



## **PART 2 OF FORM ADV – BROCHURE**

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This Brochure provides you information about the qualifications and business practices of Diversified Portfolios, Inc. (“our”, or “us”, or “we”). If you have any questions about the contents of this Brochure, please contact us at (248) 644-3030. 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.

We are a registered investment adviser. Registration of an adviser does not imply any level of skill or training.

Additional information about Diversified Portfolios, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **ITEM 4: ADVISORY BUSINESS**

### **Our Owners and Principals**

We are a Michigan corporation formed in 1993. We are required to disclose the persons owning twenty-five percent (25%) or more of our firm's common stock. Robert Toal, Ronald Yolles and Thomas Post, each a Partner of our firm owning more than twenty-five percent (25%) of our firm's common stock.

### **Our Advisory Services**

#### ***Investment Management for Individual Accounts***

We offer personalized discretionary investment management services to you based on your investment goals, financial objectives and risk tolerance. If you engage us to provide you with investment management services, we will work with you to establish an investment planning summary that is reasonable and documents your investment objectives and expectations. We use this information to build a portfolio of investments for you based on the principles of broad diversification and a long-term allocation of assets among equities, fixed income and cash, consistent with your investment planning summary. We choose specific investments within your portfolio keeping minimization of transaction costs as a key goal. Once the portfolio is established, we monitor and reconcile your account with your custodian on a regular basis. We act under the general fiduciary standard of care applicable to a registered investment adviser. In doing so, we will act with the same care, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims and will otherwise comply with the duties imposed upon a fiduciary under applicable laws.

We perform our investment management service for you pursuant to the terms and conditions we establish in our written investment advisory agreement that we both sign at the beginning of our relationship. As described in further detail below in the "ITEM 16: INVESTMENT DISCRETION" section beginning on page 15, we manage your accounts on a discretionary basis, which means that we determine the securities to buy and sell for your account without obtaining your specific consent prior to each transaction. However, you may place reasonable restrictions on our discretionary authority or place limitations on the types of investments for your account in writing.

#### ***Investment Management for Qualified Plans***

We also provide investment management services to qualified retirement plans which are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). As part of our services to qualified plans, we may act as a fiduciary as defined in Sections 3(21)(A) and 3(38) of ERISA. If we act as a 3(38) investment manager, the plan fiduciary gives us discretionary authority to manage the plan's assets. This means that the plan fiduciary shifts its

fiduciary responsibility to us for the selection of the plan's investments. If you engage us as a 3(21) advisor, we will make recommendations, but it is ultimately up to you, as the plan fiduciary, to decide whether and how to act. As a 3(21) advisor, we will not have discretion to invest and reinvest your assets without your prior consent. Thus, as a 3(21) advisor, we will share responsibility for the selection of investments.

For qualified plan clients, we assist you with creating and maintaining your investment planning summary, upon request. Your investment planning summary or other written investment objectives may place restrictions on the types of investments the plan assets may invest in. We adjust the asset allocation to ensure that the investment mix reflects the objectives of the chosen strategy. We continually monitor the performance of all investment options.

### ***Additional Services***

In conjunction with our investment management services, when requested, we will advise you on issues related to your retirement planning or wealth management. To implement our advice, we may recommend that you work with other professionals, such as attorneys or accountants, or utilize various financial products, such as insurance. If our services to you include the recommendation of other professionals, you will typically sign an agreement with them in addition to the advisory agreement you sign with us. You are under no obligation to act upon any of our recommendations. We do not receive any compensation from the professionals or from any financial products we recommend to you.

### **Assets Under Management**

As of December 31, 2020, we had \$1,152,944,551 in client assets managed on a discretionary basis and \$50,154,328 on a non-discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

### **Investment Management Fee Schedule**

Our standard fee schedule for all investment management services is as follows:

<u>Market Value of Assets</u>	<u>Annual Fee</u>
For the first \$1,000,000	0.90%
For the next \$1,000,000	0.75%
For the next \$2,000,000	0.60%
For the next \$2,000,000	0.50%
For the next \$4,000,000	0.40%
For the next \$15,000,000	0.30%
Any amount over \$25,000,000	0.20%

We establish with you the specific manner in which we charge our fees in the written investment advisory agreement signed with us prior to beginning our relationship. We provide the additional services named above as part of our investment management service at no additional cost to you.

### **Additional Information**

Generally, we bill our fees in arrears on a quarterly basis based on the market value of your assets under our management, including cash and cash equivalents, on the last business day of the preceding quarter. We prorate our fee for accounts initiated or terminated during a calendar quarter, in the event that our engagement does not begin or end at the end of a calendar quarter. We also prorate our management fees for each capital contribution and withdrawal greater than \$30,000 made during the applicable calendar quarter.

At our sole discretion, fees may be negotiated. In certain circumstances, fees may be negotiated based upon considerations such as complexity of the client's situation, amount of assets to be placed under our management, anticipated future additional assets, other related accounts, historical relationship, among other factors. Negotiated fees may be higher or lower than those described in this Brochure. In these circumstances, our negotiated fee schedule will be set forth in your investment advisory agreement.

As set forth in the "ITEM 7: TYPES OF CLIENTS" section beginning on page 4, we generally require you to have a minimum of \$1,000,000 in assets to open an account for investment advisory services.

### **Additional Fees and Expenses**

Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses incurred in connection with providing investment advisory services to you. We only recommend and invest in mutual funds that are "no load" funds, which, as the name implies, means that the fund does not charge a sales load. However, not every type of shareholder fee is a sales load. Mutual funds and exchange traded funds ("ETFs") also charge annual fund operating expenses (including management fees, administrative fees, and other expenses) expressed as a percentage of assets deducted each fiscal year for fund expenses, (i.e., the expense ratio). When selecting a fund, we will consider a variety of factors including its expense ratio. Such fees are in addition to our fee and are disclosed in the fund's prospectus, and are not paid to our Financial Advisors or to us. A copy of the prospectus is available from the fund.

Our share class selections are based upon then available information and circumstances, which may later turn out differently for many reasons beyond our control, including your changing investment objectives, financial needs, or time horizon. Generally speaking, you may purchase many mutual funds directly, without using our services and without incurring our

advisory fees. However, we recommend a number of funds and have access to institutional shares that are not available to the general public. Consequently, for any type of fund investment, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: one layer of fees and expenses at the fund level and one layer of advisory fees to us.

For information that we consider when recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions) please see the “ITEM 12: BROKERAGE PRACTICES” section beginning on page 9.

### **Termination of Services**

Either of us may terminate the investment advisory agreement at any time by providing the other party with written notice. Upon termination, you will remain obligated for the payment of any services performed for your account prior to termination. Also, upon termination of any account, we will charge any earned fees or refund any prepaid, unearned fees as appropriate based on your billing method chosen. You are responsible for any cost incurred in transferring assets from your account to a different account. After termination, we will have no further duties or obligations to you.

### **Direct Billing to Your Custodian**

Unless otherwise agreed to in writing, you authorize us in the investment advisory agreement to bill our fees to the custodian of your account and grant the custodian permission to directly debit our fees from your accounts. If you provide us such authorization, you will receive periodic statements from your custodian showing each fee deduction from your account. You may withdraw this authorization for direct billing of these fees at any time by notifying us or your custodian in writing.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

## **ITEM 7: TYPES OF CLIENTS**

We provide investment management services to individuals, high net-worth individuals, pension and profit-sharing plans, charitable organizations, corporations and trusts.

We impose certain conditions for opening or maintaining an account. Generally, we require a minimum of \$1,000,000 of cash and/or securities to open an account for investment

management services. We will waive this requirement if, for example, you anticipate future additional assets, have other related accounts, or we have a historical relationship.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis**

We base our investment approach on the following core principles:

- The most important investment decision is how best to allocate financial assets among the primary investment alternatives (i.e., cash, bonds, stocks and real estate).
- Diversification among and within investment categories or “asset classes” is the best way to limit risk and improve returns.
- Establishing and then committing to a long term, disciplined investment approach is the most reliable way to achieve your objectives.
- Risk and return are related. Financial markets provide returns to investors for placing their capital at risk.
- Low cost, no-load, passively managed funds and ETF’s, are the most effective vehicle for accessing market returns, particularly for taxable investors.
- The high cost of most investment products and services contributes to the failure of investors to achieve market returns.

We receive data and analysis from economists and other investment professionals including from Dimensional Fund Advisors (“DFA”), an unaffiliated registered investment adviser. We also receive proprietary software from DFA. We utilize the software in the formation of asset allocation strategies, to analyze investments for your account and production of performance reports. We believe these resources for information are reliable and regularly depend on these resources for making our investment decisions; however, we do not independently verify for the accuracy or completeness of this information.

### **Investment Strategies**

We use a variety of investment strategies depending on your circumstances, financial objectives and needs. Investments made in portfolios are predominantly long term, and the frequency of trading is limited in order to keep costs low and taxable gains to a minimum. We believe that your portfolio should involve a long-term strategy instead of short-term. While a

long-term strategy assumes that the financial market values will increase over time (at least a year) this may not happen. There is also the short-term risk that the segment of the market you are invested in (or perhaps just your particular investment) will decrease over time even if overall markets values increase.

We use software programs, to help us analyze and rebalance client portfolios. All accounts are reviewed by our Financial Advisors and periodically trades are needed to rebalance portfolios or to generate cash for client spending requirements. A list of required trades is prepared and entered into the trading platform, which allows for electronic submission of trades. Before we submit trades we review the trades again for accuracy. We then place the trade file electronically and keep all required records. The following day, our trading records are reconciled with the custodian and any discrepancy is corrected immediately. We maintain an electronic record of all trades both by date and on a per client basis.

### **Types of Investments and Risk of Loss**

We develop a long term asset allocation strategy consistent with your investment goals, objectives and risk tolerance outlined in your investment planning summary. In implementing this long term strategy, we predominantly use low cost, passively managed no-load open-end mutual funds and on occasion exchange traded funds (ETFs). Funds follow a passive investment philosophy with low turnover. Occasionally, and only if appropriate for the client's objectives, we will use individual securities to implement a strategy.

We offer advice about a wide variety of investment types, including mutual funds, index funds and ETFs, each having different types and levels of risk. We will discuss these risks with you in determining the investment objectives that will guide our investment advice for your account. We will explain and answer any questions you have about these kinds of investments, which present special considerations such as the following.

- **Market Risk:** The price of a security (e.g., mutual funds and ETFs) may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, changes in political, economic and social conditions have the ability to trigger market events.
- **Interest-rate Risk:** Fluctuations in interest rates cause investment prices to fluctuate. For example, when interest rates rise, the value of fixed-income securities generally declines and the value of certain equity securities may be adversely affected. Similarly, portfolios that hold fixed-income securities are subject to the risk that the portfolio's income will decline when interest rates fall.



- **Reinvestment Risk:** This is the risk that future proceeds from investments will have to be reinvested at a potentially lower rate of return. This primarily relates to fixed income securities.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Capitalization Risk:** Small-cap and mid-cap companies have historically been more volatile than the stocks of larger, more established companies. Common challenges include limited resources or less diverse products or services than larger companies.
- **Exchange-Traded Funds:** ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to liquidity risk and/or the fund's shares trading at either a premium or a discount to its "net asset value".
- **Foreign Securities and Currency Risk:** Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.
- **Performance of Underlying Managers:** We select the mutual funds and ETFs in the client's portfolios. However, we depend on the Underlying Manager of such funds to select individual investments in accordance with their stated investment strategy and on their decisions regarding the allocation of the fund's assets.
- **Real Estate Industry:** The value of securities in the real estate industry can be affected by changes in real estate values and rental income, property taxes, and tax and regulatory requirements. Also, the value of securities in the real estate industry may decline with changes in interest rates. Investing in REITs and REIT-like entities, including investing in funds that hold these type of entities, involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs and REIT-like entities are dependent upon

management skill, may not be diversified, and are subject to heavy cash flow dependency and self-liquidation. Also, because REITs and REIT-like entities typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments.

Investing in securities involves risk of loss that you should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. We work with you to attempt to identify the balance of risks and rewards that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not fully understand the risks associated with any investment or investment strategy.

Also, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure you that your investments will be profitable or assure you that no losses will occur in your investment portfolio. Past performance is one relatively important consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.

#### **ITEM 9: DISCIPLINARY INFORMATION**

As a registered investment adviser, we must inform you of all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As a registered investment adviser, we must disclose information regarding our business activities, other than giving investment advice, our other activities in the financial industry, and any arrangements with related persons that are material to you or our advisory business. We are also required to disclose if we receive cash or other economic benefits when recommending or selecting third-party investment advisers in connection with advising you. We do not utilize or select other investment advisers to manage your assets and have no applicable information to disclose.

#### **ITEM 11: CODE OF ETHICS**

We have adopted a Code of Ethics for the officers and employees (collectively, “supervised persons”) of our firm describing the high standard of business conduct and fiduciary duty owed to our clients. Our Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading

procedures, among other things. All of our supervised persons are required to follow our Code and must acknowledge the terms of our Code annually, or as amended.

From time to time, our supervised persons will purchase investments that we also recommend to clients. Subject to our Code and applicable laws, all of our supervised persons are permitted to trade for their own accounts in securities which we recommend to or purchase for our clients. Generally, these securities will be shares of open-ended mutual funds or ETFs actively traded on a national securities exchange or market where the time and size of their purchases or sales will not affect transactions for you or our other clients. If we do recommend the purchase or sale of a thinly traded security to you, we will ensure that our supervised persons' transactions do not adversely affect you nor improperly benefit them. The Chief Compliance Officer ("CCO") monitors our supervised persons' trading under our Code to prevent conflicts of interest between our clients and us. All trades and holdings of the CCO are reviewed by Thomas C. Post, co-owner.

You may request a copy of our Code by contacting Robert E. Toal, our Chief Compliance Officer, at 248-644-3030 or [rtoal@diversifiedportfolios.net](mailto:rtoal@diversifiedportfolios.net).

## **ITEM 12: BROKERAGE PRACTICES**

### **Directed Brokerage & Soft Dollars**

We recommend brokerage services provided by Charles Schwab & Co., Inc., ("Schwab") a registered broker-dealer for custodial and brokerage services. Not all independent investment advisers recommend that their clients use a particular broker.

Generally, if you choose Schwab as your custodian they do not charge your account a separate custodial fee, but instead charge commissions and other transaction-related fees for securities trades that are executed through them or that settle into your account custodied with them. In addition, Schwab offers a program that will automatically invest the free credit balance in your account into a liquid investment to earn interest (a "Cash Program"). When you participate in a Cash Program, your cash will earn income while we decide how best to invest those funds for the longer term. If your account utilizes a Cash Program, Schwab's affiliated bank, also is compensated by earning interest on the uninvested cash in your account.

We have evaluated Schwab and have determined they offer our clients a variety of services, financial stability and competitive commission rates. We are independently owned and operated and are not affiliated with Schwab and we do not receive remuneration from any broker including Schwab. In recommending this broker, we considered our confidence in the firm, competitive rates for transactions, trade execution, availability of no-load, no transaction fee mutual funds, and other investments that are otherwise generally available only to institutional investors or to accounts with a significantly higher minimum initial investment, website features,

and their custodial services. We previously recommended TD Ameritrade Institutional, a division of TD Ameritrade, Inc., (“TD Ameritrade”) to clients. TD Ameritrade became a part of Schwab when Schwab’s acquisition of TD Ameritrade closed in October 2020. While clients remain at TD Ameritrade, we no longer recommend clients utilize TD Ameritrade.

We have not and do not intend to enter into any contractual third-party soft-dollar arrangements, such as committing to place a specific level of brokerage with a specific firm in return for which the brokerage firm will pay for various research related products or services for us that are generally available for cash purchase.

However, Schwab does offer us other products and services that assist us in managing and administering clients’ accounts, but will not necessarily directly benefit your account. We do use many of these products and services to service all or some substantial number of our client accounts. These products and services include software and other technology that (1) provide us access to client account data, such as trade confirmations and account statements; (2) facilitate trade execution; (3) provide research, pricing and other market data; (4) facilitate payment of our fees from our clients’ accounts; and (5) assist with back-office functions, recordkeeping and client reporting.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Nevertheless, as part of our fiduciary duty to clients, we endeavor at all times to put the interests of our clients first. You should be aware that the receipt of economic benefits by us or our supervised persons in and of itself creates a conflict of interest and could indirectly influence our choice to recommend brokers for custody and brokerage services. However, we have determined that having Schwab execute trades is consistent with our duty to see “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above. By using another broker or dealer you may pay lower transaction costs.

If your assets are subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), you may direct us to utilize a specified broker-dealer of your choice to effect transactions for or with your account. You should understand that, in the case of such a directed brokerage arrangement:

- you will be solely responsible for negotiating the terms and arrangements on which those brokers and dealers are engaged, and we will have no responsibility for reviewing the fairness of those terms and arrangements;
- we will not seek better execution services or prices from other brokers and dealers in connection with transactions for your account;

- we will not be able to “batch” or “aggregate” transactions for your account with transactions for our other clients not subject to a similar such arrangement;
- we will not monitor the performance of or the services provided by the brokers and dealers so designated; and
- you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case.

### **Schwab Advisor Services™**

Schwab offers independent investment advisory firms like us support products and services, such as institutional trading and custodial services, through their program Schwab Advisor Services™. These services are generally available to independent investment advisers on an unsolicited basis, at no charge, so long as we maintain a total of at least \$10 million of our clients’ assets in accounts at Schwab. As a result, these services are contingent upon us committing a specific amount of business, assets in custody, to Schwab.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These service offerings include compliance, legal and business consulting, publications and conferences on practice management and business succession and access to employee benefits providers, human capital consultants and insurance providers. Schwab also offers other benefits to us, such as educational events or occasional business entertainment of our personnel.

### **TD Ameritrade Institutional Program**

There is no direct link between our participation with TD Ameritrade and the investment advice we give to you and our other clients, although, we receive benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

The fact that we receive benefits from Schwab and TD Ameritrade is an incentive for us to recommend the use of these brokers rather than making such decisions based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab and past recommendation of TD Ameritrade as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab’s and TD Ameritrade’s services and not the services that benefit only us.

## **Dimensional Fund Advisors and Vanguard Group, Inc.**

As stated under ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS, beginning on page 5, we utilize resources made available to us through DFA, to analyze investments for your account such as historical market analysis, and risk/return analysis. DFA also provides us, and other advisers in its network, with education and analytics tools, practice management support, and other resources. These tools are made available to us because we are considered an approved advisor on the DFA platform. DFA's approval process includes meeting with the advisor's representatives, discussing investing philosophy to determine whether it matches that of DFA, and requesting that the financial advisor attend DFA's seminar.

In addition, Vanguard Group, Inc. ("Vanguard") makes available to us tools to evaluate client portfolios and holdings. Vanguard also makes available general educational material that if relevant, we will send to our clients. While there is no direct link between our participation with Vanguard and the investment advice we give to you and our other clients, as stated above, we do receive some benefits through our association with Vanguard that are typically not available to the general public. While receiving tools and research materials from DFA and Vanguard causes a conflict of interest, we mitigate this risk by evaluating and treating the available resources in the same way as the resources received from Schwab, TD Ameritrade, and other sources.

## **Aggregation of Orders**

Investment advisers may aggregate the purchase or sale of securities for various client accounts for their administrative convenience and, in some transactions, to obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately. We offer personalized investment management services and do not aggregate trades.

## **Trade Error Policy**

We have the responsibility to process trade orders correctly, promptly and ensure the best interests of our clients are served. From time to time, we may make an error when submitting a trade such as,

- the purchase or sale of the wrong security (e.g., use the wrong ticker symbol);
- the purchase or sale of an incorrect amount of shares of a security;
- the purchase or sale of a security at a price not in accordance with instructions; or
- a purchase of a security when the intent was to sell, or vice versa.

Our policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting us. If we are responsible for a trade error that results in a

loss in the client's account, we would normally make a trade to reverse the error immediately upon discovery of the error. However, if this is not allowed, e.g., where the "wash sale" rules of the Internal Revenue Code prevent immediate reversal of an error, then we place a corrective trade as soon as allowable. Generally, if related trade errors result in both gains and losses in the client's account, they will be netted. As stated above in this Item, our primary custodians are Schwab and TD Ameritrade; their policies differ on the treatment of trade error corrections.

**Trade Error Losses** - If a trade error occurs at Schwab or TD Ameritrade and it results in a loss in the client's account, the client's account is reimbursed for the entire amount of the loss as soon as practical after the discovery of the error. In the case of Schwab, if the loss is greater than \$100 we are invoiced by Schwab and will pay for the loss. If the loss is less than \$100 Schwab will absorb it to reduce its administrative time and expense. In the case of TD Ameritrade all losses are charged to our account.

**Trade Error Gains** - If a trade error at Schwab results in a gain less than \$100, Schwab will retain the gain to reduce its administrative time and expense. If a trade error results in a gain of more than \$100, the gain will remain in the client's account, unless the same error involved other client account(s) that should have received the gain or it is not permissible for the client to retain the gain. If the gain does not remain in the client's account, Schwab will donate the amount of any gain of \$100 or over to charity. If a trade error results in a gain at TD Ameritrade, TD Ameritrade will automatically sweep the gain from our trade error account to a designated TD Ameritrade error account and then donate the balance of the TD Ameritrade error account to charity. In all cases, where a trading error results in a gain, we will not be given the benefit of the net profit. We do maintain appropriate records for all trade errors. Regardless of the nature of the error, if we are responsible for a trade error that occurs in your account, you will be reimbursed any and all costs that result from the errant trade.

### **ITEM 13: REVIEW OF ACCOUNTS**

We review each account at least quarterly to evaluate and ensure the conformity of the portfolio with your investment objectives. Other factors may trigger additional reviews, such as substantial changes in the market price of stocks and bonds, changes in your objectives or portfolio changes that would impact all accounts. Our Financial Advisors conduct reviews and review trades when reviewing accounts.

We provide you a report on a quarterly basis. Quarterly reports provide the quarter-end market value and the time-weighted returns for all the relevant time periods covering the relationship. You will receive periodic reports, at least quarterly, from the custodian for your account, detailing the transactions within your account for that period. We urge you to review your statements carefully and compare such official custodial records to your statements that we provide to you as described in "ITEM 15: CUSTODY", beginning on page 14.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

As described in “ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS and ITEM 12: BROKERAGE PRACTICES,” we receive research and other benefits from our relationships with Schwab, TD Ameritrade, DFA and Vanguard. In addition to the services named above, DFA, through a web-based service, provides referrals based on the prospective client’s geographic location. DFA makes such referrals to many investment advisers that manage at least \$20 million in total assets and have used Dimensional Funds for at least one year, based on data known to DFA. We do not compensate DFA for including our name on their web-based service.

### **Other Third Party Solicitors**

In the future, we may engage promoters, previously called solicitors, to market our services. If we do so, you will receive a separate solicitor’s disclosure brochure describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. You would also receive a copy of this Brochure.

Prior to joining our firm, Mr. Post arranged to pay a third party solicitor for referring clients to his former employer, Independence Advisors, Inc. Many of those referred clients became our clients, and under the arrangement, the solicitor continues to receive a portion of the standard management fee for a period of time on such clients, which may vary on a case-by-case basis. The payment for a referral or solicitation does not influence the fee paid by our clients.

### **Employees**

As of April 2021, we will enter into written agreements with our employees in which we pay those employees a percentage of revenue billed and received for referring certain business to us. You will not receive a separate solicitor brochure with respect to this activity.

## **ITEM 15: CUSTODY**

We do not maintain custody of client assets. Rather, each client appoints a qualified custodian to take possession of all client funds and securities. We do not accept cash or securities. We have procedures in place to direct employees regarding the inadvertent receipt of any client funds or securities. Nevertheless, we are deemed to have custody when we are authorized, by the client, to directly debit our advisory fees from the client’s custodian account. We are also deemed to have custody when a client establishes a letter of instruction or other asset transfer authorization arrangement with their qualified custodian, authorizing us to disburse funds to one or more third parties specifically designated by the client.



You will receive statements from the broker-dealer, bank or other qualified custodian that holds and maintains your investment assets at least quarterly. Our statements may vary from custodial statements due to items such as the timing of posting and settlement of transactions, reporting dates, or valuation methodologies of certain securities. You should notify us promptly if you do not receive statements from all your account custodian(s) on at least a quarterly basis. We urge you to carefully compare the account balances and positions contained in the official custodial records to the balances reflected on your statement received directly from us, as described in the “ITEM 13: REVIEW OF ACCOUNTS” beginning on page 13. If you have any questions or believe there are inconsistencies with these statements, please contact us or the account custodian.

#### **ITEM 16: INVESTMENT DISCRETION**

We generally receive discretionary authority from you at the outset of an advisory relationship. Discretionary authority grants us the ability to determine, without obtaining your specific consent, the securities to be bought or sold for your portfolio, and the amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with your investment planning summary, as described in more detail in “ITEM 4: ADVISORY BUSINESS” beginning on page 1. When selecting securities and determining amounts, we observe your investment planning summary or any other investment policies, limitations and restrictions you provide to us in writing. Also, you will sign an agreement with your custodian which generally includes a limited power of attorney granting us authority to direct and implement the investment and reinvestment of your assets within the account.

#### **ITEM 17: VOTING CLIENT SECURITIES**

As a matter of firm policy and practice, we will have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in client accounts. You will arrange with your custodian to have proxy solicitation materials forwarded to you for response and voting. You will be solely responsible for voting proxies.

#### **ITEM 18: FINANCIAL INFORMATION**

As a registered investment adviser, we are required to provide you with certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to you. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary commitments to you.