

**Item 1. Cover Page**

**XY INVESTMENT SOLUTIONS, LLC**

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ADV Part 2A - Firm Brochure

February 23, 2021

This brochure provides information about the qualifications and business practices of XY Investment Solutions, LLC (hereinafter “XY Investment Solutions” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, XY Investment Solutions, LLC (“XYIS”) is required to discuss any material changes that have been made to the brochure since the last annual amendment. Since the date of its last annual updating amendment filed on March 27, 2020, XYIS has the following material changes to report:

1. XYIS was a state registered investment advisor with the State of Montana effective October 30, 2017 and applied for SEC registration on May 14, 2020.
2. XYIS transitioned from state registration with the State of Montana to SEC registration, effective June 12, 2020.
3. XYIS added a new pricing schedule available to existing XYIS Advisors who leave the XY Planning Network. This pricing schedule is described in Item 5. Fees and Compensation.
4. XYIS updated Item 10. Other Financial Industry Activities and Affiliations.

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## **Item 4. Advisory Business**

XYIS is owned by XY Planning Network (“XYPN”). XYIS was a state registered investment advisor with the State of Montana effective October 30, 2017 and became registered with the SEC as of June 12, 2020.

As of June 19, 2020 XYIS manages \$58,073,551 in regulatory assets under management on a discretionary basis and \$0 on a non-discretionary basis.

While this brochure generally describes the business of XYIS, certain sections also discuss the activities of its Supervised Persons, which refer to the XYIS’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on XYIS’s behalf and is subject to XYIS’s supervision or control.

### **Investment Management Services**

XYIS constructs and manages investment models (“Model Portfolios”) through a technology solution. The Model Portfolios can be used by independent registered investment advisers (“RIAs”) that are not affiliated with the XYIS. Prior to XYIS rendering investment advisory services, RIAs are required to enter into a written agreement with XYIS setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”). The investing clients of RIAs (“Clients”) are required to sign a new account opening form and/or limited power of attorney that authorizes XYIS to manage the Model Portfolios into which Clients are invested. RIAs are responsible for assigning Model Portfolios to their Clients.

XYIS manages its Model Portfolios on a discretionary basis primarily by allocating Client assets among various mutual funds and exchange-traded funds (“ETFs”). XYIS may also allocate Client assets in individual debt and equity securities. While XYIS will select mutual funds and ETFs for the Model Portfolios, provide guidance and information about the Model Portfolios to RIAs, RIAs are responsible for choosing the specific model and allocation for each of their Clients.

XYIS does not typically tailor its investment management services to meet the needs of each individual Client. As described above, the investments are managed through Model Portfolios. RIAs and their Clients (through their RIAs) can, however, impose reasonable restrictions on investing in certain securities and types of securities if XYIS determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to XYIS’s management efforts. RIAs are advised to promptly notify XYIS if

they wish to place any limitations on the management of their Clients' assets. XYIS may work with an RIA to create a custom model portfolio to fit a client's unique needs, however, the model will be monitored and managed by the RIA.

#### Description of Model Portfolios:

XYIS currently offers the following Model Portfolios for RIAs to choose for Clients:

1. Core - Globally diversified portfolio consisting of mostly ETFs
2. Core with DFA - Globally diversified portfolio consisting of both mutual funds and ETFs
3. Core all DFA - Globally diversified portfolio consisting of only DFA mutual funds
4. Cause - Globally diversified portfolio consisting of both mutual funds and ETFs that incorporate socially responsible investing principles
5. Cause DFA - Globally diversified portfolio consisting of both DFA mutual funds and ETFs that incorporate socially responsible investing principles
6. Kick Start - Globally diversified portfolio consisting of less than 5 mutual funds and ETFs, intended for smaller and growing accounts

Note: Only RIAs approved by Dimensional Fund Advisors (DFA) will have access to DFA models.

#### **Wrap Fee Program**

We do not participate in wrap fee programs.

## Item 5. Fees and Compensation

Please note, unless an RIA has received XYIS's disclosure brochure at least 48 hours prior to signing the Advisory Agreement, the Advisory Agreement may be terminated by the RIA within five (5) business days of signing the agreement without incurring any advisory fees or penalties.

XYIS offers investment management services for an annual fee (also referred to as "management fee") based on the total amount of each RIA's assets under XYIS's management according to a cliff fee schedule. Once an RIA hits the breakpoint, all assets under management are charged at the new breakpoint fee in accordance with the following fee schedule. This fee schedule is available to RIAs who are current members of the XY Planning Network. The fee for clients of XYIS who terminate their membership with XY Planning Network will increase by 5 bps to their current breakpoint tier starting on the beginning billing period following their membership termination date with XY Planning Network.

<b>RIA's Total AUM Breakpoints</b>	<b>Breakpoint Fee</b>
\$0 - \$5,000,000	0.35%
\$5,000,001 - \$25,000,000	0.30%
\$25,000,001+	0.25%

The annual fee is prorated based on the start date of when assets are transferred to XYIS' platform for management and charged quarterly, in arrears, based upon the average market value of each RIA's assets under XYIS's management over the prior calendar quarter. In the event the Advisory Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding portion of the fee is charged to the client, as appropriate.

Average market value of an account is calculated at the end of each business day. The end value of an account at the end of each business day is averaged over the duration of an entire quarter. At the end of each quarter, the sum of an account's daily balance is calculated and divided by the number of days in a quarter. The data for the average market value is downloaded from TD Ameritrade. This is used for billing purposes. However, if an RIA to whom XYIS provides its services bills its own clients using a different billing methodology, XYIS will align its own billing practices to match the different billing methodology.

XYIS and its supervised persons do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **Fee Discretion**

XYIS may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

### **Direct Fee Debit**

For RIAs that have elected to pay XYIS's management fee directly, XYIS will remit the RIA's advisory fee deducted on the RIA's behalf net of the applicable XYIS management fee. For RIAs that have elected to have their Clients pay for the XYIS management fee directly, XYIS will automatically deduct both the RIA's advisory fee and the XYIS management fee from such Clients' accounts pursuant to such Clients' written authorization.

The Financial Institution that acts as the qualified custodian for Client accounts, from which XYIS retains the authority to directly deduct fees, has agreed to send statements to Clients at least quarterly detailing all account transactions, including any amounts paid to XYIS.

### **Additional Fees and Expenses**

In addition to the advisory fees paid to XYIS, Clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. XYIS's brokerage practices are described at length in Item 12, below.

### **Account Additions and Withdrawals**

Clients can make additions to and withdrawals from their account at any time. Additions can be in cash or securities provided that XYIS reserves the right to liquidate any transferred securities or declines to accept particular securities into a Client's account. Clients can withdraw account

assets (preferably upon notice to XYIS), subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a Client's investment objectives. XYIS may consult with its RIAs and their Clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.



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

XYIS does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a Client's assets).

## **Item 7. Types of Clients**

XYIS offers services to RIAs that will use the Model Portfolios for their Clients, which will include individuals as well as high net worth individuals, trusts, estates, charitable organizations, corporations and business entities.

XYIS does not have any requirements, such as a minimum account size, to open and maintain an account.

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

### **Methods of Analysis and Investment Strategy**

XYIS's investment management services are based on long-term investment strategies incorporating the principles of Modern Portfolio Theory and the investment philosophy is designed for investors who desire a "buy and hold" strategy. XYIS's investment approach is firmly rooted in the belief that markets are efficient over long periods of time and that investors' long-term returns are determined principally by asset allocation decisions, rather than market timing or stock picking. Frequent trading of securities increases brokerage and other transaction costs that XYIS's strategy seeks to minimize. Although all investments involve risk, XYIS's Model Portfolios seek to limit risk through broad diversification among asset classes.

Clients may hold or retain other types of assets as well, and XYIS may offer advice regarding those various assets as part of its services. Advice regarding such assets will generally not involve investment management services but may help to more generally assist the Client. Clients may also place reasonable restrictions as to the specific mutual funds or ETFs or asset classes used in their accounts.

XYIS's strategies do not use securities that we believe would be classified as having any significant or unusual risks, and we do not recommend frequent trading, which can increase brokerage and other costs and taxes.

XYIS has engaged East Bay Financial Services to provide the following services to XYIS on an ongoing basis in exchange for a fixed monthly fee that is paid by XYIS:

1. Model Portfolio construction, review, and analysis with periodic reviews conducted no less than annually.
2. Quarterly economic and market commentary in live and print form made available to XYIS staff and RIAs.
3. Internal support for Model Portfolio related questions from XYIS staff.

### **Analysis of a Client's Financial Situation**

When XYIS aids an RIA in developing a Client portfolio and recommended asset allocation, XYIS relies on an analysis of the Client's financial objectives, current and estimated future resources, and tolerance for risk based on the information provided by the RIA. To derive a recommended asset allocation, XYIS may use a Monte Carlo simulation, a standard statistical approach for dealing with uncertainty. As with any other methods used to make projections into

the future, there are several risks associated with this method, which may result in the Client not being able to achieve their financial goals. They include:

1. The risk that expected future cash flows will not match those used in the analysis
2. The risk that future rates of return will fall short of the estimates used in the simulation
3. The risk that inflation will exceed the estimates used in the simulation
4. For taxable Clients, the risk that tax rates will be higher than was assumed in the analysis

### **Risk of Loss**

Investing in securities involves risk of loss that Clients should be prepared to bear. Past performance does not guarantee future returns.

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs and individual bonds, e.g.), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The mutual funds and ETFs used by XYIS may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate and government fixed income securities and commodities. Equity securities may include those of any size market capitalization. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the riskiest mutual funds used in XYIS's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds and emerging markets funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

Certain funds used by XYIS may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

Investing in mutual funds does not guarantee a return on investment, and shareholders of a mutual fund may lose the principal that they've invested into a particular mutual fund. Mutual funds invest into underlying securities that comprise the mutual fund, and as such clients are exposed to the risks arising from such underlying securities. Mutual funds charge internal expenses to their

shareholders (which can include management fees, administration fees, shareholder servicing fees, sales loads, redemption fees, and other fund fees and expenses, e.g.), and such internal expenses subtract from its potential for market appreciation. Shares of mutual funds may only be traded at their stated net asset value (“NAV”), calculated at the end of each day upon the market’s close.

Investing in ETFs bears similar risks and incurs similar costs to investing in mutual funds as described above. However, shares of an ETF may be traded like stocks on the open market and are not redeemable at an NAV. As such, the value of an ETF may fluctuate throughout the day and investors will be subject to the cost associated with the bid-ask spread (the difference between the price a buyer is willing to pay (bid) for an ETF and the seller's offering (asking) price).

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

## **Item 9. Disciplinary Information**

XYIS has not been involved in any legal or disciplinary events that are material to a Client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations.

Senior Director & Chief Compliance Officer Thomas Kerney is a registered Financial and Operations Principal and Municipal Securities Principal with CFS Securities, Inc., a FINRA member broker-dealer.

No XYIS employee is registered or has an application pending to register as a futures commission merchant, commodity pool operator or a commodity trading advisor.

XYIS only receives compensation from RIAs. We do not receive compensation from any outside source. We do not have any conflicts of interest with any outside party.

### **Affiliation with Other Investment Advisers**

Michael E. Kitces, indirect owner of XYIS, has relationships with other Investment Advisers. He is an approximately 2% owner of Pinnacle Advisory Group, Inc. and is Head of Planning Strategy and IAR of Buckingham Strategic Wealth. A conflict of interest exists to the extent that XYIS or its Supervised Persons recommends those firms to Clients or where those firms recommend their Clients use the Program. In order to mitigate these conflicts, XYIS does not allow such cross referrals.

No other owners or management personnel of XYIS have relationships with any of the following: broker-dealers, municipal securities dealers, investment companies, other investment advisers, futures commission merchants, commodity pool operators, commodity trading advisors, banking institutions, accounting firms, law firms, insurance companies, pension consultants, real estate brokers or sponsors of limited partnerships.

### **XY Planning Network (“XYPN”)**

XYIS is a wholly-owned subsidiary of XYPN. XYPN is a community-driven advisor support network of more than one thousand financial advisors that provides tools, resources, and services, to enable state-registered financial advisors to start, run, and grow their own fee-only financial planning practices serving Gen X and Gen Y clients for a monthly subscription fee. XYPN connects consumers with our diverse community of fee-only CFPs dedicated to bringing real

financial planning to the next generation without regards to investment account minimums.

## **Item 11. Code of Ethics**

XYIS has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. XYIS’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by XYIS or any of its Supervised Persons and the trading by the same of securities ahead of Clients in order to take advantage of pending orders.

The Code of Ethics also requires XYIS’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings).

Associates of XYIS may buy or sell securities similar to, or different from, those recommended to Clients for their accounts if done in a fair and equitable manner that is consistent with XYIS’s policies and procedures. Though this is a conflict of interest, as XYIS or its IARs may benefit from an increase in price from subsequent purchases by clients, this Code of Ethics has been established recognizing that XYIS mainly recommends mutual funds and ETFs, securities that trade in sufficiently broad markets and can be completed without any appreciable impact on the markets of such securities.

Associates of XYIS may buy or sell securities for themselves at or around the same time as Clients. We will not trade non-fund securities (mutual funds or exchange-traded funds) within 5 days prior to the same security for Clients.

When XYIS is engaging in or considering a transaction in any security on behalf of a Client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

1. the transaction has been completed;
2. the transaction for the Supervised Person is completed as part of a batch trade with Clients; or
3. a decision has been made not to engage in the transaction for the Client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit,



commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Neither XYIS, its associates or any related person is authorized to recommend to a Client, or effect a transaction for a Client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, adviser to the issuer, etc.

Clients and prospective Clients may contact XYIS to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

XYIS recommends that Clients utilize the custody, brokerage and clearing services of TD Ameritrade Institutional (“TD Ameritrade”), a division of TD Ameritrade, Inc., member of FINRA/SIPC, an unaffiliated SEC-registered broker-dealer and FINRA member, for investment management accounts. XYIS participates in the institutional customer program offered by TD Ameritrade which provides XYIS with access to its institutional trading and custody services, which are typically not available to retail investors. XYIS is independently owned and operated and not affiliated with TD Ameritrade.

TD Ameritrade offers, to independent investment advisers, services which include custody of securities, trade execution, clearance and settlement of transactions. Not all advisers require their clients to direct brokerage. The final decision to custody assets with TD Ameritrade is at the discretion of the Client, including those accounts under ERISA or IRA rules and regulations, in which case the Client is acting as either the plan sponsor or IRA account holder.

Factors which XYIS considers in recommending TD Ameritrade or any other broker-dealer to Clients include their respective financial strength, reputation, execution, pricing, research and service. TD Ameritrade enables XYIS to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by TD Ameritrade may be higher or lower than those charged by other Financial Institutions or through direct brokerage.

The commissions paid by Clients to TD Ameritrade comply with XYIS’s duty to seek “best execution.” XYIS determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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 Financial Institution’s services, including among others, the value of research provided, execution capability, commission rates and responsiveness. XYIS seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with seeking best execution, TD Ameritrade provides products and/or services that are designed to assist XYIS in its investment decision-making process and its ability to provide advice and service to its RIAs and Clients. The receipt of investment products and/or services as

well as the allocation of the benefit of such products and/or services poses a conflict of interest because XYIS does not have to produce or pay for the products or services.

XYIS periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to seek best execution.

### **Software and Support Provided by Financial Institutions**

XYIS receives, without cost from TD Ameritrade, administrative support, computer software, related systems support, as well as other third party support as further described below which allows XYIS to better monitor Client accounts maintained at TD Ameritrade and otherwise conduct its business. XYIS receives the support without cost because it renders investment management services to Clients that maintain assets at TD Ameritrade. From time to time, TD Ameritrade also sponsors, in whole or in part, conferences hosted by XYIS or its parent company, XYPN.

This support benefits XYIS, but not its Clients directly. Clients should be aware that XYIS's receipt of economic benefits such as the support from a broker-dealer creates a conflict of interest since these benefits may influence XYIS's choice of broker-dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, XYIS endeavors at all times to put the interests of its Clients first and has determined that the recommendation of TD Ameritrade is in the best interest of Clients and satisfies XYIS's duty to seek best execution.

Specifically, XYIS receives the following benefits from TD Ameritrade:

1. access to a trading desk that exclusively services its institutional traders;
2. access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to Client accounts; and
3. access to an electronic communication network for client order entry and account information.
4. Fee credit provided by TD Ameritrade for Advisors that use the Orion Essentials Solution through XYIS.

In addition, TD Ameritrade provides access to its investment adviser platform to XYPN member advisers regardless of the assets managed or placed on the XYIS platform by such adviser. Furthermore, TD Ameritrade is a co-national sponsor of XYPN. TD Ameritrade pays a flat fee for the year, and in return receives marketing to XYPN members. The TD Ameritrade logo is included in XYPN's newsletter, TD Ameritrade gives quarterly sales webinars to members, and other opportunities to market to those members. TD Ameritrade also sponsors XYPN's Network

National Conference by purchasing a booth and other sponsorship fees. These relationships result in a conflict of interest for XYIS to recommend TD Ameritrade for the Program.

There is no direct link between XYIS's participation in TD Ameritrade's institutional customer program and the investment advice it gives to its Clients, although XYIS receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. XYIS also has the ability deduct advisory fees directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to XYIS by third party vendors. TD Ameritrade funds business consulting and professional services received by XY Investment Solutions' related persons.

The receipt of the products and services from TD Ameritrade as described above creates a conflict of interest to the extent it causes XYIS to recommend TD Ameritrade as opposed to a comparable custodial broker-dealer. XYIS addresses this conflict of interest by fully disclosing this conflict of interest in this brochure, evaluating TD Ameritrade based on the value and quality of its services as realized by Clients, and by periodically evaluating alternative custodial broker-dealers to recommend.

### **Brokerage for Client Referrals**

XYIS does not receive client referrals from broker-dealers or third-parties.

### **Trade Aggregation**

Transactions for each Client will be processed independently, unless XYIS decides to purchase or sell the same securities for several Clients at approximately the same time. XYIS may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among XYIS's Clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among XYIS's Clients pro rata to the purchase and sale orders placed for each Client on any given day. To the extent that XYIS determines to aggregate Client orders for the purchase or sale of securities, including securities in which XYIS's Supervised Persons may invest, XYIS does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. XYIS does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that XYIS determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, XYIS may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Research and Soft Dollar Benefits**

XYIS participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between XYIS's participation in the program and the investment advice it gives to its clients, although XYIS receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Such non-cash benefits are referred to as "soft dollars".

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

### **Account Reviews**

XYIS monitors the Model Portfolios on a continuous basis but does not conduct regular reviews of the RIA's Client accounts. Model Portfolio reviews are conducted by XYIS personnel and East Bay Financial Services - an independent and unaffiliated third-party retained to support XYIS in areas such as model creation, portfolio management, and investment research.

### **Account Statements and Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied.

Clients also receive written or electronic reports from XYIS and/or an outside service provider on a quarterly basis, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from XYIS or an outside service provider.

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

XYIS does not currently provide compensation to any third-party solicitors for client referrals, and does not receive compensation from any third-party for client referrals.

XYIS does not receive any economic benefit, directly or indirectly from any third party for advice rendered to our clients.

## **Item 15. Custody**

The Advisory Agreement and/or the separate authorization form with the applicable Financial Institution authorize XYIS to debit Client accounts for payment of XYIS's fees and to directly remit those funds to XYIS in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for Client accounts, from which XYIS retains the authority to directly deduct fees, have agreed to send statements to Clients not less than quarterly detailing all account transactions, including any amounts paid to XYIS.

In addition, as discussed in Item 13, XYIS will also send, or otherwise make available, periodic supplemental reports to Clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from XYIS. If the Client has any questions they should contact their RIA directly.



## **Item 16. Investment Discretion**

XYIS is given the authority to exercise discretion within the Model Portfolios on behalf of Clients. XYIS is considered to exercise investment discretion over a Client's account if it can effect and/or direct transactions in Client accounts without first seeking their consent. XYIS is given this authority through a new account opening form and/or limited power-of-attorney included in the agreement between XYIS and the Client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). XYIS takes discretion over the following activities:

1. The securities to be purchased or sold;
2. The amount of securities to be purchased or sold; and
3. When transactions are made.

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

XYIS does not accept the authority to vote any Client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact XYIS at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## **Item 18. Financial Information**

XYIS is not required to disclose any financial information due to the following:

1. XYIS does not require or solicit the prepayment of more than \$500 in fees six months or more in advance of services rendered;
2. XYIS does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients; and
3. XYIS has not been the subject of a bankruptcy petition at any time during the past ten years.