

# Carbon Collective Investing, LLC Wrap Fee Program Brochure

*This wrap fee program brochure provides information about the qualifications and business practices of Carbon Collective Investing, LLC. If you have any questions about the contents of this brochure, please contact us at (559) 644-3195 or by email at: [info@carboncollective.co](mailto:info@carboncollective.co). 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 Carbon Collective Investing, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Carbon Collective Investing, LLC's CRD number is: 310129.*

524 Madison St  
Albany, CA 94706  
925-268-8041  
[info@carboncollective.co](mailto:info@carboncollective.co)  
<https://carboncollective.co>

*Registration as an investment adviser does not imply a certain level of skill or training.*

Version Date: 7/15/2020

## Item 2: Material Changes

This is Carbon Collective Investing LLC's first update to its Wrap Fee Program Brochure since its initial publication on 08/13/20. These changes were made on 2021-01-04.

- CCI charges \$25/year as a flat membership fee. This is deducted monthly, along with CCI's AUM fees, from client's accounts every month, rather than annually. There is no material change to the fee itself.
- A small number of clients who "pre-subscribed" to CCI had this annual \$25/year membership fee and will only pay the management fee.
- Clarified that while CCI has no minimum investment amount, it does recommend investing no less than \$1,000.00 given CCI's fee structure.
- Clarified that Carbon Collective Investing LCC is a wholly-owned subsidiary of Osmo Systems Inc, a Delaware C Corporation.
- Updated CCI's main office address & phone number.
- Updated Proxy Voting policy to indicate that CCI may accept proxy voting authority on behalf of clients in the future.
- Clarified how we provide advice and risk tolerance assessments.

## Item 3: Table of Contents

Item 1: Cover Page	
General	1
Item 2: Material Changes	1
Item 3: Table of Contents	2
Item 4: Advisory Business	3
Item 5: Types of Clients	4
Item 6: Portfolio Manager Selection and Evaluation	4
Item 7: Client Information Provided to Portfolio Managers	9
Item 8: Client Contact with Portfolio Managers	9
Item 9: Additional Information	10
Item 10: Requirements For State Registered Advisers	12

## Item 4: Advisory Business

### A. Description of the Advisory Firm

Carbon Collective Investing, LLC (hereinafter “CCI”) is a Limited Liability Company organized in the State of California. The firm was formed in July 2020, and is a fully owned subsidiary of Osmo Systems, Inc. a C Corporation registered in Delaware. CCI provides portfolio management to clients under this wrap fee program as sponsor and portfolio manager.

CCI provides Robo-advisory portfolio management services via an online interface.

Total Assets Under Management	Annual Fee
All Assets	0.20%

The membership fee of \$25/year regardless of AUM, charged monthly (\$2.08/month) at the end of each month and prorated should the client join in the middle of the month. This membership fee is deducted from the cash in a clients account.

A small number of clients “pre-subscribed” as CCI members, and for them this fee has been waived.

CCI uses an average of the daily balance in the client's account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a monthly basis. Fees are paid in arrears.

Clients may terminate the agreement without penalty, for a full refund of CCI’s fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract immediately upon written notice.

### B. Contribution Cost Factors

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client’s account, the adviser’s ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

### C. Additional Fees

CCI will wrap third party fees (i.e., custodian fees, brokerage fees, mutual fund fees,

transaction fees, etc.) for wrap fee portfolio management accounts. CCI will charge clients one fee, and pay all transaction fees using the fee collected from the client. Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that CCI has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs.

Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange-traded fund, fees associated with “step out” transactions if the account uses different custodians or broker-dealers, 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.

#### **D. Compensation of Client Participation**

Neither CCI, nor any representatives of CCI receive any additional compensation beyond advisory fees for the participation of client’s in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and other services. Therefore, CCI may have a financial incentive to recommend the wrap fee program to clients.

### **Item 5: Types of Clients**

CCI generally offers advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

There is no formal account minimum for any of CCI’s services. CCI does recommend against investing less than \$1,000.00, as the \$25/year fee can negatively impact the overall returns of smaller investments.

### **Item 6: Portfolio Manager Selection and Evaluation**

#### **A. Selecting/Reviewing Portfolio Managers**

CCI will not select outside portfolio managers for management of this wrap fee program. CCI will be the sole portfolio manager for this wrap fee program.

CCI will use industry standards to calculate portfolio manager performance.

CCI reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is quarterly and is reviewed by CCI.

## **B. Related Persons**

CCI and its personnel serve as the portfolio managers for all wrap fee program accounts. This is a conflict of interest in that no outside adviser assesses CCI's management of the wrap fee program. However, CCI addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the wrap fee program.

## **C. Advisory Business**

CCI provides "robo-advisory" portfolio management services via an online interface. This entails the use of algorithm-based portfolio management advice, rather than in-person investment advice. These automated investment solutions are customized to each client and based on individual characteristics, such as the client's age, risk tolerance, income, and current assets, among others.

CCI will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

Risk tolerance levels are recorded in the onboarding survey, the results of which are given to each client on completion.

Portfolio management accounts participating in the wrap fee program will not have to pay for transaction or trading fees. CCI will charge clients one fee, and pay transaction fees using the advisory fee collected from the client. Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, 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.

Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that CCI has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs. To address this conflict, CCI will always act in the best interest of its clients consistent with its fiduciary duty as an investment adviser.

CCI offers a monthly subscription newsletter, "Carbon Collective Newsletter," the price of which is included in the price of other services such as portfolio management. This newsletter will be provided via postal mail or electronic mail and may be cancelled immediately without notice. CCI provides a newsletter for free; it does not entail an additional fee.

### ***Services Limited to Specific Types of Investments***

CCI generally limits its investment advice to mutual funds, fixed income securities, equities, ETFs, treasury inflation protected/inflation linked bonds and non-U.S.

securities, although CCI primarily recommends largely index-tracking ETFs. CCI may use other securities as well to help diversify a portfolio when applicable.

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

CCI offers a series of pre-built, diversified, low-fee portfolios that are built to be climate-friendly. CCI offers a client a recommendation of which portfolio is best for their investment goals and risks tolerance levels during the onboarding process. The client may accept this recommendation or choose another portfolio.

CCI specializes in portfolios built to remove fossil fuels and other companies with high carbon emissions and replace them with companies building climate change solutions.

### ***Wrap Fee Programs***

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees.

As discussed herein, CCI sponsors and acts as a portfolio manager for this wrap fee program. CCI manages the investments in the wrap fee program.

### ***Amounts Under Management***

CCI has the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$1,377,697.36	\$0	04 January 2021

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

CCI does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### ***Methods of Analysis and Investment Strategies***

The investment strategies CCI use's for client accounts include strategic and tactical asset allocation, trend following and value investing. CCI may use passively-managed index and exchange-traded funds when appropriate for the client, and actively-managed funds. CCI may also use individual stocks and bonds where there are opportunities to make a difference by security selection. Portfolios are generally globally diversified across multiple asset classes in an effort to minimize the risk associated with traditional markets.

The investment strategy for a specific client is based upon the client goals and risk tolerance objectives stated by the client completed questionnaire. The client may change these objectives at any time.

### **Methods of Analysis**

CCI's methods of analysis include modern portfolio theory.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets.

### **Investment Strategies**

CCI uses/recommends long term investing and long term investing.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Material Risks Involved***

---

#### **Methods of Analysis**

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

#### **Investment Strategies**

**Long term investing** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Risks of Specific Securities Utilized***



Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment-grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation-linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of Investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange-Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Risks in investing in ETFs include trading risks, liquidity and shutdown risks, risks associated with a change in authorized participants and non-participation of authorized participants, risks that trading price differs from indicative net asset value (iNAV), or price fluctuation and disassociation from the index being tracked. With regard to trading risks, regular trading adds cost to your portfolio thus counteracting the low fees that one of the typical benefits of ETFs. Additionally, regular trading to beneficially “time the market” is difficult to achieve. Even paid fund managers struggle to do this every year, with the majority failing to beat the relevant indexes. With regard to liquidity and shutdown risks, not all ETFs have the same level of liquidity. Since ETFs are at least as liquid as their underlying assets, trading conditions are more accurately reflected in implied liquidity rather than the average daily volume of the ETF itself. Implied liquidity is a measure of what can potentially be traded in ETFs based on its underlying assets. ETFs are subject to market volatility and the risks of their underlying securities, which may include the risks associated with investing in smaller companies, foreign securities, commodities, and

fixed-income investments (as applicable). Foreign securities, in particular, are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. ETFs that target a small universe of securities, such as a specific region or market sector, are generally subject to greater market volatility, as well as to the specific risks associated with that sector, region, or other focus. ETFs that use derivatives, leverage, or complex investment strategies are subject to additional risks. The return of an index ETF is usually different from that of the index it tracks because of fees, expenses, and tracking error. An ETF may trade at a premium or discount to its net asset value (NAV) (or indicative value in the case of exchange-traded notes). The degree of liquidity can vary significantly from one ETF to another and losses may be magnified if no liquid market exists for the ETF's shares when attempting to sell them. Each ETF has a unique risk profile, detailed in its prospectus, offering circular, or similar material, which should be considered carefully when making investment decisions.

**Non-U.S.** securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

*Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Voting Client Securities (Proxy Voting)***

While currently, CCI does not accept the voting authority for client securities, it reserves the right to do so in the future. Until this time, clients will receive proxies directly from the issuer of the security or the custodian and should direct all proxy questions to the issuer of the security.

## **Item 7: Client Information Provided to Portfolio Managers**

All client information material to managing the portfolio (including basic information, risk tolerance, sophistication level, and income level) is provided to the portfolio manager. The portfolio manager will also have access to that information as it changes and is updated.

## **Item 8: Client Contact with Portfolio Managers**

CCI does not restrict clients from contacting portfolio managers. CCI's representatives can be contacted during regular business hours using the information on the Form ADV Part 2B cover page.

## **Item 9: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

#### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

#### ***Administrative Proceedings***

There are no administrative proceedings to report.

#### ***Self-Regulatory Organization (SRO) Proceedings***

There are no self-regulatory organization proceedings to report.

#### ***Registration as a Broker/Dealer or Broker/Dealer Representative***

Neither CCI nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

#### ***Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor***

Neither CCI nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

#### ***Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

Neither CCI nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

#### ***Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections***

CCI does not select third-party investment advisers.

### **B. Code of Ethics, Client Referrals, and Financial Information**

## ***Code of Ethics***

CCI has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. CCI's Code of Ethics is available free upon request to any client or prospective client.

## ***Recommendations Involving Material Financial Interests***

CCI does not recommend that clients buy or sell any security in which CCI or a related person has a material financial interest.

## ***Investing Personal Money in the Same Securities as Clients***

From time to time, representatives of CCI may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of CCI to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. CCI will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

## ***Trading Securities At/Around the Same Time as Clients' Securities***

From time to time, representatives of CCI may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of CCI to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, CCI will never engage in trading that operates to the client's disadvantage if representatives of CCI buy or sell securities at or around the same time as clients.

## ***Frequency and Nature of Periodic Reviews***

All client accounts for CCI's advisory services provided on an ongoing basis are reviewed at least Annually by James Regulinski, Cofounder, with regard to clients' respective investment policies and risk tolerance levels. All accounts at CCI are assigned to this reviewer.

## ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### ***Content and Frequency of Regular Reports Provided to Clients***

Each client will receive a quarterly account statement from the custodian.

### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients***

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

### ***Compensation to Non – Advisory Personnel for Client Referrals***

CCI does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### ***Balance Sheet***

CCI neither requires nor solicits prepayment of more than \$1,200.

### ***Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

CCI does not have any financial condition that would impair its ability to meet contractual commitments to clients.

### ***Bankruptcy Petitions in Previous Ten Years***

CCI has not been the subject of a bankruptcy petition.

## **Item 10: Requirements For State Registered Advisers**

Please see the “Recommendations Involving Material Financial Interests” and “Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests” sections above.