

# OverRidge Wealth Advisors

SEC File Number: 801 – 62355

## **ADV Part 2A, Firm Brochure** **Dated: February 3, 2021**

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This brochure provides information about the qualifications and business practices of OverRidge Wealth Advisors. If you have any questions about the contents of this brochure, please contact us at (817) 738-1451 or [Dane@overridge.com](mailto:Dane@overridge.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.

Additional information about OverRidge Wealth Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to OverRidge Wealth Advisors as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## Item 2           Material Changes

Since our last Annual Amendment filing made on February 11, 2020, this Brochure has been amended as follows:

- At Item 4 to increase and enhance disclosure regarding financial planning tools made available through certain account aggregation platforms
- At Item 5 to denote that fee adjustments are not made with respect to account deposits and withdrawals during the course of a fee period
- At Items 5 and 10 to increase and enhance disclosure regarding commission-based securities sales

**OverRidge Wealth Advisors' Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client has about this Brochure.**

## Item 3           Table of Contents

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	8
Item 6	Performance-Based Fees and Side-by-Side Management .....	11
Item 7	Types of Clients.....	11
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9	Disciplinary Information.....	14
Item 10	Other Financial Industry Activities and Affiliations.....	14
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	15
Item 12	Brokerage Practices .....	16
Item 13	Review of Accounts.....	18
Item 14	Client Referrals and Other Compensation .....	18
Item 15	Custody .....	19
Item 16	Investment Discretion .....	19
Item 17	Voting Client Securities.....	20
Item 18	Financial Information .....	20

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

- A. Lee Johnson Capital Management, LLC (the “Registrant”) d/b/a OverRidge Wealth Advisors is a limited liability company formed on March 24, 2008 in the State of Texas. The Registrant became registered as an Investment Adviser Firm in September 13, 2003. The Registrant is principally owned by Andrew Heinz, the Registrant’s President and Chief Executive Officer.
- B. As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can engage the Registrant to provide discretionary or non-discretionary investment advisory services on a fee basis. Prior to engaging the Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

The Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s). Thereafter, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds (“ETFs), independent investment managers (on either a discretionary or non-discretionary basis) and the investment subdivisions of variable annuity products (for which the client may have previously paid a commission to the Registrant’s Principals and/or Associated Persons in their individual capacities as registered representatives of Triad Advisors, LLC an SEC registered and FINRA member broker-dealer (“Triad”) – see disclosure at Item 10.C) in accordance with the client’s designated investment objective(s). Once allocated, the Registrant provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant’s representatives in their individual capacities as registered representatives of Triad, and/or as licensed insurance agents. (See disclosure at Item 10.C). The client is under no obligation to engage the services of any such

recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

## MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of the Registrant in their separate registered capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

**Variable Annuity Management.** The Registrant provides advisory services relative to the allocation of assets among the investment sub-divisions that comprise a variable investment product owned by the client. If the product was purchased on a commission basis through one of the Registrant's representatives in their individual capacities as representatives of Triad, the Registrant will offset the commission paid against its advisory fee. The Registrant will not begin charging its advisory fee until the advisory fees earned for managing such product exceed the commission paid for the product. For products purchased through other broker dealers, the Registrant will charge its standard advisory fee. The Registrant manages the variable annuity on a tactical investment strategy basis, the objective of which is to be invested in the equity market during an anticipate uptrend and in cash during an anticipated pullback/correction. Of course, there can be no assurance or guarantee that the Registrant's decisions will be correct or profitable. The Registrant includes the variable product assets as part of "assets under management" for the purposes of calculating its annual advisory fee. No client is under any obligation to purchase a variable product from the Registrant's representatives. **The offer and sale of such a**

**commission product presents a conflict of interest (Please see disclosure in Item 5.E below).**

**Private Investment Funds.** The Registrant does not sponsor, manage or recommend private investment funds. However, as indicated above, Firm representatives, in their separate individual capacities, also serve as registered representatives of Triad. In such individual registered capacities, these representatives may recommend private investment funds on a commission basis. The terms and conditions of a fund investment (i.e., objective, risks, liquidity constraints, etc.) are set forth in each fund's offering documents, a copy of which is presented to each client investor prior to determining whether to become a fund investor. Prior to becoming a fund investor, each prospective client investor must complete a Subscription Agreement for submission to the fund to demonstrate his/her qualification to become a fund investor. If a client determines to become a private fund investor and purchases the private fund through Registrant's representatives in their individual capacities as representatives of Triad, the amount of assets invested in the fund(s) **shall not** be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If the fund sponsor does not provide a post-purchase valuation, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date) or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects the initial purchase price (and/or a value as of a previous date), then the current value(s) (to the extent ascertainable) **could be significantly more or less than the original purchase price.** The client's advisory fee shall be based upon such reflected fund value(s).

**Real Estate Investment Trusts.** The Registrant may recommend the use of certain real estate investment trusts ("REITs") within the client's investment portfolio. REITs are subject to risks generally associated with investing in real estate, such as: possible declines in the value of real estate; adverse general and local economic conditions; possible lack of availability of mortgage funds; changes in interest rates; and environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more

holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility. No client is under any obligation to allocate a portion of their investment portfolio in REITs. A client who doesn't wish to utilize REITs within their portfolio may direct the Registrant not to invest in REITs. Any REIT held in a client account shall not be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee.

**Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant **may** maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee. **The Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.**

**Research Provider.** The Registrant provides research to other investment professionals on a fee basis through its **BigFoot Investments** division. The Firm does not make BigFoot available to non-investment professionals.

**Retirement Plan Rollovers – No Obligation / Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. **The Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such a rollover recommendation.**

**Fee Dispersion.** As indicated below at Item 5, Registrant, in its sole discretion, may charge a lesser investment advisory fee and/or charge a flat fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, prior fee schedules, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding advisory fees.

**Use of Mutual Funds/ETFs:** Most mutual funds and exchange-traded funds ("ETFs") are available directly to the public. Thus, a prospective client can obtain many of the mutual funds or ETFs that may be recommended and/or utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Registrant's initial and ongoing investment advisory services.

**Schwab/TD Ameritrade.** As discussed below at Item 12, Registrant recommends that Charles Schwab and Co., Inc. (“Schwab”) and/or TD Ameritrade (“TD”) serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab and TD charge brokerage commissions and/or transaction fees for effecting certain securities transactions. In addition to Registrant’s investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). The fees charged by Schwab and TD, as well as the charges imposed at the mutual fund and exchange traded fund level, are in addition to Registrant’s advisory fee referenced in Item 5 below.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client’s best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, and/or a change in the client’s investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client’s portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

**Account Aggregation Platforms.** The Registrant, in conjunction with the services provided by eMoney and/or Orion, may provide periodic reporting services which can incorporate all of the client’s investment assets, including those investment assets that are not part of the assets managed by the Registrant (the “Excluded Assets”). The client or their other advisors that maintain trading authority shall be exclusively responsible for the investment performance of the Excluded Assets. The Registrant’s service regarding the Excluded Assets is limited to reporting only and does not include investment implementation. The Registrant does not have trading authority for the Excluded Assets. The Registrant may occasionally make recommendations on how to manage or allocate the Excluded Assets, but the client shall be responsible for implementing any recommendations on the Excluded Assets. The Registrant shall not be responsible for any implementation errors on the Excluded Assets. In the event the client desires that the Registrant to have trading authority over the Excluded Assets, the client may engage the Registrant to do so pursuant to the terms and conditions of an advisory agreement between the Registrant and the client. The eMoney platform also provides access to other types of information and applications including financial planning concepts and functionality, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Registrant. Finally, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Registrant’s assistance or oversight.

**Non-Discretionary Services Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis must be willing to accept that the Registrant cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client’s account, and client is unavailable, the Registrant will be unable to

effect the account transaction (as it would for its discretionary clients) without first obtaining the client's consent.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting Agreement.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2020, the Registrant had \$169,295,855 in assets under management on a discretionary basis and \$24,720,171 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage the Registrant to provide discretionary investment advisory services on a fee basis, the Registrant's negotiable annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management as follows:

#### **OverRidge Mutual Fund and Variable Annuity Portfolios**

<u>Market Value of Portfolio</u>	<u>Annual Fee</u>
\$0 - \$249,999	1.50%
\$250,001 - \$499,999	1.25%
\$500,000 +	1.00%

#### **OverRidge Actively Traded Equity, Bond or ETF Portfolios**

Annual Fee	2.00%
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**Please Note:** Registrant, in its sole discretion, may charge a lesser investment advisory fee and/or charge a flat fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, prior fee schedules, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. Before engaging Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding advisory fees.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$500 to \$2,000 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Schwab and/or TD serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab and TD charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees may be charged for certain mutual funds). In addition to Registrant's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). **See** additional important disclosure at Item 12 below.
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. No adjustments are made for account deposits and withdrawals during the course of a fee period. The Registrant, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of

the Investment Advisory Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Commission Transactions.** In the event that the client desires, the client can engage Registrant's representatives, in their individual capacities, as a registered representatives of Triad, to implement investment recommendations (including on a commission basis. In the event the client chooses to purchase investment products through Triad, Triad will charge brokerage commissions to effect securities transactions, a portion of which commissions Triad shall pay to Registrant's representatives, as applicable. The brokerage commissions charged by Triad may be higher or lower than those charged by other broker-dealers. In addition, Triad, as well as Registrant's Representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment. However, Registrant's representatives do not collect 12b-1 trailing commissions on assets held in investment advisory accounts managed by Registrant, for which Registrant also charges an investment advisory fee.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Triad presents a **conflict of interest**, as the receipt of upfront and/or 12b-1 trailing commissions may provide an incentive to recommend investment products based on compensation to be received, rather than on a particular client's need. Mutual funds (or share classes of mutual funds) which pay 12b-1 compensation generally have higher internal expense ratios when compared to funds and share classes which do not pay 12b-1 compensation, which adversely impacts performance. No client is under any obligation to purchase any commission products from Registrant's representatives. **The Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product, except with respect to variable annuity sub-account management, which is discussed further below. Any client can instruct the Registrant not to purchase a variable annuity or manage the sub-accounts on the variable annuity. When otherwise providing services on an advisory fee basis, the Registrant's representatives do not also receive commission or trailing 12b-1 compensation for such advisory services.

If a variable annuity product is purchased on a commission basis through one of the Registrant's representatives in their individual capacities as representatives of Triad, and Registrant is engaged to manage the investment sub-accounts underlying such product, the Registrant will offset the commission paid against its

advisory fee. The Registrant will not begin charging its advisory fee until the advisory fees earned for managing such product exceed the commission paid for the product. For products purchased through other broker-dealers, the Registrant will charge its standard advisory fee. The Registrant includes the variable product assets as part of “assets under management” for the purposes of calculating its annual advisory fee. No client is under any obligation to purchase a variable product from the Registrant’s representatives.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant’s clients shall generally include individuals, high net worth individuals, business entities, trusts, estates and charitable organizations. The Registrant does not impose a minimum annual fee or minimum asset level requirement on client accounts. **ANY QUESTIONS:** Registrant’s Chief Compliance Officer, Dane Petty, remains available to address any questions that a client may have regarding its advisory fee schedule.

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

A. The Registrant may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

B. The Registrant’s methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market

information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or ETFs, independent investment managers (on either a discretionary or non-discretionary basis) and the investment subdivisions of variable annuity products (for which the client may have previously paid a commission to the Registrant's Principals and/or Associated Persons in their individual capacities as registered representatives of Triad – see disclosure at Item 10.C) in accordance with the client's designated investment objective(s).

Risks associated with these asset types include:

1. Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
2. Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
3. Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
4. Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
5. Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations

in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

6. **Market Risk (Systematic Risk):** Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of your portfolio will fluctuate, there is a risk that you will lose money.
7. **Unsystematic Risk:** Unsystematic risk is the company-specific or industry-specific risk in a portfolio. The combination of systematic (market risk) and unsystematic risk is defined as the portfolio risk that the investor bears. While the investor can do little to reduce systematic risk, he or she can affect unsystematic risk. Unsystematic risk may be significantly reduced through diversification. However, even a portfolio of well-diversified assets cannot escape all risk.
8. **Credit Risk:** Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact performance. Credit risk is greater for fixed income securities with ratings below investment grade (BB or below by Standard & Poor's Rating Group or Ba or below by Moody's Investors Service, Inc.). Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.
9. **Income Risk:** Income risk is the risk that falling interest rates will cause the investment's income to decline.
10. **Call Risk:** Call risk is the risk that during periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.
11. **Purchasing Power Risk:** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply. Rising inflation means that if you have \$1,000 and inflation rises 5 percent in a year, your \$1,000 has lost 5 percent of its value, as it cannot buy what it could buy a year previous.
12. **Political Risks:** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
13. **Regulatory Risk:** Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
14. **Risks Related to Investment Term:** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security

is not what we believe it is truly worth. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value.

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as ETFs and mutual funds are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. As such, a mutual fund or ETF client or investor may incur substantial tax liabilities even when the fund underperforms.

Shares of mutual funds are distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes in the market value of the fund's holdings. The trading prices of a mutual fund's shares can differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies can cause the shares to trade at a premium or discount to their pro-rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. While clients and investors may be able to sell their ETF shares on an exchange, ETFs generally only redeem shares directly from shareholders when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. **Registered Representative of Triad.** As disclosed above in Item 5.E, certain of Registrant's Principal and Associated Persons are also registered representatives of Triad, an SEC registered and FINRA member broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Broker Dealer.** As disclosed above in Item 5.E, certain of Registrant's representatives are registered representatives of Triad, an SEC registered and FINRA member broker-dealer.

Clients can choose to engage Registrant's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

**Licensed Insurance Agents.** Certain of Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4 B above, clients can engage certain of Registrant's representatives to effect insurance transactions on a commission basis.

**Conflict of Interest:** The recommendation of Registrant's representatives that a client purchase a securities or insurance commission product presents a **conflict of interest**, as the receipt of upfront and/or 12b-1 trailing commissions may provide an incentive to recommend investment products or insurance products based on commissions to be received, rather than on a particular client's need. Mutual funds (or share classes of mutual funds) which pay 12b-1 compensation generally have higher internal expense ratios when compared to funds and share classes which do not pay 12b-1 compensation, which adversely impacts performance. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase securities or insurance products recommended by Registrant through other, non-affiliated broker-dealers or insurance agents. **The Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if

the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Schwab and/or TD. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Schwab or TD (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee. The Registrant’s best execution responsibility is qualified if



securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant can receive from Schwab and/or TD (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Registrant can be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab and/or TD as a result of this arrangement. There is no corresponding commitment made by Registrant to Schwab or TD, or any other any entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflicts of interest such arrangement creates.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing

arrangements that may be available through Registrant. Higher fees adversely affect account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant **may** conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance upon request or during a client meeting.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from Schwab and/or TD. The Registrant, without cost (and/or at a discount), may receive support services and/or products from Triad and/or Schwab.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab and/or TD as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab and/or TD or any other entity to invest any

specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflicts of interest any such arrangement creates.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment advisory fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

## **Item 15 Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

In addition, certain clients have established asset transfer authorizations which permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds or securities to third parties. These arrangements are also disclosed at ADV Part 1, Item 9, but in accordance with the guidance provided in the SEC's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts **are not** subject to an annual surprise CPA examination.

**The Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## **Item 16 Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

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

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

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

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Dane Petty, remains available to address any questions that a client or prospective client may have regarding the above.**