio or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Regular Reports**

##### Investment Advisory Services

Each client will receive at least monthly from the custodian, a written report that details the client's account including assets held and asset values. Clients will receive, at least quarterly, performance reports directly from Pathworks. The report will include performance

and asset allocation information. Clients are urged to carefully review the account statement sent by Pathworks and to compare the account statement provided by the broker-dealer/custodian with any statements provided by Pathworks.

#### Financial Planning Services

Financial planning services clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for at the inception of the advisory relationship.

### **Item 14 - Client Referrals And Other Compensation**

#### **A. Economic Benefits**

Pathworks does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

#### **B. Client Referrals**

Pathworks has entered into a referral arrangement with Scott Smith Financial, Inc., an affiliated registered investment adviser. Under this referral arrangement, Pathworks may refer retirement plan clients to SSF for the provision of applicable retirement plan services. SSF pays a fee to Pathworks for any such referrals and clients that are referred will be required to sign a solicitor's disclosure document acknowledging such payment.

### **Item 15 - Custody**

Custody of client assets will be maintained with the independent custodian selected by the client. Pathworks will not have physical custody of any assets in the client's account except as permitted for direct deduction of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize Pathworks to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. The account statement will also indicate the amount of advisory fees deducted from your account(s) for each billing period.

Clients are urged to carefully review statements received from the custodian to ensure the accurate reporting of such information.

### **Item 16 - Investment Discretion**

As Pathworks does not manage assets, Pathworks does not have any investment discretion.

## **Item 17 - Voting Client Securities**

### **Proxy Voting**

As Pathworks does not manage assets, Pathworks does not vote proxies on behalf of its clients.

### **Legal Proceedings**

As Pathworks does not manage assets, Pathworks will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Because Pathworks does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, Pathworks is not required to include a balance sheet with this disclosure brochure.

### **B. Financial Condition**

Pathworks does not have any adverse financial conditions to disclose.

### **C. Bankruptcy**

Pathworks has never been the subject of a bankruptcy petition.

## **Item 19 – Additional Information**

### **A. Privacy Notice**

Pathworks views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. Pathworks does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, Pathworks may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. Pathworks restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for Pathworks. As emphasized above, it has always been and will always be Pathworks' policy never to sell information about current or former clients or their accounts to anyone. It is also Pathworks' policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of the Pathworks' Privacy Policy please contact Pathworks at ((248) 938-4229.



**B. Requests for Additional Information**

Clients may contact Pathworks at ((248) 938-4229 to request additional information or to submit a complaint. Written complaints should be sent to Pathworks Financial LLC, 43155 Main Street, Suite 212, Novi, MI 48375.