

# Touchstone Capital, Inc.

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Touchstone Capital, Inc. If you have any questions about the contents of this brochure, please contact us at (724) 933-8388 or by email at: [info@touchstonecapital.com](mailto:info@touchstonecapital.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 Touchstone Capital, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Touchstone Capital, Inc.'s CRD number is: 282537.*

*Touchstone Capital, Inc. is a Registered Investment Advisor. This registration does not imply any level of skill or training.*



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*Registration does not imply a certain level of skill or training.*

Version Date: 07/22/2021

## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Touchstone Capital, Inc. on May 21, 2020 are described below. Material changes relate to Touchstone Capital, Inc.'s policies, practices or conflicts of interests.

- Touchstone Capital, Inc. has removed the reference to the Payroll Protection Program loan program as disclosed in Item 18.B. The company has received forgiveness for the loan and is no longer subject to the economic uncertainty that gave rise to the need for the loan.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Touchstone Capital, Inc. (hereinafter "TCI") is a Corporation organized in the State of Pennsylvania. The principal owners are Theodore Stephen Kerr and David Simeone.

The firm was formed in July 2000 and became registered as an investment adviser in 2016. Prior to registration as an investment adviser, TCI provided insurance services (which it continues to do) and served as the entity through which Theodore Stephen Kerr and David Simeone paid expenses and received income as representatives of Commonwealth Financial Network. (herein after "Commonwealth")

### B. Types of Advisory Services

#### *Investment Management Services*

TCI offers ongoing investment management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. TCI creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Investment management services include, but are not limited to, the following:

- Investment strategy \_\_\_\_\_
- Asset allocation \_\_\_\_\_
- Risk tolerance \_\_\_\_\_
- Clearing, custody, and trading
- Variable Annuity Insurance Products
- Qualified Tuition Plans
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

TCI evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. TCI will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction; however, TCI will also accept non-discretionary accounts for which TCI will secure client permission prior to proceeding with any transactions. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Investment decisions are made in accordance with the fiduciary duties owed to its clients and without consideration of TCI's economic, investment or other financial interests. To meet its fiduciary obligations, TCI attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, TCI's policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is TCI's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time. The account is monitored by your advisor on a regular basis, and your advisor will meet with you no less than annually to review the account's holdings and performance.

## ***Commonwealth's PPS Select Program***

TCI has entered into an agreement to offer clients access to certain programs offered by Commonwealth, an SEC-registered investment adviser. Commonwealth is the sponsor of PPS Select. The PPS Select program offers a variety of model portfolios from which investors may choose. The PPS Select model portfolios are created and managed by Commonwealth's Investment Management and Research team. The client's financial advisor will help the client determine which PPS Select models are best suited for the client based on his or her risk profile, investment objectives, and preferences, leaving the actual investment decisions to Commonwealth's Investment Management and Research team. PPS Select offers a variety of model portfolios with varying investment product types, including mutual fund and ETF portfolios, fixed income portfolios, and variable annuity sub-account portfolios. The account is monitored by your advisor on a regular basis, and your advisor will meet with you no less than annually to review the account's holdings and performance.

## ***Wealth Management Services***

Wealth management services may include but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. Investment planning involves working with clients to make sure their investments match their respective risk tolerance and goals. Tax concerns are addressed by working with the client to determine and compare effective tax rates for income, capital gains and other earnings or investments, then attempting to allocate the client's resources accordingly. Life insurance planning entails reviewing the life insurance and/or disability insurance needs of the client, together with any applicable dependents, spouse or other relatives, and assessing appropriate coverage for these individuals. College planning entails helping clients save for higher education, whether for the client or his/her children or other dependents, in the ideal manner to suit the client's overall financial goals and means. Wealth management services for retirement planning entails making sure clients are financially equipped for retirement in light of the client's anticipated income and expenses, investments, and other assets. Debt/credit planning consists of breaking down client budgets and aiding clients in decision-making as to current debt, anticipated significant expenses and potential debt, and avoiding excessive debt.

## ***Retirement Plan Consulting***

TCI offers its advisors a fee-for-service consulting program whereby advisors may offer one-time or ongoing advisory services to qualified retirement plans. Clients may engage TCI advisors for Retirement Plan Consulting services on a negotiated hourly, flat, fixed, or asset-based fee basis. The maximum annual account consulting fee, when stated as a percentage of assets, is 2.0% and is negotiable. Fees may be paid at the time of service, in advance of service, or after service has been rendered. If fees are being charged on an hourly basis, they may not exceed \$500 per hour. Through the Retirement Plan Consulting program, advisors assist plan sponsors with their fiduciary duties and provide individualized advice based upon the particular needs of the plan and/or plan participants regarding investment management matters, such as: investment policy statement support, investment selection and monitoring, overall portfolio composition, and participant advice programs.

## Services Limited to Specific Types of Investments

TCI generally limits its investment advice to mutual funds, fixed income securities, insurance products including annuities, equities, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds, non-U.S. securities, venture capital funds and private placements. TCI may use other securities as well to help diversify a portfolio when applicable.

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

TCI will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by TCI on behalf of the client. TCI may use "model portfolios" together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

Each client is evaluated based on a number of factors including, but not limited to, age, health, net worth, income, savings rate, tax rates, upcoming extraordinary expenses, job reliability (if working), time horizon to major financial goals, past investment experience, and knowledge related to investing. There are a number of data collection tools that are used throughout our formal interview process to evaluate each client based on the above criteria.

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

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

Most third party asset management programs, as well as TCI's Investment Management Services and Commonwealth's PPS Select Program, are considered "wrap fee" programs in which the client pays a specified fee for portfolio management services and trade execution. Wrap fee programs differ from other programs in that the asset management fee structure for wrap programs is intended to be largely all-inclusive, whereas non-wrap fee programs assess trade execution costs that are typically in addition to the asset management fee.

TCI's Investment Management Services wrap fee program is managed by your TCI financial advisor, and Commonwealth's PPS Select wrap fee program is managed by Commonwealth's Investment Management and Research team. For more information on TCI wrap fee program, please refer to the TCI Wrap Fee brochure. For more information on Commonwealth's wrap fee program, please refer to Commonwealth's Wrap Fee brochure (Appendix 1 in their ADV 2A).

For the investment advisory services provided to you, TCI and Commonwealth, along with your financial advisor, each receive a portion of the investment advisory fee you pay when you participate in any managed account program.

As part of our financial planning and advisory services, we may provide you with recommendations and advice concerning your employer retirement plan or other qualified retirement account. When appropriate, we may recommend that you withdraw the assets from your employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA") to be managed by our firm or a Third-Party Manager that we recommend. If you elect to roll the assets to an IRA under our management, we will charge you an asset-based fee as described in Item 5. This practice presents a conflict of interest because our Advisory Representative has an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if you do complete the rollover, you are under no obligation to have your IRA assets managed under our program or a Third-Party Managed Program. You have the right to decide whether to complete the rollover and the right to consult with other financial professionals.

## **E. Assets Under Management**

TCI has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$133,916,283.00	\$0.00	December 31, 2020

# **Item 5: Fees and Compensation**

## **A. Fee Schedule**

### ***Investment Management Services and Fees***

<b>Asset Sub-Type</b>	<b>Annual Fee</b>
Bank Deposit Sweep Program, Cash	0.00%
Bond Fund, Corporate Bond, Equity-Indexed Annuity, Mixed Fund, Municipal Bond	0.50%
Equity Fund	1.00%
Common Stock*	2.00%

*\* Includes Money Market Mutual Funds used as a proxy for the Common Stock allocations due to trading, tax, or other reasons.*

If any new assets are introduced into an account that do not fall into one of the Asset Sub-Types listed above, they will be assigned an appropriate Asset Sub-Type and Annual Fee percentage and billed in the quarter in which they are added to the account.



Assets that are not traded on a public exchange may be held for the convenience of our clients in accounts for which we have custody of other assets. These assets will not be charged an annual fee. These non-traded assets could include non-traded real estate investment trusts, private equity limited partnerships, real estate limited partnerships, and stock warrants.

### ***Commonwealth's PPS Select Program Fees***

Clients in the PPS Select Program pay the Investment Management and Services Fees listed above and an Annual Program Fee based on account value as described below:

<b>Tiered Asset Level by Household</b>	<b>Annual Fee*</b>
\$0 - \$249,999	0.25%
Next \$250,000- \$499,999	0.20%
Next \$500,000 - \$999,999	0.15%
Above \$1,000,000	0.10%

*\* The minimum Annual Program Fee is \$600, which may exceed the maximum Annual Program Fee percentage.*

The final fee schedule is attached as Exhibit I of the Investment Management Agreement. Clients may terminate the agreement without penalty for a full refund of TCI's unearned fees within five business days of signing the Investment Management Agreement. Thereafter, clients may terminate the Investment Management Agreement with five days written notice.

For all of the above programs, TCI uses the value of the account as of the last business day of the prior 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.

### ***Wealth Management Services Fees***

The negotiated fixed rate for creating client financial plans is between \$500 and \$10,000. Clients may terminate the agreement without penalty for a full refund of TCI's fees within five business days of signing the Wealth Management Agreement. Thereafter, clients may terminate the Wealth Management Agreement upon written notice.

### ***Retirement Plan Consulting Fees***

The TCI Retirement Plan Consulting program provides clients with the option of paying an annual fee for ongoing services based on a percentage of assets under advisement, a flat fee, or an hourly rate not to exceed \$500. The fee amount a client will pay is negotiable between the client and the advisor. Fees may be paid directly from qualified plan assets or may be direct billed, as agreed to between the client and the advisor.

## **B. Payment of Fees**

### ***Payment of Investment Management Fees***

Fees are paid in advance. Asset-based investment management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis or may be invoiced and billed directly to the client on a quarterly basis. Clients may select the method in which they are billed.

### ***Payment of Wealth Management Fees***

Wealth management fees are paid in accordance with the rate option and method of payment elected in the Wealth Management Agreement (but never more than six months in advance).

## **C. Client Responsibility for Third Party Fees**

Clients are responsible for the payment of certain third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, etc.). Those fees are separate and distinct from the fees and expenses charged by TCI. Please see Item 12 of this brochure regarding broker-dealer/custodian.

## **D. Prepayment of Fees**

TCI collects fees in advance. If an Investment Management Agreement is terminated by either party, funds for fees paid in advance will be returned within fourteen days to the client via check or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate\* times the number of days elapsed in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee rate by 365.)

Fixed fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination.

## **E. Other Forms of Compensation**

David Simeone and Scott Lucas are insurance agents. In these roles, they accept compensation for the sale of insurance products to TCI clients.

### ***1. This is a Conflict of Interest***

Supervised persons may accept compensation for the sale of insurance products to TCI's clients. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs.

### ***2. Clients Have the Option to Purchase Recommended Products from Other Brokers***

Clients always have the option to purchase TCI recommended products through other brokers or agents that are not affiliated with TCI.

### ***3. Commissions are not TCI's primary source of compensation for advisory services***

Commissions earned from the sale of insurance products are not TCI's primary source of compensation for advisory services.

### ***4. Advisory Fees in Addition to Commissions***

Advisory fees that are charged to clients are not reduced to offset the commissions or insurance products sold to clients.

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

TCI 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.

## **Item 7: Types of Clients**

TCI generally provides advisory services to the following types of clients:

- + Individuals and Families, including High-Net-Worth Individuals and Families
- + Corporations or other businesses
- + Pension and Profit-Sharing plans (other than plan participants)

TCI has a \$1 Million minimum per household, but TCI may waive this minimum at its discretion.

## Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

TCI's primary methods of analysis includes fundamental analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

#### *Investment Strategies*

TCI uses long term trading, short term trading and margin transactions.

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

### B. Material Risks Involved

#### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

#### *Investment Strategies*

**Long term trading** 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.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long-term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired.

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

### **C. Risks of Specific Securities Utilized**

TCI's use of margin transactions generally holds greater risk of capital loss. 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.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you

withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**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.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

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

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

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

Neither TCI 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.

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

David Simeone is an independent licensed insurance agent, and from time to time, will offer clients advice or products from this activity. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. TCI always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to utilize the services of any representative of TCI in connection with such individual's activities outside of TCI.

Scott Wilbur Lucas is a licensed insurance agent with Lucas Insurance. From time to time, he will offer clients advice or products from this activity. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. Touchstone Capital, Inc. always acts in the best interest of the client; including in the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of Touchstone Capital, Inc. in their capacity as a licensed insurance agent.

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

Commonwealth Financial Network is the sponsor of PPS Select. The PPS Select program offers a variety of model portfolios from which investors may choose. The PPS Select model portfolios are created and managed by Commonwealth's Investment Management and Research team. The client's financial advisor will help the client determine which PPS Select models are best suited for the client based on his or her risk profile, investment objectives, and preferences, leaving the actual investment decisions to Commonwealth's Investment Management and Research team. PPS Select offers a variety of model portfolios with varying investment product types, including mutual fund and ETF portfolios, fixed income portfolios, and variable annuity sub-account portfolios.

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

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

TCI 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. TCI's Code of Ethics is available free upon request to any client or prospective client.

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

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

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

From time to time, representatives of TCI may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of TCI 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. TCI 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.

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

From time to time, representatives of TCI may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of TCI 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, TCI will never engage in trading that operates to the client's disadvantage if representatives of TCI buy or sell securities at or around the same time as clients.

# **Item 12: Brokerage Practices**

## **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on TCI's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and TCI may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in TCI's research efforts. TCI will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

TCI will use Commonwealth Financial Network as its primary broker/dealer and National Financial Services as its primary custodian.



### ***1. Research and Other Soft Dollar Benefits***

While TCI has no formal soft-dollars program in which soft dollars are used to pay for third party services, TCI may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). TCI may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and TCI does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. TCI benefits by not having to produce or pay for the research, products or services, and TCI will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that TCI's acceptance of soft dollar benefits may result in higher commissions charged to the client.

### ***2. Brokerage for Client Referrals***

TCI receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

TCI will require clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

If TCI buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, TCI would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. TCI would determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution.

## **C. Conflicts of Interest**

The investment advisory services provided by TCI may cost the client more or less than purchasing similar services separately. Clients should consider whether or not the appointment of TCI as the registered investment adviser may result in certain costs or disadvantages to the client. Factors to consider include the type and size of the account and the client's historical and expected account size or number of trades.

Commonwealth offers your advisor one or more forms of financial benefits based on your advisor's total AUM held at Commonwealth or on the revenue generated from advisory fees or commissions. The types of financial benefits that your advisor may receive from Commonwealth include, but may not be limited to, forgivable or unforgivable loans, enhanced payouts, and discounts or waivers on transaction, platform and account fees, technology fees, research package fees, financial planning software fees, administrative fees, brokerage account fees, account transfer fees, and the cost of attending conferences and events. The enhanced payouts, discounts, and other forms of financial benefits that your advisor may have the opportunity to receive from Commonwealth could provide a financial incentive for your advisor to select Commonwealth as broker/dealer for your accounts over other broker/dealers from which they may not receive similar financial benefits or to use certain Commonwealth PPS programs over other programs available through Commonwealth.

Our relationship with Commonwealth provides us access to two core account sweep programs ("Programs"). These Programs are the core account investment vehicles used to hold your cash balances while awaiting reinvestment for eligible accounts. The two Programs, the Bank Deposit Sweep Program ("BDSP") and the Advisory Retirement Sweep Retirement ("ARSP"), are available for different types of client accounts. The BDSP is the core account investment vehicle for eligible brokerage accounts. The ARSP is the core account investment vehicle for eligible advisory individual retirement accounts. The cash balance in your eligible accounts will be deposited automatically or "swept" into interest-bearing FDIC-insurance eligible Program deposit accounts ("Deposit Accounts") at one or more FDIC-insured financial institutions (each a "Program Bank" or collectively, "Program Banks").

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

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for TCI's advisory services provided on an ongoing basis are reviewed at least quarterly by Theodore S Kerr, President, or David Simeone, Executive Vice President, with regard to clients' respective investment policies and risk tolerance levels. All accounts at TCI are assigned to these reviewers.

All wealth management client cases are reviewed upon creation and plan delivery by Theodore S Kerr, President, David Simeone, Executive Vice President, or Scott W. Lucas, Vice President.

### **B. 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).

With respect to wealth management plans, TCI's services will generally conclude upon delivery of the plan.

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

Each client of TCI's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian.

Each wealth management client will receive a financial plan upon completion or an update upon review.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

In addition to receiving asset-based fees in their capacity as an investment advisor, TCI advisors may receive reimbursements or marketing allowances for marketing expenses and business development costs incurred by the advisor. In addition, advisors may receive invitations to conferences and meetings that are sponsored by firms that offer third party asset management programs to the advisor. Portfolio strategists, investment managers, and product manufacturers may contribute to the cost of the conferences and meetings, may be identified as a sponsor of the conference or meeting, and may have the opportunity to promote their products, programs, and services directly to the financial advisor. Additionally, the advisor's travel-related costs and expenses, meals, and entertainment may be paid or subsidized by the firms. These payments to TCI advisors present a conflict of interest because they provide a financial incentive for advisors to recommend clients use a particular program that offers these payments and opportunities over other programs that do not offer such payments or opportunities. We attempt to mitigate this conflict of interest by:

- Informing you of conflicts of interest in our disclosure document and agreement;
- Maintaining and abiding by our Code of Ethics which requires us to place your interests first and foremost;
- Advising you of the right to decline to implement our recommendations and the right to choose other financial professionals for implementation.

Commonwealth provided a loan to Theodore Kerr on 08/13/2019, of \$396,000. The Note presents a conflict of interest in that Theodore Kerr has a financial incentive to maintain TCI's relationship with Commonwealth which includes directing clients to Commonwealth for execution of trades, custody of assets, and reporting or research services. However, to the extent Theodore Kerr directs clients to Commonwealth for such services, it is because he believes that it is in that client's best interest to do so.

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

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

### **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, TCI will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy. Custody is also disclosed in Form ADV because TCI has authority to transfer money from client account(s), which constitutes a standing letter of authorization (SLOA). Accordingly, TCI will follow the safeguards specified by the SEC rather than undergo an annual audit.

TCI clients may also receive portfolio summary or performance reporting for their TCI managed accounts from TCI or their advisor that are in addition to the account statements clients receive directly from the respective account custodian. TCI urges you to compare the account statements you receive from your account custodian with any account summary statements or reports you receive from us or your advisor. Although account holdings and asset valuations should generally match, for purposes of calculating performance and account valuations on your Investment Management Services account, TCI summary or performance reporting month-end market values sometimes differ from custodial account statement month-end market values. The three most common reasons why these values may differ are differences in the manner in which accrued interest is calculated, the date upon which “as of” dividends and capital gains are reported, and settlement date versus trade date valuations.

If you believe there are material discrepancies between your custodial statement and the summary statements or reports you receive from TCI or your advisor, please contact Theodore S. Kerr, Chief Compliance Officer of TCI, directly at 724.933.8388.

### **Item 16: Investment Discretion**

TCI provides discretionary and non-discretionary investment advisory services to clients. The Investment Management Agreement established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, TCI manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share.

## **Item 17: Voting Client Securities (Proxy Voting)**

TCI will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

TCI neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

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

TCI nor its management has any financial condition that is likely to reasonably impair TCI's ability to meet contractual commitments to clients.

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

TCI has not been the subject of a bankruptcy petition in the last ten years.

